

Public Act No. 99-173

An Act Concerning Various Tax Reductions, Exemptions and Credits for Individuals and Businesses.

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

Section 1. Subdivision (20) of subsection (a) of section 12-701 of the general statutes is repealed and the following is substituted in lieu thereof:

(20) "Connecticut adjusted gross income" means adjusted gross income, with the following modifications: (A) There shall be added thereto (i) to the extent not properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of any state, political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity, exclusive of such income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of any such income with respect to which taxation by any state is prohibited by federal law, (ii) any exempt-interest dividends, as defined in Section 852(b)(5) of the Internal Revenue Code, exclusive of such exempt-interest dividends derived from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of such exempt-interest dividends derived from obligations, the income with respect to which taxation by any state is prohibited by federal law, (iii) any interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes, (iv) to the extent included in gross income for federal income tax purposes for the taxable year, the total taxable amount of a lump sum distribution for the taxable year deductible from such gross income in calculating federal adjusted gross income, (v) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any loss from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state

or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such loss was recognized, (vi) to the extent deductible in determining federal adjusted gross income, any income taxes imposed by this state, (vii) to the extent deductible in determining federal adjusted gross income, any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is exempt from tax under this chapter and (viii) expenses paid or incurred during the taxable year for the production or collection of income which is exempt from taxation under this chapter or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is exempt from tax under this chapter to the extent that such expenses and premiums are deductible in determining federal adjusted gross income. (B) There shall be subtracted therefrom (i) to the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law, (ii) to the extent allowable under section 12-718, exempt dividends paid by a regulated investment company, (iii) the amount of any refund or credit for overpayment of income taxes imposed by this state, or any other state of the United States or a political subdivision thereof, or the District of Columbia or any province of Canada, to the extent properly includable in gross income for federal income tax purposes, (iv) to the extent properly includable in gross income for federal income tax purposes, any tier 1 railroad retirement benefits, (v) with respect to any natural person who is a shareholder of an S corporation which is carrying on, or which has the right to carry on, business in this state, as said term is used in section 12-214, the amount of such shareholder's pro rata share of such corporation's nonseparately computed items, as defined in Section 1366 of the Internal Revenue Code, that is subject to tax under chapter 208, in accordance with subsection (c) of section 12-217, multiplied by such corporation's apportionment fraction, if any, as determined in accordance with section 12-218, (vi) to the extent properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, (vii) to the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any gain from the sale or exchange of obligations issued by or on behalf of the state of

Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such gain was recognized, (viii) any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such interest on indebtedness is not deductible in determining federal adjusted gross income and is attributable to a trade or business carried on by such individual, (ix) ordinary and necessary expenses paid or incurred during the taxable year for the production or collection of income which is subject to taxation under this chapter but exempt from federal income tax, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such expenses and premiums are not deductible in determining federal adjusted gross income and are attributable to a trade or business carried on by such individual, (x) for a person who files a return under the federal income tax as an unmarried individual, or a married individual filing separately whose federal adjusted gross income for such taxable year is less than fifty thousand dollars and for a husband and wife who file a return under federal income tax as married individuals filing jointly or a person who files under federal income tax as a head of household whose federal adjusted gross income for such taxable year is less than sixty thousand dollars, an amount equal to the Social Security benefits includable for federal income tax purposes; for a person who files a return under the federal income tax as an unmarried individual, or a married individual filing separately whose federal adjusted gross income for such taxable year is fifty thousand dollars or more and for a husband and wife who file a return under federal income tax as married individuals filing jointly or a person who files under federal income tax as a head of household whose federal adjusted gross income for such taxable year is sixty thousand dollars or more an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes under the provisions of Section 13215 of the Omnibus Budget Reconciliation Act of 1993 and fifty per cent of the amount of such Social Security benefits includable for federal income tax purposes under the provisions of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, prior to August 10, 1993, (xi) to the extent properly

includable in gross income for federal income tax purposes, any amount rebated to a taxpayer pursuant to section 12-746, and (xii) to the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, any distribution to such beneficiary from any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state. With respect to a person who is the beneficiary of a trust or estate, there shall be added or subtracted, as the case may be, from adjusted gross income such person's share, as determined under section 12-714, in the Connecticut fiduciary adjustment.

Sec. 2. Subsection (b) of section 12-704c of the general statutes is repealed and the following is substituted in lieu thereof:

(b) The credit allowed under this section shall not exceed two hundred fifteen dollars for the taxable year commencing on or after January 1, 1997, and prior to January 1, 1998; ~~and] for taxable years commencing on or after January 1, 1998, but prior to January 1, 1999, three hundred fifty dollars; for taxable years commencing on or after January 1, 1999, but prior to January 1, 2000, four hundred twenty-five dollars; and for taxable years commencing on or after January 1, 2000, five hundred dollars.~~ In the case of any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing a joint return, the credit allowed, in the aggregate, shall not exceed such amounts for each such taxable year.

Sec. 3. (NEW) It is found and declared that the state of Connecticut derives revenue from a variety of taxes, fees and other sources, including the state sales tax; it is fair and reasonable to refund the existing state budget surplus in the form of a rebate of nonbusiness consumer sales and use taxes paid by residents of this state in calendar year 1998; information concerning the amount of sales tax paid at various income levels is contained in the Final Report of the Task Force on State Tax Revenue and the Optional State Sales Tax Table promulgated by the United States Secretary of the Treasury; it is fair and reasonable to use information contained in those reports to determine the share of the sales tax rebate due each eligible individual since no effective or practical mechanism exists for determining the amount of actual sales tax paid by each eligible individual and therefore, it is fair and reasonable to provide a fixed amount sales tax rebate to all individuals since such

information shows that the amount of spending on sales tax is disproportionate to income levels.

Sec. 4. (a) (1) For purposes of sections 3 and 4 of this act, an "eligible individual" means: (A) A resident of this state who is required to file and files or files an extension to file a resident income tax return with the Commissioner of Revenue Services for the taxable year commencing on January 1, 1998; or (B) a resident of this state who is not required to file a resident income tax return for the taxable year commencing on January 1, 1998, with the Commissioner of Revenue Services but is required to file and files, or files an extension to file a federal income tax return with the Commissioner of Internal Revenue; or (C) a resident of this state who is not required to file a resident income tax return for the taxable year commencing on January 1, 1998, with the Commissioner of Revenue Services but is a recipient of a federal earned income tax credit for such taxable year; or (D) a resident of this state who received benefits for the taxable year commencing on January 1, 1998, under Title II of the Social Security Act, as amended, and was not required to file an income tax return with the Commissioner of Revenue Services or the Commissioner of Internal Revenue for such income year.

(2) For the purposes of subparagraphs (B) to (D), inclusive, of subdivision (1) of this section, an individual shall be deemed a resident of this state provided such individual is a resident of this state on the last day of calendar year 1998.

(b) Each eligible individual shall be entitled to a sales tax rebate for sales and use taxes paid in calendar year 1998.

(c) The amount of such rebate shall be fifty dollars.

(d) Amounts rebated pursuant to this section shall be subject to the provisions for set-off as provided in sections 12-739 and 12-742 of the general statutes.

(e) Amounts rebated pursuant to this section shall not be considered income for purposes of sections 8-119l, 12-170d, 12-170aa, 17b-490, 17b-550, 17b-812, 47-88d and 47-287 of the general statutes.

(f) The Commissioner of Revenue Services shall notify the State Comptroller of the names and addresses of the eligible individuals of the rebates pursuant

to this section and the State Comptroller shall draw an order on the State Treasurer in the amount thereof for payment to the eligible individuals. Eligible individuals who filed a joint income tax return shall receive a joint sales tax rebate.

(g) The Commissioner of Revenue Services, in the commissioner's sole discretion, may determine that an individual qualifies as an eligible individual based upon such individual satisfying the commissioner that such individual was a resident of this state as provided in this section.

Sec. 5. Subsection (a) of section 12-702 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) (1) (A) Any person, other than a trust or estate, subject to the tax under this chapter for any taxable year who files under the federal income tax for such taxable year as [an unmarried individual or as] a married individual filing separately or, for taxable years commencing prior to January 1, 2000, who files income tax for such taxable year as an unmarried individual shall be entitled to a personal exemption of twelve thousand dollars in determining Connecticut taxable income for purposes of this chapter.

[(2)] (B) In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-four thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds the said amount. In no event shall the reduction exceed one hundred per cent of the exemption.

(2) For taxable years commencing on or after January 1, 2000, any person, other than a trust or estate, subject to the tax under this chapter for any taxable year who files under the federal income tax for such taxable year as an unmarried individual shall be entitled to a personal exemption in determining Connecticut taxable income for purposes of this chapter as follows:

(A) For taxable years commencing on or after January 1, 2000, but prior to January 1, 2001, twelve thousand two hundred fifty dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-five thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by

which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds the said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(B) For taxable years commencing on or after January 1, 2001, but prior to January 1, 2002, twelve thousand five hundred dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-six thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds the said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(C) For taxable years commencing on or after January 1, 2002, but prior to January 1, 2003, twelve thousand seven hundred fifty dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-seven thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds the said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(D) For taxable years commencing on or after January 1, 2003, but prior to January 1, 2004, thirteen thousand dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-eight thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds the said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(E) For taxable years commencing on or after January 1, 2004, but prior to January 1, 2005, thirteen thousand five hundred dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-nine thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds the said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(F) For taxable years commencing on or after January 1, 2005, but prior to January 1, 2006, fourteen thousand dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds thirty thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds the said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(G) For taxable years commencing on or after January 1, 2006, but prior to January 1, 2007, fourteen thousand five hundred dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds twenty-nine thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds the said amount. In no event shall the reduction exceed one hundred per cent of the exemption;

(H) For taxable years commencing on or after January 1, 2007, fifteen thousand dollars. In the case of any such taxpayer whose Connecticut adjusted gross income for the taxable year exceeds thirty thousand dollars, the exemption amount shall be reduced by one thousand dollars for each one thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income for the taxable year exceeds the said amount. In no event shall the reduction exceed one hundred per cent of the exemption.

Sec. 6. Subsection (a) of section 12-703 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) (1) Any person, other than a trust or estate, subject to the tax under this chapter for any taxable year who files under the federal income tax for such taxable year as [an unmarried individual or as] a married individual filing separately or for taxable years commencing prior to January 1, 2000, who files under the federal income tax for such taxable year as an unmarried individual shall be entitled to a credit in determining the amount of tax liability for purposes of this chapter in accordance with the following schedule:

Connecticut

Adjusted Gross Income	Amount of Credit
Over \$12,000 but not over \$15,000	75%
Over \$15,000 but not over \$15,500	70%
Over \$15,500 but not over \$16,000	65%
Over \$16,000 but not over \$16,500	60%
Over \$16,500 but not over \$17,000	55%
Over \$17,000 but not over \$17,500	50%
Over \$17,500 but not over \$18,000	45%
Over \$18,000 but not over \$18,500	40%
Over \$18,500 but not over \$20,000	35%
Over \$20,000 but not over \$20,500	30%
Over \$20,500 but not over \$21,000	25%
Over \$21,000 but not over \$21,500	20%
Over \$21,500 but not over \$25,000	15%
Over \$25,000 but not over \$25,500	14%
Over \$25,500 but not over \$26,000	13%
Over \$26,000 but not over \$26,500	12%
Over \$26,500 but not over \$27,000	11%
Over \$27,000 but	

not over \$48,000	10%
Over \$48,000 but not over \$48,500	9%
Over \$48,500 but not over \$49,000	8%
Over \$49,000 but not over \$49,500	7%
Over \$49,500 but not over \$50,000	6%
Over \$50,000 but not over \$50,500	5%
Over \$50,500 but not over \$51,000	4%
Over \$51,000 but not over \$51,500	3%
Over \$51,500 but not over \$52,000	2%
Over \$52,000 but not over \$52,500	1%

(2) For taxable years commencing on or after January 1, 2000, any person, other than a trust or estate, subject to the tax under this chapter for any taxable year who files under the federal income tax for such taxable year as an unmarried individual shall be entitled to a credit in determining the amount of tax liability for purposes of this chapter in accordance with the following schedule:

(A) For taxable years commencing on or after January 1, 2000, but prior to January 1, 2001;

<u>Connecticut</u>	
<u>Adjusted Gross Income</u>	<u>Amount of Credit</u>
<u>Over \$12,250 but not over \$15,300</u>	<u>75%</u>
<u>Over \$15,300 but not over \$15,800</u>	<u>70%</u>
<u>Over \$15,800 but</u>	

<u>not over \$16,300</u>	<u>65%</u>
<u>Over \$16,300 but not over \$16,800</u>	<u>60%</u>
<u>Over \$16,800 but not over \$17,300</u>	<u>55%</u>
<u>Over \$17,300 but not over \$17,800</u>	<u>50%</u>
<u>Over \$17,800 but not over \$18,300</u>	<u>45%</u>
<u>Over \$18,300 but not over \$18,800</u>	<u>40%</u>
<u>Over \$18,800 but not over \$20,400</u>	<u>35%</u>
<u>Over \$20,400 but not over \$20,900</u>	<u>30%</u>
<u>Over \$20,900 but not over \$21,400</u>	<u>25%</u>
<u>Over \$21,400 but not over \$21,900</u>	<u>20%</u>
<u>Over \$21,900 but not over \$25,500</u>	<u>15%</u>
<u>Over \$25,500 but not over \$26,000</u>	<u>14%</u>
<u>Over \$26,000 but not over \$26,500</u>	<u>13%</u>
<u>Over \$26,500 but not over \$27,000</u>	<u>12%</u>
<u>Over \$27,000 but not over \$27,500</u>	<u>11%</u>
<u>Over \$27,500 but not over \$49,000</u>	<u>10%</u>
<u>Over \$49,000 but not over \$49,500</u>	<u>9%</u>
<u>Over \$49,500 but not over \$50,000</u>	<u>8%</u>
<u>Over \$50,000 but</u>	

<u>not over \$50,500</u>	<u>7%</u>
<u>Over \$50,500 but</u>	
<u>not over \$51,000</u>	<u>6%</u>
<u>Over \$51,000 but</u>	
<u>not over \$51,500</u>	<u>5%</u>
<u>Over \$51,500 but</u>	
<u>not over \$52,000</u>	<u>4%</u>
<u>Over \$52,000 but</u>	
<u>not over \$52,500</u>	<u>3%</u>
<u>Over \$52,500 but</u>	
<u>not over \$53,000</u>	<u>2%</u>
<u>Over \$53,000 but</u>	
<u>not over \$53,500</u>	<u>1%</u>

(B) For taxable years commencing on or after January 1, 2001, but prior to January 1, 2002;

<u>Connecticut</u>	
<u>Adjusted Gross Income</u>	<u>Amount of Credit</u>
<u>Over \$12,500 but</u>	
<u>not over \$15,600</u>	<u>75%</u>
<u>Over \$15,600 but</u>	
<u>not over \$16,100</u>	<u>70%</u>
<u>Over \$16,100 but</u>	
<u>not over \$16,600</u>	<u>65%</u>
<u>Over \$16,600 but</u>	
<u>not over \$17,100</u>	<u>60%</u>
<u>Over \$17,100 but</u>	
<u>not over \$17,600</u>	<u>55%</u>
<u>Over \$17,600 but</u>	
<u>not over \$18,100</u>	<u>50%</u>
<u>Over \$18,100 but</u>	
<u>not over \$18,600</u>	<u>45%</u>
<u>Over \$18,600 but</u>	
<u>not over \$19,100</u>	<u>40%</u>
<u>Over \$19,100 but</u>	

<u>not over \$20,800</u>	<u>35%</u>
<u>Over \$20,800 but not over \$21,300</u>	<u>30%</u>
<u>Over \$21,300 but not over \$21,800</u>	<u>25%</u>
<u>Over \$21,800 but not over \$22,300</u>	<u>20%</u>
<u>Over \$22,300 but not over \$26,000</u>	<u>15%</u>
<u>Over \$26,000 but not over \$26,500</u>	<u>14%</u>
<u>Over \$26,500 but not over \$27,000</u>	<u>13%</u>
<u>Over \$27,000 but not over \$27,500</u>	<u>12%</u>
<u>Over \$27,500 but not over \$28,000</u>	<u>11%</u>
<u>Over \$28,000 but not over \$50,000</u>	<u>10%</u>
<u>Over \$50,000 but not over \$50,500</u>	<u>9%</u>
<u>Over \$50,500 but not over \$51,000</u>	<u>8%</u>
<u>Over \$51,000 but not over \$51,500</u>	<u>7%</u>
<u>Over \$51,500 but not over \$52,000</u>	<u>6%</u>
<u>Over \$52,000 but not over \$52,500</u>	<u>5%</u>
<u>Over \$52,500 but not over \$53,000</u>	<u>4%</u>
<u>Over \$53,000 but not over \$53,500</u>	<u>3%</u>
<u>Over \$53,500 but not over \$54,000</u>	<u>2%</u>
<u>Over \$54,000 but</u>	

not over \$54,500 1%

(C) For taxable years commencing on or after January 1, 2002, but prior to January 1, 2003:

<u>Connecticut</u> <u>Adjusted Gross Income</u>	<u>Amount of Credit</u>
<u>Over \$12,750 but</u> <u>not over \$15,900</u>	<u>75%</u>
<u>Over \$15,900 but</u> <u>not over \$16,400</u>	<u>70%</u>
<u>Over \$16,400 but</u> <u>not over \$16,900</u>	<u>65%</u>
<u>Over \$16,900 but</u> <u>not over \$17,400</u>	<u>60%</u>
<u>Over \$17,400 but</u> <u>not over \$17,900</u>	<u>55%</u>
<u>Over \$17,900 but</u> <u>not over \$18,400</u>	<u>50%</u>
<u>Over \$18,400 but</u> <u>not over \$18,900</u>	<u>45%</u>
<u>Over \$18,900 but</u> <u>not over \$19,400</u>	<u>40%</u>
<u>Over \$19,400 but</u> <u>not over \$21,300</u>	<u>35%</u>
<u>Over \$21,300 but</u> <u>not over \$21,800</u>	<u>30%</u>
<u>Over \$21,800 but</u> <u>not over \$22,300</u>	<u>25%</u>
<u>Over \$22,300 but</u> <u>not over \$22,800</u>	<u>20%</u>
<u>Over \$22,800 but</u> <u>not over \$26,600</u>	<u>15%</u>
<u>Over \$26,600 but</u> <u>not over \$27,100</u>	<u>14%</u>
<u>Over \$27,100 but</u>	

<u>not over \$27,600</u>	<u>13%</u>
<u>Over \$27,600 but not over \$28,100</u>	<u>12%</u>
<u>Over \$28,100 but not over \$28,600</u>	<u>11%</u>
<u>Over \$28,600 but not over \$51,000</u>	<u>10%</u>
<u>Over \$51,000 but not over \$51,500</u>	<u>9%</u>
<u>Over \$51,500 but not over \$52,000</u>	<u>8%</u>
<u>Over \$52,000 but not over \$52,500</u>	<u>7%</u>
<u>Over \$52,500 but not over \$53,000</u>	<u>6%</u>
<u>Over \$53,000 but not over \$53,500</u>	<u>5%</u>
<u>Over \$53,500 but not over \$54,000</u>	<u>4%</u>
<u>Over \$54,000 but not over \$54,500</u>	<u>3%</u>
<u>Over \$54,500 but not over \$55,000</u>	<u>2%</u>
<u>Over \$55,000 but not over \$55,500</u>	<u>1%</u>

(D) For taxable years commencing on or after January 1, 2003, but prior to January 1, 2004:

<u>Connecticut</u>	
<u>Adjusted Gross Income</u>	<u>Amount of Credit</u>
<u>Over \$13,000 but not over \$16,300</u>	<u>75%</u>
<u>Over \$16,300 but not over \$16,800</u>	<u>70%</u>
<u>Over \$16,800 but</u>	

<u>not over \$17,300</u>	<u>65%</u>
<u>Over \$17,300 but</u>	
<u>not over \$17,800</u>	<u>60%</u>
<u>Over \$17,800 but</u>	
<u>not over \$18,300</u>	<u>55%</u>
<u>Over \$18,300 but</u>	
<u>not over \$18,800</u>	<u>50%</u>
<u>Over \$18,800 but</u>	
<u>not over \$19,300</u>	<u>45%</u>
<u>Over \$19,300 but</u>	
<u>not over \$19,800</u>	<u>40%</u>
<u>Over \$19,800 but</u>	
<u>not over \$21,700</u>	<u>35%</u>
<u>Over \$21,700 but</u>	
<u>not over \$22,200</u>	<u>30%</u>
<u>Over \$22,200 but</u>	
<u>not over \$22,700</u>	<u>25%</u>
<u>Over \$22,700 but</u>	
<u>not over \$23,200</u>	<u>20%</u>
<u>Over \$23,200 but</u>	
<u>not over \$27,100</u>	<u>15%</u>
<u>Over \$27,100 but</u>	
<u>not over \$27,600</u>	<u>14%</u>
<u>Over \$27,600 but</u>	
<u>not over \$28,100</u>	<u>13%</u>
<u>Over \$28,100 but</u>	
<u>not over \$28,600</u>	<u>12%</u>
<u>Over \$28,600 but</u>	
<u>not over \$29,100</u>	<u>11%</u>
<u>Over \$29,100 but</u>	
<u>not over \$52,000</u>	<u>10%</u>
<u>Over \$52,000 but</u>	
<u>not over \$52,500</u>	<u>9%</u>
<u>Over \$52,500 but</u>	
<u>not over \$53,000</u>	<u>8%</u>
<u>Over \$53,000 but</u>	

<u>not over \$53,500</u>	<u>7%</u>
<u>Over \$53,500 but not over \$54,000</u>	<u>6%</u>
<u>Over \$54,000 but not over \$54,500</u>	<u>5%</u>
<u>Over \$54,500 but not over \$55,000</u>	<u>4%</u>
<u>Over \$55,000 but not over \$55,500</u>	<u>3%</u>
<u>Over \$55,500 but not over \$56,000</u>	<u>2%</u>
<u>Over \$56,000 but not over \$56,500</u>	<u>1%</u>

(E) For taxable years commencing on or after January 1, 2004, but prior to January 1, 2005:

<u>Connecticut</u> <u>Adjusted Gross Income</u>	<u>Amount Of Credit</u>
<u>Over \$13,500 but not over \$16,900</u>	<u>75%</u>
<u>Over \$16,900 but not over \$17,400</u>	<u>70%</u>
<u>Over \$17,400 but not over \$17,900</u>	<u>65%</u>
<u>Over \$17,900 but not over \$18,400</u>	<u>60%</u>
<u>Over \$18,400 but not over \$18,900</u>	<u>55%</u>
<u>Over \$18,900 but not over \$19,400</u>	<u>50%</u>
<u>Over \$19,400 but not over \$19,900</u>	<u>45%</u>
<u>Over \$19,900 but not over \$20,400</u>	<u>40%</u>
<u>Over \$20,400 but</u>	

<u>not over \$22,500</u>	<u>35%</u>
<u>Over \$22,500 but not over \$23,000</u>	<u>30%</u>
<u>Over \$23,000 but not over \$23,500</u>	<u>25%</u>
<u>Over \$23,500 but not over \$24,000</u>	<u>20%</u>
<u>Over \$24,000 but not over \$28,100</u>	<u>15%</u>
<u>Over \$28,100 but not over \$28,600</u>	<u>14%</u>
<u>Over \$28,600 but not over \$29,100</u>	<u>13%</u>
<u>Over \$29,100 but not over \$29,600</u>	<u>12%</u>
<u>Over \$29,600 but not over \$30,100</u>	<u>11%</u>
<u>Over \$30,100 but not over \$54,000</u>	<u>10%</u>
<u>Over \$54,000 but not over \$54,500</u>	<u>9%</u>
<u>Over \$54,500 but not over \$55,000</u>	<u>8%</u>
<u>Over \$55,000 but not over \$55,500</u>	<u>7%</u>
<u>Over \$55,500 but not over \$56,000</u>	<u>6%</u>
<u>Over \$56,000 but not over \$56,500</u>	<u>5%</u>
<u>Over \$56,500 but not over \$57,000</u>	<u>4%</u>
<u>Over \$57,000 but not over \$57,500</u>	<u>3%</u>
<u>Over \$57,500 but not over \$58,000</u>	<u>2%</u>
<u>Over \$58,000 but</u>	

not over \$58,500 1%

(F) For taxable years commencing on or after January 1, 2005, but prior to January 1, 2006:

<u>Connecticut</u> <u>Adjusted Gross Income</u>	<u>Amount of Credit</u>
<u>Over \$14,000 but</u> <u>not over \$17,500</u>	<u>75%</u>
<u>Over \$17,500 but</u> <u>not over \$18,000</u>	<u>70%</u>
<u>Over \$18,000 but</u> <u>not over \$18,500</u>	<u>65%</u>
<u>Over \$18,500 but</u> <u>not over \$19,000</u>	<u>60%</u>
<u>Over \$19,000 but</u> <u>not over \$19,500</u>	<u>55%</u>
<u>Over \$19,500 but</u> <u>not over \$20,000</u>	<u>50%</u>
<u>Over \$20,000 but</u> <u>not over \$20,500</u>	<u>45%</u>
<u>Over \$20,500 but</u> <u>not over \$21,000</u>	<u>40%</u>
<u>Over \$21,000 but</u> <u>not over \$23,300</u>	<u>35%</u>
<u>Over \$23,300 but</u> <u>not over \$23,800</u>	<u>30%</u>
<u>Over \$23,800 but</u> <u>not over \$24,300</u>	<u>25%</u>
<u>Over \$24,300 but</u> <u>not over \$24,800</u>	<u>20%</u>
<u>Over \$24,800 but</u> <u>not over \$29,200</u>	<u>15%</u>
<u>Over \$29,200 but</u> <u>not over \$29,700</u>	<u>14%</u>
<u>Over \$29,700 but</u>	

<u>not over \$30,200</u>	<u>13%</u>
<u>Over \$30,200 but not over \$30,700</u>	<u>12%</u>
<u>Over \$30,700 but not over \$31,200</u>	<u>11%</u>
<u>Over \$31,200 but not over \$56,000</u>	<u>10%</u>
<u>Over \$56,000 but not over \$56,500</u>	<u>9%</u>
<u>Over \$56,500 but not over \$57,000</u>	<u>8%</u>
<u>Over \$57,000 but not over \$57,500</u>	<u>7%</u>
<u>Over \$57,500 but not over \$58,000</u>	<u>6%</u>
<u>Over \$58,000 but not over \$58,500</u>	<u>5%</u>
<u>Over \$58,500 but not over \$59,000</u>	<u>4%</u>
<u>Over \$59,000 but not over \$59,500</u>	<u>3%</u>
<u>Over \$59,500 but not over \$60,000</u>	<u>2%</u>
<u>Over \$60,000 but not over \$60,500</u>	<u>1%</u>

(G) For taxable years commencing on or after January 1, 2006, but prior to January 1, 2007:

<u>Connecticut</u>	
<u>Adjusted Gross Income</u>	<u>Amount of Credit</u>
<u>Over \$14,500 but not over \$18,100</u>	<u>75%</u>
<u>Over \$18,100 but not over \$18,600</u>	<u>70%</u>
<u>Over \$18,600 but</u>	

<u>not over \$19,100</u>	<u>65%</u>
<u>Over \$19,100 but not over \$19,600</u>	<u>60%</u>
<u>Over \$19,600 but not over \$20,100</u>	<u>55%</u>
<u>Over \$20,100 but not over \$20,600</u>	<u>50%</u>
<u>Over \$20,600 but not over \$21,100</u>	<u>45%</u>
<u>Over \$21,100 but not over \$21,600</u>	<u>40%</u>
<u>Over \$21,600 but not over \$24,200</u>	<u>35%</u>
<u>Over \$24,200 but not over \$24,700</u>	<u>30%</u>
<u>Over \$24,700 but not over \$25,200</u>	<u>25%</u>
<u>Over \$25,200 but not over \$25,700</u>	<u>20%</u>
<u>Over \$25,700 but not over \$30,200</u>	<u>15%</u>
<u>Over \$30,200 but not over \$30,700</u>	<u>14%</u>
<u>Over \$30,700 but not over \$31,200</u>	<u>13%</u>
<u>Over \$31,200 but not over \$31,700</u>	<u>12%</u>
<u>Over \$31,700 but not over \$32,200</u>	<u>11%</u>
<u>Over \$32,200 but not over \$58,000</u>	<u>10%</u>
<u>Over \$58,000 but not over \$58,500</u>	<u>9%</u>
<u>Over \$58,500 but not over \$59,000</u>	<u>8%</u>
<u>Over \$59,000 but</u>	

<u>not over \$59,500</u>	<u>7%</u>
<u>Over \$59,500 but</u> <u>not over \$60,000</u>	<u>6%</u>
<u>Over \$60,000 but</u> <u>not over \$60,500</u>	<u>5%</u>
<u>Over \$60,500 but</u> <u>not over \$61,000</u>	<u>4%</u>
<u>Over \$61,000 but</u> <u>not over \$61,500</u>	<u>3%</u>
<u>Over \$61,500 but</u> <u>not over \$62,000</u>	<u>2%</u>
<u>Over \$62,000 but</u> <u>not over \$62,500</u>	<u>1%</u>

(H) For taxable years commencing on or after January 1, 2007:

<u>Connecticut</u> <u>Adjusted Gross Income</u>	<u>Amount of Credit</u>
<u>Over \$15,000 but</u> <u>not over \$18,800</u>	<u>75%</u>
<u>Over \$18,800 but</u> <u>not over \$19,300</u>	<u>70%</u>
<u>Over \$19,300 but</u> <u>not over \$19,800</u>	<u>65%</u>
<u>Over \$19,800 but</u> <u>not over \$20,300</u>	<u>60%</u>
<u>Over \$20,300 but</u> <u>not over \$20,800</u>	<u>55%</u>
<u>Over \$20,800 but</u> <u>not over \$21,300</u>	<u>50%</u>
<u>Over \$21,300 but</u> <u>not over \$21,800</u>	<u>45%</u>
<u>Over \$21,800 but</u> <u>not over \$22,300</u>	<u>40%</u>
<u>Over \$22,300 but</u> <u>not over \$25,000</u>	<u>35%</u>

<u>Over \$25,000 but not over \$25,500</u>	<u>30%</u>
<u>Over \$25,500 but not over \$26,000</u>	<u>25%</u>
<u>Over \$26,000 but not over \$26,500</u>	<u>20%</u>
<u>Over \$26,500 but not over \$31,300</u>	<u>15%</u>
<u>Over \$31,300 but not over \$31,800</u>	<u>14%</u>
<u>Over \$31,800 but not over \$32,300</u>	<u>13%</u>
<u>Over \$32,300 but not over \$32,800</u>	<u>12%</u>
<u>Over \$32,800 but not over \$33,300</u>	<u>11%</u>
<u>Over \$33,300 but not over \$60,000</u>	<u>10%</u>
<u>Over \$60,000 but not over \$60,500</u>	<u>9%</u>
<u>Over \$60,500 but not over \$61,000</u>	<u>8%</u>
<u>Over \$61,000 but not over \$61,500</u>	<u>7%</u>
<u>Over \$61,500 but not over \$62,000</u>	<u>6%</u>
<u>Over \$62,000 but not over \$62,500</u>	<u>5%</u>
<u>Over \$62,500 but not over \$63,000</u>	<u>4%</u>
<u>Over \$63,000 but not over \$63,500</u>	<u>3%</u>
<u>Over \$63,500 but not over \$64,000</u>	<u>2%</u>
<u>Over \$64,000 but not over \$64,500</u>	<u>1%</u>

Sec. 7. Subsection (c) of section 12-704c of the general statutes is repealed and the following is substituted in lieu thereof:

(c) [In] (1) (A) For taxable years commencing prior to January 1, 2000, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-two thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(B) For taxable years commencing on or after January 1, 2000, but prior to January 1, 2001, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-three thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(C) For taxable years commencing on or after January 1, 2001, but prior to January 1, 2002, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-four thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(D) For taxable years commencing on or after January 1, 2002, but prior to January 1, 2003, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-five thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(E) For taxable years commencing on or after January 1, 2003, but prior to January 1, 2004, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-six thousand five hundred

dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(F) For taxable years commencing on or after January 1, 2004, but prior to January 1, 2005, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-eight thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(G) For taxable years commencing on or after January 1, 2005, but prior to January 1, 2006, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds sixty thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(H) For taxable years commencing on or after January 1, 2006, but prior to January 1, 2007, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds sixty-two thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(I) For taxable years commencing on or after January 1, 2007, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds sixty-four thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(2) In the case of any such taxpayer who files under the federal income tax for such taxable year as a married individual filing separately whose Connecticut adjusted gross income exceeds fifty thousand two hundred fifty dollars, the

amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(3) In the case of a taxpayer who files under the federal income tax for such taxable year as a head of household whose Connecticut adjusted gross income exceeds seventy-eight thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(4) In the case of a taxpayer who files under federal income tax for such taxable year as married individuals filing jointly whose Connecticut adjusted gross income exceeds one hundred thousand five hundred dollars, the amount of the credit that exceeds one hundred dollars shall be reduced by ten per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

Sec. 8. Section 12-700b of the general statutes is amended by adding subsection (c) as follows:

(NEW) (c) For the purposes of computing the tax pursuant to section 12-705 or section 12-722 for the period prior to July 1, 2000, with respect to a person filing under the federal income tax as an unmarried individual, such tax shall be computed without regard to the provisions of subdivision (2) of subsection (a) of section 12-702, as amended by this act, and of subdivision (2) of subsection (a) of section 12-703, as amended by this act. The Commissioner of Revenue Services shall issue new withholding tables effective July 1, 2000.

Sec. 9. The Commissioner of Revenue Services shall conduct a study with respect to the taxation of federal pensions, including, but not limited to, federal employees, recipients of railroad retirement benefits and the military, under the state personal income tax and shall report to the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding no later than January 15, 2000. Such report shall include, but is not limited to, information describing the treatment of federal pension income for federal income tax purposes, the approximate number of persons in this state who receive federal pension income and the percentage

of those individuals who also receive Social Security income and the taxation policies of other states with respect to pension income.

Sec. 10. Subdivision (2) of section 12-407 of the general statutes is repealed and the following is substituted in lieu thereof:

(2) "Sale" and "selling" mean and include: (a) Any transfer of title, exchange or barter, conditional or otherwise, in any manner or by any means whatsoever, of tangible personal property for a consideration; (b) any withdrawal, except a withdrawal pursuant to a transaction in foreign or interstate commerce, of tangible personal property from the place where it is located for delivery to a point in this state for the purpose of the transfer of title, exchange or barter, conditional or otherwise, in any manner or by any means whatsoever, of the property for a consideration; (c) the producing, fabricating, processing, printing or imprinting of tangible personal property for a consideration for consumers who furnish either directly or indirectly the materials used in the producing, fabricating, processing, printing or imprinting, including but not limited to, sign construction, photofinishing, duplicating and photocopying; (d) the furnishing and distributing of tangible personal property for a consideration by social clubs and fraternal organizations to their members or others; (e) the furnishing, preparing, or serving for a consideration of food, meals or drinks; (f) a transaction whereby the possession of property is transferred but the seller retains the title as security for the payment of the price; (g) a transfer for a consideration of the title of tangible personal property which has been produced, fabricated or printed to the special order of the customer, or of any publication, including but not limited to, sign construction, photofinishing, duplicating and photocopying; (h) a transfer for a consideration of the occupancy of any room or rooms in a hotel or lodging house for a period of thirty consecutive calendar days or less; (i) the rendering of certain services for a consideration, exclusive of such services rendered by an employee for his employer, as follows: (A) Computer and data processing services, including but not limited to, time, and exclusive of services rendered in connection with the creation, development hosting or maintenance of all or part of a web site which is part of the graphical, hypertext portion of the Internet, commonly referred to as the World-Wide Web, (B) credit information and reporting services, (C) services by employment agencies and agencies providing personnel services, (D) private investigation, protection, patrol work, watchman and armored car services, exclusive of services of off-

duty police officers and off-duty fire fighters, (E) painting and lettering services, (F) photographic studio services, (G) telephone answering services, (H) stenographic services, (I) services to industrial, commercial or income-producing real property, including but not limited to, such services as management, electrical, plumbing, painting and carpentry and excluding any such services rendered in the voluntary evaluation, prevention, treatment, containment or removal of hazardous waste, as defined in section 22a-115, or other contaminants of air, water or soil, provided income-producing property shall not include property used exclusively for residential purposes in which the owner resides and which contains no more than three dwelling units, or a housing facility for low and moderate income families and persons owned or operated by a nonprofit housing organization, as defined in subsection (29) of section 12-412, (J) business analysis, management, management consulting and public relations services, excluding (i) any environmental consulting services, and (ii) any training services provided by an institution of higher education licensed or accredited by the Board of Governors of Higher Education pursuant to section 10a-34, (K) services providing "piped-in" music to business or professional establishments, (L) flight instruction and chartering services by a certificated air carrier on an aircraft, the use of which for such purposes, but for the provisions of subsection (4) of section 12-410 and subsection (12) of section 12-411, would be deemed a retail sale and a taxable storage or use, respectively, of such aircraft by such carrier, (M) motor vehicle repair services, including any type of repair, painting or replacement related to the body or any of the operating parts of a motor vehicle, (N) motor vehicle parking, including the provision of space, other than metered space, in a lot having thirty or more spaces, excluding (i) space in a seasonal parking lot provided by a person who is exempt from taxation under this chapter pursuant to subsection (1), (5) or (8) of section 12-412, (ii) space in a parking lot owned or leased under the terms of a lease of not less than ten years' duration and operated by an employer for the exclusive use of its employees, (iii) valet parking provided at any airport, and (iv) space in municipally-operated railroad parking facilities in municipalities located within an area of the state designated as a severe nonattainment area for ozone under the federal Clean Air Act, (O) radio or television repair services, (P) furniture reupholstering and repair services, (Q) repair services to any electrical or electronic device, including but not limited to, such equipment used for purposes of refrigeration or air-conditioning, (R) lobbying or consulting services for purposes of representing the interests of a client in relation to the

functions of any governmental entity or instrumentality, (S) services of the agent of any person in relation to the sale of any item of tangible personal property for such person, exclusive of the services of a consignee selling works of art, as defined in subsection (b) of section 12-376c, or articles of clothing or footwear intended to be worn on or about the human body other than (i) any special clothing or footwear primarily designed for athletic activity or protective use and which is not normally worn except when used for the athletic activity or protective use for which it was designed and (ii) jewelry, handbags, luggage, umbrellas, wallets, watches and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing intended for exemption under subdivision (47) of section 12-412, under consignment, exclusive of services provided by an auctioneer, (T) locksmith services, (U) advertising or public relations services, including layout, art direction, graphic design, mechanical preparation or production supervision, not related to the development of media advertising or cooperative direct mail advertising, (V) landscaping and horticulture services, (W) window cleaning services, (X) maintenance services, (Y) janitorial services, (Z) exterminating services, (AA) swimming pool cleaning and maintenance services, (BB) renovation and repair services as set forth in this subparagraph, to other than industrial, commercial or income-producing real property: Paving of any sort, painting or staining, wallpapering, roofing, siding and exterior sheet metal work, (CC) miscellaneous personal services included in industry group 729 in the Standard Industrial Classification Manual, United States Office of Management and Budget, 1987 edition, exclusive of (i) services rendered by massage therapists licensed pursuant to chapter 384a, and (ii) services rendered by a hypertrichologist licensed pursuant to chapter 388, (DD) any repair or maintenance service to any item of tangible personal property including any contract of warranty or service related to any such item, (EE) business analysis, management or managing consulting services rendered by a general partner, or an affiliate thereof, to a limited partnership, provided (i) that the general partner, or an affiliate thereof, is compensated for the rendition of such services other than through a distributive share of partnership profits or an annual percentage of partnership capital or assets established in the limited partnership's offering statement, and (ii) the general partner, or an affiliate thereof, offers such services to others, including any other partnership. As used in subparagraph (EE)(i) "an affiliate of a general partner" means an entity which is directly or indirectly owned fifty per cent or more in common with a general partner;

and (FF) notwithstanding the provisions of section 12-412, except subsection (87) thereof, patient care services, as defined in subsection (30) of this section by a hospital; (j) the leasing or rental of tangible personal property of any kind whatsoever, including but not limited to, motor vehicles, linen or towels, machinery or apparatus, office equipment and data processing equipment, provided for purposes of this subdivision and the application of sales and use tax to contracts of lease or rental of tangible personal property, the leasing or rental of any motion picture film by the owner or operator of a motion picture theater for purposes of display at such theater shall not constitute a sale within the meaning of this subsection; (k) the rendering of telecommunications service, as defined in subsection (26) of this section, for a consideration on or after January 1, 1990, exclusive of any such service rendered by an employee for his employer, subject to the provisions related to telecommunications service in accordance with section 12-407a; (l) the rendering of community antenna television service, as defined in subsection (27) of this section, for a consideration on or after January 1, 1990, exclusive of any such service rendered by an employee for his employer; (m) the transfer for consideration of space or the right to use any space for the purpose of storage or mooring of any noncommercial vessel, exclusive of dry or wet storage or mooring of such vessel during the period commencing on the first day of November in any year to and including the thirtieth day of April of the next succeeding year; (n) the sale for consideration of naming rights to any place of amusement, entertainment or recreation within the meaning of subdivision (3) of section 12-540. Wherever in this chapter reference is made to the sale of tangible personal property or services, it shall be construed to include sales described in this subsection, except as may be specifically provided to the contrary.

Sec. 11. Subdivision (3) of section 12-407 of the general statutes is repealed and the following is substituted in lieu thereof:

(3) (A) "Retail sale" or "sale at retail" means and includes a sale for any purpose other than resale in the regular course of business of tangible personal property or a transfer for a consideration of the occupancy of any room or rooms in a hotel or lodging house for a period of thirty consecutive calendar days or less, or the rendering of any service described in [any of the subdivisions of subsection] subdivision (2) of this section. The delivery in this state of tangible personal property by an owner or former owner thereof or by

a factor, if the delivery is to a consumer pursuant to a retail sale made by a retailer not engaged in business in this state, is a retail sale in this state by the person making the delivery. [He] Such person shall include the retail selling price of the property in [his] such person's gross receipts.

(B) "Retail sale" or "sale at retail" does not include any sale of any tangible personal property, where, no later than one hundred twenty days after the original sale, the original purchaser sells or becomes contractually obligated to sell such property to a retailer who is contractually obligated to lease such property back to such original purchaser in a lease that is taxable under this chapter or the sale of such property by the original purchaser to the retailer who is contractually obligated to lease such property back to such original purchaser in a lease that is taxable under this chapter. If the original purchaser has paid sales or use tax on the original sale of such property to the original purchaser, such original purchaser may (i) claim a refund of such tax under the provisions of section 12-425, upon presentation of proof satisfactory to the commissioner that the mutual contractual obligations described in this subparagraph were undertaken no later than one hundred twenty days after the original sale and that such tax was paid to the original retailer on the original sale and was remitted to the commissioner by such original retailer or by such original purchaser, or (ii) issue at the time of such original sale or no later than one hundred twenty days thereafter a certificate, in the form prescribed by the commissioner, to the original retailer certifying that the mutual contractual obligations described in this subparagraph have been undertaken. If such certificate is issued to the original retailer at the time of the original sale, no tax on the original sale shall be collected by the original retailer from the original purchaser. If the certificate is issued after the time of the original sale but no later than one hundred twenty days thereafter, the original retailer shall refund to the original purchaser the tax collected on the original sale and, if the original retailer has previously remitted the tax to the commissioner, the original retailer may either treat the amount so refunded as a credit against the tax due on the return next filed under this chapter, or claim a refund under section 12-425. If such certificate is issued no later than one hundred twenty days after the time of the original sale but the tangible personal property originally purchased is not, in fact, subsequently leased by the original purchaser, such original purchaser shall be liable for and be required to pay the tax due on the original sale.

Sec. 12. Subdivision (28) of section 12-407 of the general statutes is repealed and the following is substituted in lieu thereof:

(28) "Hospital" means a hospital included within the definition of health care facilities or institutions under section 19a-630 and licensed as a short-term general hospital by the Department of Public Health [and including John Dempsey Hospital of The University of Connecticut Health Center] but, does not include (A) any hospital which, on January 30, 1997, is within the class of hospitals licensed by the department as children's general hospitals, or (B) a short-term acute hospital operated exclusively by the state other than a short-term acute hospital operated by the state as a receiver pursuant to chapter 920.

Sec. 13. Subdivision (1) of section 12-408 of the general statutes is repealed and the following is substituted in lieu thereof:

(1) For the privilege of making any sales as defined in [subsection] subdivision (2) of section 12-407, at retail, in this state for a consideration, a tax is hereby imposed on all retailers at the rate of six per cent of the gross receipts of any retailer from the sale of all tangible personal property sold at retail or from the rendering of any services constituting a sale in accordance with [subsection] subdivision (2) of section 12-407, except, in lieu of said rate of six per cent, (A) at a rate of twelve per cent with respect to each transfer of occupancy, from the total amount of rent received for such occupancy of any room or rooms in a hotel or lodging house for the first period not exceeding thirty consecutive calendar days, (B) with respect to the sale of a motor vehicle to any individual who is a member of the armed forces of the United States and is on full-time active duty in Connecticut and who is considered, under 50 App USC 574, a resident of another state, or to any such individual and the spouse thereof, at a rate of four and one-half per cent of the gross receipts of any retailer from such sales, provided such retailer requires and maintains an affidavit or other evidence, satisfactory to the commissioner, concerning the purchaser's state of residence under 50 App USC 574, [(C) with respect to the sale of a vessel to any individual who does not maintain a permanent place of abode in this state and who is a resident of another state and who does not present such vessel for registration with the Department of Motor Vehicles in this state, at a rate which is the lesser of: (i) Six per cent of the gross receipts of any retailer from such sales or (ii) the percentage of such gross receipts that is payable as a state sales tax by retailers engaged in

business in the purchaser's state of residence, provided such retailer requires and maintains an affidavit or other evidence, satisfactory to the commissioner, concerning the purchaser's state of residence, (D)] (C) with respect to the sales of computer and data processing services occurring on or after July 1, 1997, and prior to July 1, 1998, at the rate of five per cent, on or after July 1, 1998, and prior to July 1, 1999, at the rate of four per cent, on or after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent, on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per cent, on [and] or after July 1, 2001, and prior to July 1, 2002, at the rate of one per cent and on and after July 1, 2002, such services shall be exempt from such tax, [and (E)] (D) with respect to the sales of labor, repair or maintenance services on vessels, as defined in section 15-127, occurring [on or after July 1, 1997, and prior to July 1, 1998, at the rate of four per cent, on or after July 1, 1998, and prior to July 1, 1999, at the rate of two per cent and] on and after July 1, 1999, such services shall be exempt from such tax, (E) with respect to sales of the renovation and repair services of paving of any sort, painting or staining, wallpapering, roofing, siding and exterior sheet metal work, to other than industrial, commercial or income-producing real property, occurring on or after July 1, 1999, and prior to July 1, 2000, at the rate of four per cent, with respect to such sales occurring on or after July 1, 2000, but prior to July 1, 2001, at the rate of two per cent, and on and after July 1, 2001, sales of such renovation and repair services shall be exempt from such tax, and (F) with respect to patient care services occurring on or after July 1, 1999, at the rate of five and three-fourths per cent.

The rate of tax imposed by this chapter shall be applicable to all retail sales upon the effective date of such rate, except that a new rate which represents an increase in the rate applicable to the sale shall not apply to any sales transaction wherein a binding sales contract without an escalator clause has been entered into prior to the effective date of the new rate and delivery is made within ninety days after the effective date of the new rate. For the purposes of payment of the tax imposed under this section, any retailer of services taxable under subdivision (2)(i) [of subsection (2)] of section 12-407, who computes taxable income, for purposes of taxation under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, on an accounting basis which recognizes only cash or other valuable consideration actually received as income and who is liable for such tax only due to the rendering of such services may make payments related to such tax for the period during which such income is received, without penalty or interest, without regard to

when such service is rendered. Information about the state sales tax rate of other states shall, upon request, be furnished by the commissioner.

Sec. 14. Subdivision (2) of section 12-408 of the general statutes is repealed and the following is substituted in lieu thereof:

(2) (A) Reimbursement for the tax hereby imposed shall be collected by the retailer from the consumer and such tax reimbursement, termed "tax" in this and the following subsections, shall be paid by the consumer to the retailer and each retailer shall collect from the consumer the full amount of the tax imposed by this chapter or an amount equal as nearly as possible or practicable to the average equivalent thereof. Such tax shall be a debt from the consumer to the retailer, when so added to the original sales price, and shall be recoverable at law in the same manner as other debts except as provided in section 12-432a. The amount of tax reimbursement, when so collected, shall be deemed to be a special fund in trust for the state of Connecticut.

(B) Whenever such tax, payable by the consumer (i) with respect to a charge account or credit sale occurring on or after July 1, 1984, is remitted by the retailer to the commissioner and such sale as an account receivable is determined to be worthless and is actually written off as uncollectible for federal income tax purposes, or (ii) to a retailer who computes taxable income, for purposes of taxation under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, on the cash basis method of accounting with respect to a sale occurring on or after July 1, 1989, is remitted by the retailer to the commissioner and such sale as an account receivable is determined to be worthless, the amount of such tax remitted may be credited against the tax due on the sales tax return filed by the retailer for the monthly or quarterly period, whichever is applicable, next following the period in which such amount is actually so written off, but in no event shall such credit be allowed later than three years following the date such tax is remitted, unless the credit relates to a period for which a waiver is given pursuant to subsection (8) of section 12-415. The commissioner shall, by regulations adopted in accordance with chapter 54, provide standards for proving any such claim for credit. If any account with respect to which such credit is allowed is thereafter collected by the retailer in whole or in part, the amount so collected shall be included in the sales tax return covering the period in which such collection occurs. The

tax applicable in any such case shall be determined in accordance with the rate of sales tax in effect at the time of the original sale.

(C) (i) Any person required to collect tax in accordance with this subsection who demonstrates to the satisfaction of the Commissioner of Revenue Services by July first of any year that, in any two quarterly periods as described in section 12-414, within the most recent four consecutive quarterly periods, such person was a materialman as such term is used in chapter 847, who has at least fifty per cent of such person's sales of building materials to contractors, subcontractors or repairmen for the improvement of real property, and authorized by said chapter to file a mechanic's lien upon such real property and improvement shall, with respect to such sales made through the quarterly period ending the succeeding June thirtieth, collect tax due on such sales, and on sales to such contractors, subcontractors or repairmen of services described in subdivision (2) of section 12-407 with respect to such building materials, for such purpose and made during such July first through June thirtieth period, at the time and to the extent that such person receives the receipts from, or consideration for, such sales from such contractors, subcontractors or repairmen, provided if such person receives a portion of such receipts or consideration, such person shall collect the tax due on such portion at the time the portion is received. The taxes imposed by this chapter on such receipts and consideration shall be deemed imposed, solely for purposes of determining when such person is required to collect and pay over such taxes to the commissioner under section 12-414, when such person has received payment of such receipts or consideration in money, or money's worth, from such contractor, subcontractor or repairman. A contractor, subcontractor or repairman who purchases building materials or services from such person pursuant to this subparagraph shall, at the time such contractor, subcontractor or repairman pays any portion of the purchase price, pay to the person the tax due on the portion of the purchase price so paid. (ii) In the event that a materialman described in this subparagraph factors any portion of such materialman's receivables, such materialman shall be deemed to have received payment of such receipts or consideration in money or money's worth, from the contractor, subcontractor or repairman and shall be required to pay over tax on such sale with the next return due, with a credit against such tax for any tax already paid over with respect to such sale. Any such amount of tax paid over shall be on account of the tax required to be collected on the sale to which it relates and such materialman may take a

credit against any tax paid by such contractor, subcontractor or repairman in the future on such sale, to ensure that tax paid over with respect to such sale does not exceed the amount of tax imposed on such sale as if the entire purchase price had been paid at the time of sale. (iii) A materialman described in this subparagraph who has not collected the tax due on the full purchase price for a sale described in this subparagraph from a contractor, subcontractor or repairman within one year from the date of such sale, shall pay over to the commissioner the tax due on any balance of such full purchase price with such materialman's return for the period which includes the date which is one year after the date of such sale. (iv) The commissioner may assess additional tax due with respect to a sale described in this subparagraph not later than three years from the date the tax is required to be paid over to the commissioner pursuant to this subparagraph, and in the case of a wilfully false or fraudulent return with intent to evade the tax, or where no return has been filed such taxpayer shall be subject to the provisions of section 12-428.

Sec. 15. Subdivision (1) of section 12-411 of the general statutes is repealed and the following is substituted in lieu thereof:

(1) An excise tax is hereby imposed on the storage, acceptance, consumption or any other use in this state of tangible personal property purchased from any retailer for storage, acceptance, consumption or any other use in this state, the acceptance or receipt of any services constituting a sale in accordance with [subsection] subdivision (2) of section 12-407, purchased from any retailer for consumption or use in this state, or the storage, acceptance, consumption or any other use in this state of tangible personal property which has been manufactured, fabricated, assembled or processed from materials by a person, either within or without this state, for storage, acceptance, consumption or any other use by such person in this state, to be measured by the sales price of materials, at the rate of six per cent of the sales price of such property or services, except, in lieu of said rate of six per cent, (A) at a rate of twelve per cent of the rent paid for occupancy of any room or rooms in a hotel or lodging house for the first period of not exceeding thirty consecutive calendar days, (B) with respect to the storage, acceptance, consumption or use in this state of a motor vehicle purchased from any retailer for storage, acceptance, consumption or use in this state by any individual who is a member of the armed forces of the United States and is on full-time active duty in Connecticut and who is considered, under 50 App

USC 574, a resident of another state, or to any such individual and the spouse of such individual at a rate of four and one-half per cent of the sales price of such vehicle, provided such retailer requires and maintains an affidavit or other evidence, satisfactory to the commissioner, concerning the purchaser's state of residence under 50 App USC 574, (C) with respect to the storage, acceptance, consumption or use in this state of a vessel purchased from any retailer for storage, acceptance, consumption or any other use in this state by any individual who does not maintain a permanent place of abode in this state and who is a resident of another state and who does not present such vessel for registration with the Department of Motor Vehicles in this state, at a rate which is the lesser of: (i) Six per cent of the sales price of such vessel; or (ii) the percentage of such sales price that is payable as a state use tax by purchasers making purchases in the purchaser's state of residence, provided the retailer requires and maintains an affidavit or other evidence, satisfactory to the commissioner, concerning the purchaser's state of residence, (D) with respect to the sales of repair or maintenance services on vessels as defined in section 15-127, occurring on or after July 1, 1997, and prior to July 1, 1998, at the rate of four per cent, on or after July 1, 1998, and prior to July 1, 1999, at the rate of two per cent and on and after July 1, 1999, such services shall be exempt from such tax, [and] (E) with respect to the acceptance or receipt in this state of computer and data processing services purchased from any retailer for consumption or use in this state occurring on or after July 1, 1997, and prior to July 1, 1998, at the rate of five per cent of such services, on or after July 1, 1998, and prior to July 1, 1999, at the rate of four per cent of such services, on or after July 1, 1999, and prior to July 1, 2000, at the rate of three per cent of such services, on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per cent of such services, on and after July 1, 2001, and prior to July 1, 2002, at the rate of one per cent of such services and on and after July 1, 2002, such services shall be exempt from such tax, (F) with respect to the acceptance or receipt in this state of patient care services purchased from any retailer for consumption or use in this state occurring on or after July 1, 1999, at the rate of five and three-fourths per cent, and (G) with respect to acceptance of the renovation and repair services of paving of any sort, painting or staining, wallpapering, roofing, siding and exterior sheet metal work, to other than industrial, commercial or income-producing real property, occurring on or after July 1, 1999, and prior to July 1, 2000, at the rate of four per cent, with respect to such sales occurring on or after July 1, 2000, and prior to July 1, 2001, at the rate of two per cent, and on and after

July 1, 2001, sales of such renovation and repair services shall be exempt from such tax. Information about the state use tax rate of other states shall, upon request, be furnished by the commissioner.

Sec. 16. Subdivision (19) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(19) Sales of and the storage, use or other consumption of (A) oxygen, blood or blood plasma when sold for medical use in humans or animals; (B) artificial devices individually designed, constructed or altered solely for the use of a particular handicapped person so as to become a brace, support, supplement, correction or substitute for the bodily structure, including the extremities of the individual, and repair or replacement parts and repair services rendered to property described in this subparagraph; (C) artificial limbs, artificial eyes and other equipment worn as a correction or substitute for any functioning portion of the body, custom-made wigs or hairpieces for persons with medically diagnosed total and permanent hair loss as a result of disease or the treatment of disease, and artificial hearing aids when designed to be worn on the person of the owner or user, and repair or replacement parts and repair services rendered to property described in this subparagraph; (D) crutches, walkers, [and] wheel chairs and inclined stairway chairlifts for the use of invalids and handicapped persons, and repair or replacement parts and repair services [rendered on or after January 1, 1991,] to property described in this subparagraph; and (E) any equipment used in support of or to supply vital life functions, including oxygen supply equipment used for humans or animals, kidney dialysis machines and any other such device used in necessary support of vital life functions, and apnea monitors, and repair or replacement parts and repair services rendered to property described in this subparagraph. Repair or replacement parts are exempt whether purchased separately or in conjunction with the item for which they are intended, and whether such parts continue the original function or enhance the functionality of such item. As used in this subdivision, "repair services" means services that are described in subparagraph (Q) or (EE) of subdivision [(i) of subsection] (2) (i) of section 12-407.

Sec. 17. Subdivision (29) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(29) (A) Sales of and the storage, use or other consumption of tangible personal property acquired for incorporation into or used and consumed in the operation of housing facilities for low and moderate income families and persons and sales of and the acceptance, use or other consumption of any service described in [subsection] subdivision (2) of section 12-407 that is used and consumed in the development, construction, rehabilitation, renovation, repair or operation of housing facilities for low and moderate income families and persons, provided such facilities are constructed under the sponsorship of and owned or operated by nonprofit housing organizations [and sales of and the acceptance, use or other consumption of any service described in any of the subdivisions of subsection (2) of section 12-407 that is used or consumed in the development, construction, renovation or operation of housing facilities for low and moderate income families and persons, provided such facilities are owned or sponsored by a mutual housing association, as defined in subsection (b) of section 8-214f, and operated as mutual housing by such association at a location that was conveyed to such association by the United States Secretary of Housing and Urban Development prior to September 1, 1995. Before any exempt sales or purchases may be made under this subsection, the] or housing authorities, as defined in subsection (b) of section 8-39. The nonprofit housing organization or housing authority sponsoring the construction of or owning or operating such housing facility shall obtain from the commissioner a letter of determination that the [nonprofit] housing facility has, to the satisfaction of said commissioner, met all the requirements for exemption under this subsection. At the time of any sale or purchase that is exempt under this subsection, the purchaser shall present to the retailer a copy of the determination letter that was issued to the nonprofit housing organization or housing authority together with a certificate from the purchaser, in such form as the commissioner may prescribe, certifying that the tangible personal property or services that are being purchased from the retailer are to be used or consumed exclusively for the purposes of incorporation into or in the development, construction, rehabilitation, renovation, repair or operation of the housing facility identified in the letter of determination. For the purposes of this subsection, [(A)] (i) "nonprofit housing organization" means any organization which has as one of its purposes the development, construction, sponsorship or ownership of housing for low and moderate income families as stated in its charter, if it is incorporated, or its constitution or bylaws, if it is unincorporated, and which has received exemption from federal income tax under the provisions of Section 501(c) of

the Internal Revenue Code, as amended from time to time, provided the charter of such organization, if it is incorporated, or its constitution or bylaws, if unincorporated, shall contain a provision that no officer, member or employee thereof shall receive or at any future time may receive any pecuniary profit from the operation thereof, except a reasonable compensation for services in effecting the purposes of the organization; [(B)] (ii) "housing facilities" means facilities having as their primary purpose the provision of safe and adequate housing and related facilities for low and moderate income families and persons, notwithstanding that said housing provides other dwelling accommodations in addition to the primary purpose of providing dwelling accommodations for low and moderate income families; [(C)] (iii) "related facilities" means those facilities defined in subsection (d) of section 8-243; and [(D)] (iv) "low and moderate income families" means those families as defined in subsection (h) of said section 8-243.

(B) Sales of and the acceptance, use or other consumption of any service described in subdivision (2) of section 12-407 that is used or consumed in the development, construction, renovation or operation of housing facilities for low and moderate income families and persons, provided such facilities are owned or sponsored by a mutual housing association, as defined in subsection (b) of section 8-214f, and operated as mutual housing by such association at a location that was conveyed to such association by the United States Secretary of Housing and Urban Development prior to September 1, 1995.

Sec. 18. Subdivision (48) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(48) Sales of the following drugs or medicines available for purchase without prescription for use in or on the human body: Vitamin or mineral concentrates; dietary supplements; natural or herbal drugs or medicines; products intended to be taken for coughs, [or] colds, asthma or allergies; antihistamines; laxatives; [aspirin and other drugs or medicines having pharmacological effects similar to those of aspirin and generally classified as internal] antidiarrheal medicines; analgesics; antibiotic, antibacterial, antiviral and antifungal medicines; antiseptics; astringents; anesthetics; steroidal medicines; anthelmintics; emetics and antiemetics; antacids; and any medication prepared [as an ointment or

solution] to be used in a person's eyes, [for the care and treatment of any disease of the eyes] ears or nose, excluding cosmetics, dentifrices, mouthwash, shaving and hair care products, soaps and deodorants.

Sec. 19. Subdivision (54) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(54) Sales of test strips and tablets, lancets and glucose monitoring equipment for purposes of certain tests and monitoring required in the care of diabetes and repair or replacement parts for such equipment, whether such repair or replacements parts are purchased separately or in conjunction with the sale of such equipment, and whether such parts continue the original function or enhance the functionality of such equipment.

Sec. 20. Subdivision (58) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(58) Sales of any services rendered for purposes of (A) personnel services, (B) commercial or industrial marketing, development, testing or research services, or (C) business analysis and management services, whenever, pursuant to a joint venture agreement, the recipient of any such services is either a corporation or a partnership and such services are rendered by one or more corporate shareholders or a corporate partner in such joint venture, and in accordance with which the company rendering such service must have an ownership interest equivalent to not less than twenty-five per cent of total ownership in such joint venture, provided (i) the purpose of such joint venture is directly related to production or development of new or experimental products or systems and the marketing and support thereof, (ii) at least one of the corporations participating in such joint venture shall have been actively engaged in business in this state for not less than ten years, and (iii) exemption for such sales in accordance with this subsection, with respect to any single joint venture, shall not be allowed for a period in excess of ten consecutive years, or in the case of a joint venture in existence prior to January 1, 1986, within the aircraft industry, for a period in excess of thirty consecutive years, and such exemption shall be applicable to sales of such services rendered on or after January 1, 1986.

Sec. 21. Subdivision (60) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(60) The sale of any motor vehicle or vessel, as defined in section 15-127, in this state when the purchaser of such motor vehicle or vessel is not a resident of this state and does not maintain a permanent place of abode in this state, provided such motor vehicle or vessel is not presented for registration with the Department of Motor Vehicles in this state and such purchaser submits any affidavit or other evidence as may be requested by the Commissioner of Revenue Services concerning such purchaser's residency or place of abode.

Sec. 22. Subdivision (62) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(62) [Subject to the provisions of section 12-412f, sales] (A) Sales of any of the services enumerated in [subdivision (i) of subsection (2)] subdivisions (2) (i), (2) (k) or (2) (l) of section 12-407 [, on or after July 1, 1987, which] that are rendered for a [corporation] business entity affiliated with the [corporation] business entity rendering such service in such manner that [(A)] (i) either [corporation] business entity in such transaction owns [or controls either directly or indirectly not less than one hundred per cent of the capital stock of] a controlling interest in the other [corporation] business entity, or [(B) either corporation] (ii) a controlling interest in each business entity in such transaction is owned[or controlled either directly or indirectly by interests which own or control either directly or indirectly not less than one hundred per cent of the capital stock of the other corporation] by the same person or persons or business entity or business entities.

(B) For purposes of this subdivision, (i) "business entity" means a corporation, trust, estate, partnership, limited partnership, limited liability partnership, limited liability company, single member limited liability company, sole proprietorship and nonstock corporation; (ii) "controlling interest" means, in the case of a business entity that is a corporation, ownership of stock possessing one hundred per cent of the total combined voting power of all classes of stock entitled to vote or one hundred per cent of the total value of shares of all classes of stock of such corporation; in the case of a business entity that is a trust or estate, ownership of a beneficial interest of one hundred per cent in such trust or estate; in the case of a business entity that is a partnership, limited partnership or limited liability partnership, ownership of one hundred per cent of the profits interest or capital interest in such partnership, limited partnership or limited liability partnership; in the case of a limited liability company with more than one member, ownership of one

hundred per cent of the profits interest, capital interest or membership interests in such limited liability company; in the case of a business entity that is a sole proprietorship or single member limited liability company, ownership of such sole proprietorship or single member limited liability company; in the case of a business entity that is a nonstock corporation with voting members, control of one hundred per cent of all voting membership interests in such corporation; and in the case of a business entity that is a nonstock corporation with no voting members, control of one hundred per cent of the board of directors of such corporation; (iii) whether a controlling interest in a business entity is owned shall be determined in accordance with Section 267 of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, provided where a controlling interest is owned in a business entity other than a stock corporation, the term "stock" as used in said Section 267 of the Internal Revenue Code means, in the case of a partnership, limited partnership, limited liability partnership or limited liability company treated as a partnership for federal income tax purposes, the profits interest or capital interest in such partnership, in the case of a business entity that is a trust or estate, the beneficial interests in such trust or estate, and in the case of a business entity that is a nonstock corporation, the voting membership interests in such corporation, or if it has no voting members, the control of the board of directors; (iv) a business entity has "control of" the board of directors of a nonstock corporation if one hundred per cent of the voting members of the board of directors are either representatives of, including ex-officio directors, or persons appointed by such business entity, or "control of" one hundred per cent of the voting membership interests in a nonstock corporation if one hundred per cent of the voting membership interests are held by the business entity or by representatives of, including ex-officio members, or persons appointed by such business entity.

Sec. 23. Subdivision (67) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(67) Sales of and the storage, use or other consumption, prior to January 1, [1998] 2002, of a new motor vehicle which is exclusively powered by a clean alternative fuel. As used in this subsection and subsections (68) and (69), "clean alternative fuel" shall mean natural gas or electricity when used as a motor vehicle fuel or propane when used as a motor vehicle fuel if such a

vehicle meets the federal fleet emissions standards under the federal Clean Air Act or any emissions standards adopted by the Commissioner of Environmental Protection as part of the state's implementation plan under said act.

Sec. 24. Subdivision (68) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(68) Sales of and the storage, use or other consumption, prior to January 1, [1998] 2002, of conversion equipment incorporated into or used in converting vehicles powered by any other fuel to either exclusive use of a clean alternative fuel or dual use of any other fuel and a clean alternative fuel, including, but not limited to, storage cylinders, cylinder brackets, regulated mixers, fill valves, pressure regulators, solenoid valves, fuel gauges, electronic ignitions and alternative fuel delivery lines.

Sec. 25. Subdivision (69) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(69) Sales of and the storage, use or other consumption, prior to January 1, [1998] 2002, of equipment incorporated into or used in a compressed natural gas filling or electric recharging station for vehicles powered by a clean alternative fuel, including, but not limited to, compressors, storage cylinders, associated framing, tubing and fittings, valves, fuel poles and fuel delivery lines used for clean alternative fuel storage and filling facilities.

Sec. 26. Subdivision (80) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(80) Sales and the storage, use or other consumption of special equipment installed in a motor vehicle for the exclusive use of a person with physical disabilities and repair or replacement parts for such equipment, whether such repair or replacement parts are purchased separately or in conjunction with such equipment, and whether such parts continue the original function or enhance the functionality of such equipment.

Sec. 27. Section 12-412 of the general statutes is amended by adding subdivisions (101) to (107), inclusive, as follows:

(NEW) (101) Sales of and the storage, use or other consumption of firearm safety devices. For purposes of this subdivision, "firearm safety devices" shall include safes, lock boxes, trigger and barrel locks and other items designed to enhance home firearm safety.

(NEW) (102) Sales of and the storage, use or other consumption of bicycle helmets. For the purposes of this subdivision, "bicycle" means any vehicle propelled by the person riding the same by foot or hand power and "helmet" means protective headgear which conforms to the minimum specifications established by the American National Standards Institute or the Snell Memorial Foundation's Standard for Protective Headgear for Use in Bicycling.

(NEW) (103) Sales of and the storage, use or other consumption of railroad locomotives, track ballasts, ties, rails, machinery and equipment used to maintain the railroad right-of-way which is used or operated exclusively for the carriage of freight.

(NEW) (104) Sales, use or other consumption of (A) calibration services for machinery, equipment or instrumentation used in a manufacturing production process; or (B) other sales, use or other consumption of services or compliance practices associated with registration and compliance of quality management and quality assurance standards as part of standards created by the International Organization of Standards. For purposes of this subdivision, "calibration services" means independent inspection services performed to verify accuracy in the provision, calibration or recalibration of equipment used to test, measure, monitor or gage any quality, process or environmental equipment used in conjunction with maintaining quality standards or meeting regulatory requirements.

(NEW) (105) Sales of shoe repair services.

(NEW) (106) Sales of services enumerated in subparagraph (J) of subdivision (2)(i) of section 12-407, on or after July 1, 1999, which services are rendered to the central clearinghouse organized and operated under the direction of the Department of Public Utility Control, by the public utilities of this state for receiving and giving the notices required by section 16-349.

(NEW) (107) Sales of, and the storage, use or other consumption of, diesel fuel to be used exclusively in portable power system generators that are larger than one hundred fifty kilowatts.

Sec. 28. Subdivision (3) of section 12-426 of the general statutes is repealed and the following is substituted in lieu thereof:

(3) (A) Every seller, every retailer as defined in subdivision (b) of subsection (12) of section 12-407 and every person storing, accepting, consuming or otherwise using in this state services or tangible personal property purchased from a retailer shall keep such records, receipts, invoices and other pertinent papers in such form as the commissioner requires.

(B) In addition any records required pursuant to subparagraph (A) of this subdivision, each materialman collecting tax as allowed under the provisions of subparagraph (C) of subdivision (2) of section 12-408, as amended by this act, shall keep the following records with respect to each sale of building materials or services described in said subparagraph (C): (i) The date of such sale; (ii) proof that the sale meets the qualifications described in said subparagraph (C); (iii) the amount of credit, if any, extended by such materialman to such contractor, subcontractor or repairman for each such sale; (iv) the terms for payment of the purchase price or repayment of any such credit; and (v) the date or dates on which such purchase price is paid or such credit is repaid, in whole or in part, and the amount of each such payment or repayment. Such records shall be kept for a period of three years from the date the tax on each such sale is paid over to the commissioner in full, provided the commissioner may consent to their destruction within that period or may require that they be kept longer.

Sec. 29. Subsection (a) of section 12-431 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) In case of the purchase of any motor vehicle, snowmobile, vessel or aircraft other than from a licensed motor vehicle dealer or licensed motor vehicle lessor, a snowmobile dealer, a licensed marine dealer or a retailer of aircraft, respectively, the receipts therefrom shall not be included in the measure of the sales tax, but the purchaser thereof shall pay a use tax on the total purchase price thereof to the Commissioner of Revenue Services, as provided in section 12-411, in the case of tangible personal property purchased from a retailer,

and, in the case of motor vehicles, vessels and snowmobiles, before obtaining an original or transferal registration, in accordance with regulations prescribed by the Commissioner of Revenue Services and on forms approved by the Commissioner of Revenue Services and the Commissioner of Motor Vehicles, and, in the case of aircraft, before obtaining an original or transferal registration, in accordance with regulations prescribed by the Commissioner of Revenue Services and on forms approved by the Commissioner of Revenue Services and the Commissioner of Transportation; provided no use tax shall be payable in cases of [transfer or] purchase (1) when the [transferee or] purchaser is the spouse, mother, father, brother, sister or child of the [transferor or] seller, (2) when a motor vehicle or vessel is [transferred or] sold in connection with the organization, reorganization or liquidation of an incorporated business, provided (A) the last taxable sale [, transfer] or use of the motor vehicle or vessel was subjected to a tax imposed by this chapter, (B) the [transferee] purchaser is the incorporated business or a stockholder thereof, and (C) any gain or loss to the [transferor] seller is not recognized for federal income tax purposes under the provisions of the Internal Revenue Code and Treasury regulations and rulings issued thereunder, (3) when a motor vehicle is [transferred or] sold in connection with the organization or termination of a partnership or limited liability company, provided (A) the last taxable sale [, transfer] or use of the motor vehicle was subjected to a tax imposed by this chapter, (B) the [transferee] purchaser is the partnership or limited liability company, as the case may be, or a partner or member, thereof, as the case may be, and (C) any gain or loss to the [transferor] seller is not recognized for federal income tax purposes under the provisions of the Internal Revenue Code and Treasury regulations and rulings issued thereunder, or (4) when a motor vehicle which has been declared a total loss pursuant to the provisions of section 14-16c is rebuilt for sale or use, provided the [transferee] purchaser was subjected to the tax imposed by this chapter for the last taxable sale of said vehicle.

Sec. 30. Section 12-458f of the general statutes is repealed and the following is substituted in lieu thereof:

On and after July 1, 1994, and until July 1, [2001] 2002, compressed natural gas, liquefied petroleum gas and liquefied natural gas shall not be subject to the tax imposed under section 12-458.

Sec. 31. Subdivision (1) of section 12-263a of the general statutes is repealed and the following is substituted in lieu thereof:

(1) "Hospital" means any health care facility or institution, as defined in section 19a-630, which is licensed as a short-term general hospital by the Department of Public Health but does not include (A) any hospital which, on October 1, 1997, is within the class of hospitals licensed by the department as children's general hospitals, or (B) a short-term acute hospital operated exclusively by the state other than a short-term acute hospital operated by the state as a receiver pursuant to chapter 920.

Sec. 32. Section 12-263b of the general statutes is repealed and the following is substituted in lieu thereof:

There is hereby imposed on the hospital gross earnings of each hospital in this state a tax (1) at the rate of eleven per cent of its hospital gross earnings in each taxable quarter for taxable quarters commencing prior to October 1, 1996; (2) at the rate of nine and one-fourth per cent of its hospital gross earnings in each taxable quarter commencing on or after October 1, 1996, and prior to October 1, 1997; (3) at the rate of eight and one-fourth per cent of its hospital gross earnings in each taxable quarter commencing on or after October 1, 1997, and prior to October 1, 1998; (4) at the rate of seven and one-fourth per cent of its hospital gross earnings in each taxable quarter commencing on or after October 1, 1998, and prior to October 1, 1999; and (5) at the rate of [six and one-fourth] four and one-half per cent of its hospital gross earnings in each taxable quarter commencing on or after October 1, 1999. Each hospital shall, on or before the last day of January, April, July and October of each year, render to the Commissioner of Revenue Services a return, on forms prescribed or furnished by the Commissioner of Revenue Services and signed by one of its principal officers, stating specifically the name and location of such hospital, and the amounts of its hospital gross earnings, its net revenue and its gross revenue for the calendar quarter ending the last day of the preceding month. Payment shall be made with such return.

Sec. 33. Section 8-395 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) As used in this section, "business firm" means any business entity authorized to do business in the state and subject to the corporation business

tax imposed under chapter 208, or any company subject to a tax imposed under chapter 207, or any air carrier subject to the air carriers tax imposed under chapter 209, or any railroad company subject to the railroad companies tax imposed under chapter 210, or any regulated telecommunications service, express, telegraph, cable, or community antenna television company subject to the regulated telecommunications service, express, telegraph, cable, and community antenna television companies tax imposed under chapter 211, or any utility company subject to the utility companies tax imposed under chapter 212.

(b) The Commissioner of Revenue Services shall grant a credit against any tax due under the provisions of chapter 207, 208, 209, 210, 211 or 212 in an amount equal to the amount specified by the Connecticut Housing Finance Authority in any tax credit voucher issued by said authority pursuant to subsection (c) of this section.

(c) The Connecticut Housing Finance Authority shall administer a system of tax credit vouchers within the resources, requirements and purposes of this section, for business firms making contributions to housing programs developed, sponsored or managed by a nonprofit corporation, as defined in subsection (w) of section 8-39, which benefit low and moderate income persons or families which have been approved prior to the date of any such contribution by the authority. Such vouchers may be used as a credit against any of the taxes to which such business firm is subject and which are enumerated in subsection (b) of this section. For income years commencing on or after January 1, 1998, to be eligible for approval a housing program shall be scheduled for completion not more than three years from the date of approval. Each program shall submit to the authority quarterly progress reports and a final report upon completion, in a manner and form prescribed by the authority. If a program fails to be completed after three years, or at any time the authority determines that a program is unlikely to be completed, the authority may reclaim any remaining funds contributed by business firms and reallocate such funds to another eligible program.

(d) No business firm shall receive a credit pursuant to both this section and chapter 228a in relation to the same contribution.

(e) Nothing in this section shall be construed to prevent two or more business firms from participating jointly in one or more programs under the provisions

of this section. Such joint programs shall be submitted, and acted upon, as a single program by the business firms involved.

(f) The sum of all tax credit granted pursuant to the provisions of this section shall not exceed [~~fifty~~] seventy-five thousand dollars annually per business firm and no tax credit shall be granted to any business firm for any individual amount contributed of less than two hundred fifty dollars.

(g) No tax credit shall be granted to any bank, bank and trust company, insurance company, trust company, national bank, savings association, or building and loan association or any other business entity for activities that are a part of its normal course of business.

(h) Any tax credit not used in the period during which the contribution was made may be carried forward or backward for the five immediately succeeding or preceding income years until the full credit has been allowed.

(i) In no event shall the total amount of all tax credits allowed to all business firms pursuant to the provisions of this section exceed [~~one~~] five million dollars in any one fiscal year.

(j) No tax credit shall be granted to any business firm unless such firm furnishes proof to the Commissioner of Revenue Services that the amount of funds expended for contributions for the support of housing programs by such business firm is not less in the year for which such credit is sought than the amount expended in the year immediately preceding the year for which such credit is sought.

(k) No organization conducting a housing program or programs eligible for funding with respect to which tax credits may be allowed under this section shall be allowed to receive an aggregate amount of such funding for any such program or programs in excess of [~~three~~] four hundred thousand dollars for any fiscal year.

(l) Nothing in this section shall be construed to prevent a business firm from making any contribution to a housing program to which tax credits may be applied which contribution may result in the business firm having a limited equity interest in the program.

(m) The Connecticut Housing Finance Authority, with the approval of the Commissioner of Revenue Services, shall adopt written procedures in accordance with section 1-121 to implement the provisions of this section. Such procedures shall include provisions for issuing tax credit vouchers for contributions to housing programs based on a system of ranking housing programs. In establishing such ranking system, the authority shall consider the following: (1) The readiness of the project to be built; (2) use of the funds to build or rehabilitate a specific housing project or to capitalize a revolving loan fund providing low-cost loans for housing construction, repair or rehabilitation to benefit persons of very low, low and moderate income; (3) the extent the project will benefit families at or below twenty-five per cent of the area median income and families with incomes between twenty-five per cent and fifty per cent of the area median income, as defined by the United States Department of Housing and Urban Development; (4) evidence of the general administrative capability of the nonprofit corporation to build or rehabilitate housing; (5) evidence that any funds received by the nonprofit corporation for which a voucher was issued were used to accomplish the goals set forth in the application and with respect to any income year commencing on or after January 1, 1998; (6) use of the funds to provide housing opportunities in urban areas and the impact of such funds on neighborhood revitalization; and (7) the extent to which tax credit funds are leveraged by other funds.

(n) Vouchers issued or reserved by the Department of Housing under the provisions of this section prior to July 1, 1995, shall be valid on and after July 1, 1995, to the same extent as they would be valid under the provisions of this section in effect on June 30, 1995.

(o) On or before October 1, 1995, the authority shall adopt written procedures, in accordance with section 1-121, to implement the provisions of this section.

(p) The credit which is sought by the business firm shall first be claimed on the tax return for such business firm's income year during which the contribution to which the tax credit voucher relates was paid.

Sec. 34. (NEW) As used in sections 34 to 37, inclusive, of this act, the following terms shall have the following meanings unless the context clearly indicates another meaning:

(1) "Commission" means the Connecticut Historical Commission established under section 10-321 of the general statutes;

(2) "Historic home" means a building that: (A) Will contain one-to-four dwelling units of which at least one unit will be occupied as the principal residence of the owner for not less than five years following the completion of rehabilitation work, (B) is located in a targeted area, and (C) is (i) listed individually on the National or State Register of Historic Places, or (ii) located in a district listed on the National or State Register of Historic Places, and has been certified by the commission as contributing to the historic character of such district;

(3) "Nonprofit corporation" means a nonprofit corporation incorporated pursuant to chapter 602 of the general statutes or any predecessor statutes thereto, having as one of its purposes the construction, rehabilitation, ownership or operation of housing and having articles of incorporation approved by the Commissioner of Economic and Community Development in accordance with regulations adopted pursuant to section 8-79a or 8-84 of the general statutes;

(4) "Owner" means any taxpayer filing a state of Connecticut tax return who possesses title to an historic home, or prospective title to an historic home in the form of a purchase agreement or option to purchase, or a nonprofit corporation that possesses such title or prospective title;

(5) "Targeted area" means: (A) A federally designated "qualified census tract" in which seventy per cent or more of the families have a median income of eighty per cent or less of the state-wide median family income, (B) a state designated and federally approved area of chronic economic distress, or (C) an urban and regional center as identified in the Connecticut Conservation and Development Policies Plan;

(6) "Qualified rehabilitation expenditures" means any costs incurred for the physical construction involved in the rehabilitation of an historic home, but excludes: (A) The owner's personal labor, (B) the cost of site improvements, unless to provide building access to persons with disabilities, (C) the cost of a new addition, except as may be required to comply with any provision of the State Building Code or the State Fire Safety Code, (D) any cost associated with the rehabilitation of an outbuilding, unless such building contributes to the

historical significance of the historic home, and (E) any nonconstruction cost such as architectural fees, legal fees and financing fees;

(7) "Rehabilitation plan" means any construction plans and specifications for the proposed rehabilitation of an historic home in sufficient detail to enable the commission to evaluate compliance with the standards developed under the provisions of section 35 of this act; and

(8) "Occupancy period" means a period of five years during which one or more owners occupy an historic home as their primary residence. The occupancy period begins on the date the tax credit voucher is issued by the commission.

Sec. 35. (NEW) (a) The commission shall administer a system of tax credit vouchers within the resources, requirements and purposes of this act for owners rehabilitating historic homes or taxpayers making contributions to qualified rehabilitation expenditures. For tax years commencing on or after January 1, 2000, any owner shall be eligible for a tax credit voucher in an amount equal to thirty per cent of the qualified rehabilitation expenditures.

(b) The commission shall develop standards for the approval of rehabilitation of historic homes for which a tax credit voucher is sought. Such standards shall take into account whether the rehabilitation of an historic home will preserve the historic character of the building.

(c) The commission shall, in consultation with the Commissioner of Revenue Services, adopt regulations in accordance with chapter 54 of the general statutes to carry out the purposes of sections 34 to 37, inclusive, of this act.

Sec. 36. (NEW) (a) Prior to beginning any rehabilitation work on an historic home, the owner shall submit a rehabilitation plan to the commission for a determination of whether such rehabilitation work meets the standards developed under the provisions of section 35 of this act and shall also submit to the commission an estimate of the qualified rehabilitation expenditures.

(b) If the commission certifies that the rehabilitation plan conforms to the standards developed under the provisions of section 35 of this act, the commission shall reserve for the benefit of the owner an allocation for a tax

credit equivalent to thirty per cent of the projected qualified rehabilitation expenditures.

(c) Following the completion of rehabilitation of an historic home, the owner shall notify the commission that such rehabilitation has been completed. The owner shall provide the commission with documentation of work performed on the historic home and shall certify the cost incurred in rehabilitating the home. The commission shall review such rehabilitation and verify its compliance with the rehabilitation plan. Following such verification, the commission shall issue a tax credit voucher to either the owner rehabilitating the historic home or to the taxpayer named by the owner as contributing to the rehabilitation. The tax credit voucher shall be in an amount equivalent to the lesser of the tax credit reserved upon certification of the rehabilitation plan under the provisions of subsection (b) of this section or thirty per cent of the actual qualified rehabilitation expenditures. In order to obtain a credit against any state tax due that is specified in section 37 of this act, the holder of the tax credit voucher shall file the voucher with the holder's state tax return.

(d) Before the commission issues a tax credit voucher, the owner shall deliver a signed statement to the commission which provides that: (1) The owner shall occupy the historic home as the owner's primary residence during the occupancy period, or (2) the owner shall convey the historic home to a new owner who will occupy it as the new owner's primary residence during the occupancy period, or (3) an encumbrance shall be recorded, in favor of the local, state or federal government or other funding source, that will require the owner or the owner's successors to occupy the historic home as the primary residence of the owner or the owner's successors for a period equal to or longer than the occupancy period. A copy of any such encumbrance shall be attached to the signed statement.

(e) The owner of an historic home shall not be eligible for a tax credit voucher under section 35 of this act, unless the owner incurs qualified rehabilitation expenditures exceeding twenty-five thousand dollars.

Sec. 37. (NEW) (a) The Commissioner of Revenue Services shall grant a tax credit to a taxpayer holding the tax credit voucher issued under section 36 of this act against any tax due under chapter 207, 208, 209, 210, 211 or 212 of the general statutes in the amount specified in the tax credit voucher. Such

taxpayer shall submit the voucher and the corresponding tax return to the Department of Revenue Services.

(b) In no event shall a credit allowed under sections 34 to 37, inclusive, of this act, exceed thirty thousand dollars per dwelling unit for an historic home.

(c) The tax credit issued under subsection (a) of this section shall be taken by the holder of the tax credit voucher in the same tax year in which the voucher is issued. Any unused portion of such credit may be carried forward to any or all of the four taxable years following the year in which the tax credit voucher is issued.

(d) The aggregate amount of all tax credits which may be reserved by the commission upon certification of rehabilitation plans under section 35 of this act shall not exceed three million dollars in any one fiscal year.

Sec. 38. (NEW) (a) Any taxpayer that (1) is a qualified small business, (2) qualifies for a credit under section 12-217j of the general statutes or section 12-217n of the general statutes, as amended by this act, and (3) cannot take such credit in the taxable year in which the credit could otherwise be taken as a result of having no tax liability under chapter 208 of the general statutes may elect to carry such credit forward under said chapter 208 or may exchange such credit with the state for a cash payment equal to sixty-five per cent of the value of the credit.

(b) An application for such payment shall be made to the Commissioner of Revenue Services, at the same time such taxpayer files a final return for the income year, on such forms and containing such information as prescribed by said commissioner. If the commissioner determines that the taxpayer qualifies for a payment under this section, the commissioner shall notify, no later than one hundred twenty days from receipt of the application for such payment, the State Comptroller of the names of the eligible taxpayer, and the State Comptroller shall draw an order on the State Treasurer in the amount thereof for payment to such taxpayer.

(c) The Commissioner of Revenue Services may disallow the exchange of any credit otherwise allowable for a taxable year under this section if the company claiming the exchange has any amount of taxes due and unpaid to the state including interest, penalties, fees and other charges related thereto for which a

period in excess of thirty days has elapsed following the date on which such taxes were due and which are not the subject of a timely filed administrative appeal to the commissioner or of a timely filed appeal pending before any court of competent jurisdiction. Before any such disallowance, the commissioner shall send written notice to the company, stating that it may pay the amount of such delinquent tax or enter into an agreement with the commissioner for the payment thereof, by the date set forth in said notice, provided, such date shall not be less than thirty days after the date of such notice. Failure on the part of the company to pay the amount of the delinquent tax or enter into an agreement to pay the amount thereof by said date shall result in a disallowance of the exchange being claimed.

(d) For purposes of this section "qualified small business" means a company that (1) has gross income for the previous income year that does not exceed seventy million dollars, and (2) has not, in the determination of the commissioner, met the gross income test through transactions with a related person, as defined in section 12-217w of the general statutes.

Sec. 39. Subsection (a) of section 12-217 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) (1) In arriving at net income as defined in section 12-213, whether or not the taxpayer is taxable under the federal corporation net income tax, there shall be deducted from gross income, (A) all items deductible under the Internal Revenue Code effective and in force on the last day of the income year except (i) any taxes imposed under the provisions of this chapter which are paid or accrued in the income year and in the income year commencing January 1, 1989, and thereafter, any taxes in any state of the United States or any political subdivision of such state, or the District of Columbia, imposed on or measured by the income or profits of a corporation which are paid or accrued in the income year, and (ii) deductions for depreciation, which shall be allowed as provided in subsection (b) of this section, and (B) additionally, in the case of a regulated investment company, the sum of (i) the exempt-interest dividends, as defined in the Internal Revenue Code, and (ii) expenses, bond premium, and interest related to tax-exempt income that are disallowed as deductions under the Internal Revenue Code, and (C) in the case of a taxpayer maintaining an international banking facility as defined in the laws of the United States or the regulations of the Board of Governors of the Federal Reserve System, as either may be amended from time to time, the

gross income attributable to the international banking facility, provided, no expense or loss attributable to the international banking facility shall be a deduction under any provision of this section, and (D) additionally, in the case of all taxpayers, all dividends as defined in the Internal Revenue Code effective and in force on the last day of the income year not otherwise deducted from gross income, including dividends received from a DISC or former DISC as defined in Section 992 of the Internal Revenue Code and dividends deemed to have been distributed by a DISC or former DISC as provided in Section 995 of said Internal Revenue Code, other than thirty per cent of dividends received from a domestic corporation in which the taxpayer owns less than twenty per cent of the total voting power and value of the stock of such corporation, and (E) additionally, in the case of all taxpayers, the value of any capital gain realized from the sale of any land, or interest in land, to the state, any political subdivision of the state, or to any nonprofit land conservation organization where such land is to be permanently preserved as protected open space or to a water company, as defined in section 25-32a, where such land is to be permanently preserved as protected open space or as Class I or Class II watershed land.

(2) No deduction shall be allowed for (A) expenses related to dividends which are allowable as a deduction or credit under the Internal Revenue Code and (B) federal taxes on income or profits, losses of other calendar or fiscal years, retroactive to include all calendar or fiscal years beginning after January 1, 1935, interest received from federal, state and local government securities, if any such deductions are allowed by the federal government.

(3) Notwithstanding any provision of this section to the contrary, no dividend received from a real estate investment trust shall be deductible under this section by the recipient unless the dividend is: (A) Deductible under Section 243 of the Internal Revenue Code; or (B) received by a qualified dividend recipient from a qualified real estate investment trust and, as of the last day of the period for which such dividend is paid, persons, not including the qualified dividend recipient or any person that is either a related person to, or an employee or director of, the qualified dividend recipient, have outstanding cash capital contributions to the qualified real estate investment trust that, in the aggregate, exceed five per cent of the fair market value of the aggregate real estate assets, valued as of the last day of the period for which such dividend is paid, then held by the qualified real estate investment trust. For

purposes of this section, a "related person" is as defined in subdivision (7) of subsection (a) of section 12-217m, "real estate assets" is as defined in Section 856 of the Internal Revenue Code, a "qualified dividend recipient" means a dividend recipient who has invested in a qualified real estate investment trust prior to April 1, 1997, and a "qualified real estate investment trust" means an entity that both was incorporated and had contributed to it a minimum of five hundred million dollars worth of real estate assets prior to April 1, 1997, and that elects to be a real estate investment trust under Section 856 of the Internal Revenue Code prior to April 1, 1998.

(4) Notwithstanding anything in this section to the contrary, (A) any excess of the deductions provided in this section for any income year commencing on or after January 1, 1973, over the gross income for such year or the amount of such excess apportioned to this state under the provisions of section 12-218, shall be an operating loss of such income year and shall be deductible as an operating loss carry-over for operating losses incurred prior to income years commencing January 1, 2000, in each of the five income years following such loss year, and for operating losses incurred in income years commencing on or after January 1, 2000, in each of the twenty income years following such loss year, provided the portion of such operating loss which may be deducted as an operating loss carry-over in any income year following such loss year shall be limited to the lesser of (i) any net income greater than zero of such income year following such loss year, or in the case of a company entitled to apportion its net income under the provisions of section 12-218, the amount of such net income which is apportioned to this state pursuant thereto, or (ii) the excess, if any, of such operating loss over the total of such net income for each of any prior income years following such loss year, such net income of each of such prior income years following such loss year for such purposes being computed without regard to any operating loss carry-over from such loss year allowed by this subparagraph and being regarded as not less than zero, and provided, further, the operating loss of any income year shall be deducted in any subsequent year, to the extent available therefor, before the operating loss of any subsequent income year is deducted, and (B) any net capital loss, as defined in the Internal Revenue Code effective and in force on the last day of the income year, for any income year commencing on or after January 1, 1973, shall be allowed as a capital loss carry-over to reduce, but not below zero, any net capital gain, as so defined, in each of the five following income years, in order of sequence, to the extent not exhausted by the net capital gain of any of

the preceding of such five following income years, and (C) any net capital losses allowed and carried forward from prior years to income years beginning on or after January 1, 1973, for federal income tax purposes by companies entitled to a deduction for dividends paid under the Internal Revenue Code other than companies subject to the gross earnings taxes imposed under chapters 211 and 212, shall be allowed as a capital loss carry-over.

(5) This section shall not apply to a life insurance company as defined in the Internal Revenue Code effective and in force on the last day of the income year. For purposes of this section, the unpaid loss reserve adjustment required for nonlife insurance companies under the provisions of Section 832(b)(5) of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, shall be applied without making the adjustment in Subparagraph (B) of said Section 832(b)(5).

Sec. 40. Subdivision (1) of subsection (c) of section 12-217n of the general statutes is repealed and the following is substituted in lieu thereof:

(c) (1) The amount allowed as a credit in any income year shall be the tentative credit calculated under subdivision (2) of this subsection, modified as provided in subsection (e) or (f) of this section, if applicable, except that in the case of a qualified small business the tentative credit allowed for research and development expenses shall be equal to six per cent of such expenses or in the case of any business employing over two thousand five hundred people in the state of Connecticut with annual revenues in excess of three billion dollars and headquartered in an enterprise zone the tentative credit allowed for research and development expenses shall be equal to three and one-half per cent of such expense.

Sec. 41. Section 12-217i of the general statutes is repealed and the following is substituted in lieu thereof:

(a) There shall be allowed a credit for any taxpayer against the tax imposed by this chapter, chapter 209, 210, 211 or 212 in any income year or calendar quarter, as the case may be, commencing prior to January 1, [2000] 2002, in an amount equal to ten per cent of the amount of expenditures paid or incurred during such income year or such quarter, as the case may be, for the

incremental cost of purchasing a vehicle which is exclusively powered by a clean alternative fuel.

(b) There shall be allowed a credit for any taxpayer against the tax imposed by this chapter in any income year commencing on or after January 1, 1994, and prior to January 1, [2000] 2002, in an amount equal to fifty per cent of the amount of expenditures, other than those described in subsection (a) of this section, paid or incurred during such income year directly for (1) the construction of any filling station or improvements to any existing filling station in order to provide compressed natural gas, liquefied petroleum gas or liquefied natural gas; (2) the purchase and installation of conversion equipment incorporated into or used in converting vehicles powered by any other fuel to either exclusive use of clean alternative fuel or dual use of such other fuel and a clean alternative fuel, including, but not limited to, storage cylinders, cylinder brackets, regulated mixers, fill valves, pressure regulators, solenoid valves, fuel gauges, electronic ignitions and alternative fuel delivery lines, if such converted vehicles, after conversion, meet generally accepted standards, including, but not limited to, the standards set by the American Gas Association, the National Fire Protection Association, the American National Standards Institute, the American Society of Testing Materials or the American Society of Mechanical Engineers; or (3) the purchase and installation of equipment incorporated into or used in a compressed natural gas, liquefied petroleum gas or liquefied natural gas filling or electric recharging station for vehicles powered by a clean alternative fuel, including, but not limited to, compressors, storage cylinders, associated framing, tubing and fittings, valves and fuel poles and fuel delivery lines.

(c) If the amount of any credit provided in this section exceeds the amount of tax otherwise payable in the income year or calendar quarter, as the case may be, in which such expenditure was paid or incurred, the balance of any such credit remaining may be taken in any of the three succeeding income years or twelve succeeding calendar quarters, respectively. Any taxpayer allowed such a tax credit against the tax imposed under this chapter, chapter 209, 210, 211 or 212 shall not be allowed such credit under more than one of said chapters. As used in this section "clean alternative fuel" shall mean compressed natural gas, liquefied petroleum gas, liquefied natural gas or electricity when used as a motor vehicle fuel and "incremental cost" shall mean the difference between the purchase price of a vehicle which is exclusively powered by a clean

alternative fuel and the manufacturer's suggested retail price of a comparably equipped vehicle which is not so powered.

Sec. 42. (NEW) (a) As used in this section, "small business" means any business entity qualifying as a small business under 13 CFR Part 121 which has gross receipts of not more than five million dollars for the income year in which the credit is first allowed.

(b) There shall be allowed as a credit against the tax imposed by chapter 208 of the general statutes in any income year an amount equal to the amount paid during such income year by a small business to the federal Small Business Administration as a guaranty fee to obtain guaranteed financing from the federal Small Business Administration, provided the credit shall not reduce the tax in any income year below any minimum tax required under said chapter 208.

(c) If the amount of the credit allowable under this section exceeds the sum of any taxes paid by the small business after all other credits have first been applied, any such excess amount of the credit allowable under this section may be taken in any of the four succeeding income years.

Sec. 43. Subsection (a) of section 12-264 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) Each (1) Connecticut municipality or department or agency thereof, or Connecticut district, manufacturing, selling or distributing gas or electricity to be used for light, heat or power, in this chapter and in chapter 212a called a "municipal utility", (2) company the principal business of which is manufacturing, selling or distributing gas, electricity or steam to be used for light, heat or power, including each foreign municipal electric utility, as defined in section 12-59 and given authority to engage in business in this state pursuant to the provisions of section 16-246c, and (3) company required to register pursuant to section 16-258a shall pay a quarterly tax upon gross earnings from such operations in this state. Gross earnings from such operations under subdivisions (1) and (2) of this subsection shall include (A) all income classified as operating revenues by the Department of Public Utility Control in the uniform systems of accounts prescribed by said department for operations within the taxable quarter and, with respect to each such company, (B) all income classified in said uniform systems of accounts as

income from merchandising, jobbing and contract work, (C) income from nonutility operations, (D) revenues from lease of physical property not devoted to utility operation, and (E) receipts from the sale of residuals and other by-products obtained in connection with the production of gas, electricity or steam. Gross earnings from such operations under subdivision (3) of this subsection shall be gross income from the sales of natural gas. Gross earnings of a gas company, as defined in section 16-1, shall not include income earned in a taxable year commencing prior to January 1, [2000] 2002, from the sale of natural gas or propane as a fuel for a motor vehicle. No deductions shall be allowed from such gross earnings for any commission, rebate or other payment, except a refund resulting from an error or overcharge and those specifically mentioned in section 12-265. Gross earnings of a company as described in subdivision (2) of this subsection shall not include income earned in any taxable quarter commencing on or after July 1, 2000, from the sale of steam.

Sec. 44. Subsection (a) of section 12-264 of the general statutes, as amended by section 54 of public act 98-28, is repealed and the following is substituted in lieu thereof:

(a) Each (1) Connecticut municipality or department or agency thereof, or Connecticut district, manufacturing, selling or distributing gas or electricity to be used for light, heat or power, in this chapter and in chapter 212a called a "municipal utility", (2) company the principal business of which is manufacturing, selling or distributing gas or steam to be used for light, heat or power, including each foreign municipal electric utility, as defined in section 12-59 and given authority to engage in business in this state pursuant to the provisions of section 16-246c, and (3) company required to register pursuant to section 16-258a shall pay a quarterly tax upon gross earnings from such operations in this state. Gross earnings from such operations under subdivisions (1) and (2) of this subsection shall include (A) all income classified as operating revenues by the Department of Public Utility Control in the uniform systems of accounts prescribed by said department for operations within the taxable quarter and, with respect to each such company, (B) all income classified in said uniform systems of accounts as income from merchandising, jobbing and contract work, (C) income from nonutility operations, (D) revenues from lease of physical property not devoted to utility operation, and (E) receipts from the sale of residuals and other by-products

obtained in connection with the production of gas, electricity or steam. Gross earnings from such operations under subdivision (3) of this subsection shall be gross income from the sales of natural gas. Gross earnings of a gas company, as defined in section 16-1, shall not include income earned in a taxable year commencing prior to January 1, [2000] 2002, from the sale of natural gas or propane as a fuel for a motor vehicle. No deductions shall be allowed from such gross earnings for any commission, rebate or other payment, except a refund resulting from an error or overcharge and those specifically mentioned in section 12-265. Gross earnings of a company as described in subdivision (2) of this subsection shall not include income earned in any taxable quarter commencing on or after July 1, 2000, from the sale of steam.

Sec. 45. Section 12-632 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) On or before September 1, 1995, and on or before July first of each succeeding year, any municipality desiring to obtain benefits under the provisions of this chapter shall, after approval by the legislative body of such municipality, submit to the Commissioner of Revenue Services a list on a form prescribed and made available by the commissioner of programs eligible for investment by business firms under the provisions of this chapter. Such activities shall consist of providing neighborhood assistance; job training or education; community services; crime prevention; energy conservation or construction or rehabilitation of dwelling units for families of low and moderate income in the state; donation of money to an open space acquisition fund of the state, any political subdivision of the state or any nonprofit land conservation organization which fund qualifies under subsection (h) of section 12-631 and is used for the purchase of land, interest in land or permanent conservation restriction on land, which is to be permanently preserved as protected open space; or any of the activities described in section 12-634, 12-635 or 12-635a. Such list shall indicate, for each program specified: The concept of the program, the neighborhood area to be served, why the program is needed, the estimated amount required to be invested in the program, the suggested plan for implementing the program, the agency designated by the municipality to oversee implementation of the program and such other information as the commissioner may prescribe. Each municipality shall hold at least one public hearing on the subject of which

programs shall be included on such list prior to the submission of such list to the commissioner.

(b) The Commissioner of Revenue Services shall, on or before September first of each year, compile a list, categorized by town and by estimated amount of tax credit, of the programs submitted by municipalities for investment pursuant to the provisions of subsection (a) of this section. The commissioner shall print sufficient quantities of such list to facilitate its distribution to business firms upon their request.

(c) Any business firm which desires to engage in any of the activities or programs approved by any municipality pursuant to subsection (a) of this section and listed pursuant to subsection (b) of this section may apply to the Commissioner of Revenue Services for a tax credit in an amount as provided in section 12-633, 12-634, 12-635 or 12-635a. The proposal for such credit which shall be made on a form prescribed and made available by the commissioner, shall set forth the program to be conducted, the neighborhood area to be invested in, the plans for implementing the program and such other information as said commissioner may prescribe. Such proposals shall be submitted to the commissioner on or after September fifteenth but no later than October first of each year. The commissioner shall refer the proposal to the agency designated by the municipality to oversee implementation of the program pursuant to the provisions of subsection (a) of this section, and such agency shall, within thirty days of the date of referral, approve or disapprove the proposal. Failure of such agency to respond within thirty days of the date of referral shall be deemed to constitute disapproval of such proposal. Following such referral and approval or disapproval, such proposals shall be approved or disapproved by the Commissioner of Revenue Services based on the compliance of such proposal with the provisions of this chapter, municipal agency approval or disapproval and regulations adopted pursuant to this chapter. The commissioner may only approve proposals received in his office between September fifteenth and October first of each year, after approval by the municipal agency affected by such proposal. If, in the opinion of the Commissioner of Revenue Services and the municipality or municipalities affected, a business firm's investment can, for the purposes of this chapter, be made through contributions to a neighborhood organization as defined in subsection (h) of section 12-631, tax credits may be allowed in amounts as provided in section 12-633, 12-634, 12-635 or 12-635a.

(d) Programs which may reasonably be expected to last for more than one year but not more than two consecutive years may be included on the lists submitted by municipalities pursuant to the provisions of subsection (a) of this section. Proposals made in response to such programs pursuant to the provisions of subsection (c) of this section may require investments to be made in more than one year. Such proposals shall be considered as a single entity by the Commissioner of Revenue Services, and, if approved, the commissioner shall reserve appropriate amounts of prospective years' tax credits for application to such program and proposed investments in the year or years in which such investments are actually made.

(e) (1) Nothing in this chapter shall be construed to prevent two or more business firms from participating jointly in one or more programs under the provisions of this chapter. Such joint investment programs shall be submitted, and acted upon, as a single proposal by the business firms involved.

(2) In the event that two or more neighborhood organizations which are owned by the same entity receive investments which would otherwise qualify for a credit under this chapter, only one such investment shall be eligible for such credit.

(f) The sum of all tax credit granted pursuant to the provisions of section 12-633, 12-634, 12-635 or 12-635a shall not exceed seventy-five thousand dollars annually per business firm and no tax credit shall be granted to any business firm for any individual amount invested of less than two hundred fifty dollars.

(g) No tax credit shall be granted to any bank, bank and trust company, insurance company, trust company, national bank, savings association, or building and loan association for activities that are a part of its normal course of business.

(h) Any tax credit not used in the period during which the investment was made may be carried backward for the two immediately preceding calendar or fiscal years until the full credit has been allowed.

(i) In no event shall the total amount of all tax credits allowed to all business firms pursuant to the provisions of this chapter exceed ~~[four]~~ five million dollars in any one fiscal year. ~~[Two]~~ Three million dollars of the total amount

of tax credits allowed shall be granted to business firms eligible for tax credits pursuant to section 12-635.

(j) [No] Except with respect to the acquisition of open space land, no tax credit shall be granted to any business firm unless such firm furnishes proof to the Commissioner of Revenue Services that the amount of funds expended for charitable purposes and for the support of programs which would be eligible for assistance pursuant to this chapter by such business firm is not less in the year for which such credit is sought than the amount expended in the year immediately preceding the year for which such credit is sought.

(k) No organization conducting a program or programs eligible for funding with respect to which tax credits may be allowed under this chapter shall be allowed to receive an aggregate amount of such funding for any such program or programs in excess of one hundred fifty thousand dollars for any fiscal year.

Sec. 46. Subsection (b) of section 23-8 of the general statutes is repealed and the following is substituted in lieu thereof:

(b) It shall be the goal of the state to have not less than ten per cent of the state's land area held by the state as open space land and not less than eleven per cent of the state's land area held by municipalities, water companies or nonprofit land conservation organizations as open space land consistent with the provisions of sections 7-131d to 7-131g, inclusive, for municipalities and nonprofit land conservation organizations and consistent with the provisions of section 25-37c for Class I or Class II watershed land for water companies.

The commissioner, in consultation with the Council on Environmental Quality established under section 22a-11 and private nonprofit [land-holding] land conservation organizations, shall prepare, and update as necessary, a comprehensive strategy for achieving the state goal and shall set an appropriate additional goal for increasing the amount of land held as open space by municipalities or by private nonprofit [land-holding] land conservation organizations and shall include in such strategy provisions for achieving such goal. Such strategy shall include, but not be limited to, recommendations regarding: (1) Timetables for acquisition of land by the state, (2) management of such land, (3) resources to be used for acquisition and management of such land, and (4) acquisition and maintenance of open space land by municipalities and by private entities. On or before January 1,

1998, and annually thereafter, the commissioner shall submit a report to the joint standing committee of the General Assembly having cognizance of matters relating to the environment regarding the strategy and the progress being made towards the goals.

Sec. 47. (NEW) (a) For purposes of this section, "donation of open space land" means the value of any land conveyed without financial consideration, or the value of any discount of the sale price in any sale of land or interest in land, to the state, a political subdivision of the state or to any nonprofit land conservation organization where such land is to be permanently preserved as protected open space.

(b) There shall be allowed a credit for all taxpayers against the tax imposed under section 12-217 of the general statutes, as amended by this act, in an amount equal to fifty per cent of any donation of open space land. For purposes of calculating the credit under this section, the amount of donation shall be based on the use value of the donated open space land.

Sec. 48. (NEW) No later than July 1, 2000, each water company, as defined in subdivision (10) of subsection (a) of section 16-1 of the general statutes that had a pro forma tax liability pursuant to section 12-214 of the general statutes for the income year commencing on or after January 1, 2001, which does not have a proposed rate amendment under section 16-19 of the general statutes pending before the Department of Public Utility Control at such time, shall request the department to reopen the proceeding under said section 16-19 of the company's most recent rate amendment, solely for the purpose of decreasing the company's rates consistent with the amount of the tax liability incurred pursuant to subsection (a) of section 12-214 of the general statutes for the income year commencing on or after January 1, 2001. The department shall immediately reopen such proceedings, solely for such purpose to allow for any authorized rate reduction for customers effective for bills issued for services on or after January 1, 2001.

Sec. 49. Section 12-540 of the general statutes is repealed and the following is substituted in lieu thereof:

Whenever used in this chapter:

(1) "Person" means and includes any individual, firm, copartnership, joint venture, association of persons however formed, social club, fraternal organization, corporation, limited liability company, estate, trust, fiduciary, receiver, trustee, syndicate, the United States, this state or any political subdivision thereof or any group or combination acting as a unit, and any other individual or officer acting under the authority of any court in this state;

(2) "Taxpayer" means any person as defined in subsection (1) of this section who is subject to any tax imposed by this chapter;

(3) "Admission charge" means the amount paid, whether in the form of a ticket price, license fee, skybox, luxury suite or club seat rental charge or purchase price, or otherwise, for the right or privilege to have access to a place or location where amusement, entertainment or recreation is provided, exclusive of any charges for instruction, and including any preferred seat license fee or any other payment required in order to have the right to purchase seats or secure admission to any such place or location. Places of amusement, entertainment or recreation include, but are not limited to, theaters, motion picture shows, auditoriums where lectures and concerts are given, amusement parks, fairgrounds, race tracks, dance halls, ball parks, stadiums, amphitheatres, convention centers, golf courses, miniature golf courses, tennis courts, skating rinks, swimming pools, bathing beaches, gymnasiums, auto shows, boat shows, camping shows, home shows, dog shows and antique shows;

[(4) "Cabaret or other similar place" means any room in any hotel, restaurant, hall or other public place where music, dancing privileges or any other entertainment, except mechanical music alone or the music of a single performer alone or karaoke alone without a paid karaoke entertainer, are afforded the patrons in connection with the serving or selling of alcoholic beverages even though the charge made for admission, refreshment, service or merchandise is not increased by reason of the furnishing of such entertainment. "Cabaret or other similar place" does not include any room in any restaurant, as defined in subsection (e) of section 30-22, for which only a restaurant permit for beer, as provided in subsection (b) of section 30-22, or only a restaurant permit for wine and beer, as provided in subsection (c) of section 30-22 has been issued;]

[(5)] (4) "Dues" shall include assessment charges to members irrespective of the purpose for which made and any charges for social, athletic or sporting privileges or facilities for any period of more than six days but not including charges made for instruction or charges for special assessments made (A) for the construction or reconstruction of any social, athletic or sporting facility or for the acquisition of land provided such land is "farm land", "open space land" or "forest land" as defined in section 12-107b of the general statutes and further provided that an application or applications pursuant to section 12-107c, 12-107d or 12-107e are made for the assessment list next following the acquisition of such land or (B) for the construction or reconstruction of any capital addition to any such facility or (C) furnishings or fixtures, including installation charges, for any such facility, to the extent that such furnishings or fixtures are required, by reason of the construction or reconstruction described in subdivision (A) or (B) of this subsection, for the use of such facility upon completion of such construction or reconstruction; except that, in the case of any such amount which is not expended for such construction, reconstruction, furnishings or fixtures, including installation charges, within three years after the date of payment of such amount, the exemption provided by this subsection shall cease to apply upon the expiration of such three-year period, and the club shall be liable for any tax imposed by section 12-543 in respect of such payment, as if such payment had been made on the first day following the expiration of such three-year period;

[(6)] (5) "Initiation fees" shall include any payment, contribution or loan required as a condition precedent to membership whether or not any such payment, contribution or loan is evidenced by a certificate of interest or indebtedness or share of stock;

[(7)] (6) "Operating under a lodge system" means carrying on activities under a form of organization that comprises local branches, chartered by a parent organization and largely self-governing, called "lodges", "chapters" or any similar title;

[(8)] (7) "Club" means any organization which is either owned or operated by its members, or both.

Sec. 50. Section 12-504c of the general statutes is repealed and the following is substituted in lieu thereof:

The provisions of section 12-504a shall not be applicable to the following: (a) Transfers of land resulting from eminent domain proceedings; (b) mortgage deeds; (c) deeds to or by the United States of America, state of Connecticut or any political subdivision or agency thereof; (d) strawman deeds and deeds which correct, modify, supplement or confirm a deed previously recorded; (e) deeds between husband and wife and parent and child when no consideration is received, except that a subsequent nonexempt transfer by the grantee in such cases shall be subject to the provisions of section 12-504a as it would be if the grantor were making such nonexempt transfer; (f) tax deeds; (g) deeds releasing any property which is a security for a debt or other obligation; (h) deeds of partition; (i) deeds made pursuant to a merger of a corporation; (j) deeds made by a subsidiary corporation to its parent corporation for no consideration other than the cancellation or surrender of the capital stock of such subsidiary; (k) property transferred as a result of death by devise or otherwise and in such transfer the date of acquisition or classification of the land for purposes of sections 12-504a to 12-504f, inclusive, whichever is earlier, shall be the date of acquisition or classification by the decedent; (l) deeds to any corporation, trust or other entity, of land to be held in perpetuity for educational, scientific, aesthetic or other equivalent passive uses, provided such corporation, trust or other entity has received a determination from the Internal Revenue Service that contributions to it are deductible under applicable sections of the Internal Revenue Code; [and] (m) land subject to a covenant specifically set forth in the deed transferring title to such land, which covenant is enforceable by the town in which such land is located, to refrain from selling or developing such land in a manner inconsistent with its classification as farm land pursuant to section 12-107c, forest land pursuant to section 12-107d or open space land pursuant to section 12-107e for a period of not less than eight years from the date of transfer, if such covenant is violated the conveyance tax set forth in this chapter shall be applicable at the rate which would have been applicable at the date the deed containing the covenant was delivered and, in addition, the town or any taxpayer therein may commence an action to enforce such covenant; and (n) land the development rights to which have been sold to the state under chapter 422a. If such action is taken by such a taxpayer, the town shall be served as a necessary party.

Sec. 51. Subsection (c) of section 12-347 of the general statutes is repealed and the following is substituted in lieu thereof:

(c) In addition to exemptions from the tax imposed by this chapter as provided in subsections (a) and (b) of this section, exemption from said tax shall be allowed with respect to any transfer of open space land, as defined in section 12-107b [and which for purposes of property taxation has been classified as open space land in accordance with section 12-107e,] provided (1) the grantor in the instrument of conveyance restricts the perpetual use of such property to that of open space land or (2) the grantee submits to the probate court in which the decedent's estate or trust is pending, a document executed by the grantee with the same formality as that of a deed, whereby the grantee and the heirs, successors and assigns of such grantee agree to restrict perpetually the use of such property to that of open space, which document shall be recorded in the land records of the town in which such property is located. The provisions of this subsection shall be applicable to the estate of any person whose death occurs on or after July 1, 1984. The estate of any person whose death occurs prior to July 1, 1984, shall be subject to the provisions of this chapter in effect at the time of such person's death.

Sec. 52. Section 12-541 of the general statutes is repealed and the following is substituted in lieu thereof:

There is hereby imposed a tax of ten per cent of the admission charge to any place of amusement, entertainment or recreation, except that no tax shall be imposed with respect to any admission charge (1) when the admission charge is less than one dollar or, in the case of any motion picture show, when the admission charge is not more than [four dollars and fifty cents] five dollars, (2) when a daily admission charge is imposed which entitles the patron to participate in an athletic or sporting activity, (3) to any event, other than events held at the stadium facility, as defined in section 32-621, all of the proceeds from which inure exclusively to an entity which is exempt from federal income tax under the Internal Revenue Code, provided such entity actively engages in and assumes the financial risk associated with the presentation of such event, (4) to any event, other than events held at the stadium facility, as defined in section 32-621, which in the opinion of the commissioner, is conducted primarily to raise funds for an entity which is exempt from federal income tax under the Internal Revenue Code, provided the commissioner is satisfied that the net profit which inures to such entity from such event will exceed the amount of the admissions tax which, but for this subdivision, would be imposed upon the person making such charge to

such event, (5) to (A) any event at the Hartford Civic Center, the New Haven Coliseum, New Britain Beehive Stadium, New Britain Veterans Memorial Stadium, Bridgeport Harbor Yard Stadium, Stafford Motor Speedway, Lime Rock Park, Thompson Speedway and Waterford Speedbowl, facilities owned or managed by the Tennis Foundation of Connecticut or any successor organization or the William A. O'Neill Convocation Center, and (B) games of the New Haven Ravens or the Waterbury Spirit, (6) other than for events held at the stadium facility, as defined in section 32-621, paid by centers of service for elderly persons, as described in subdivision (d) of section 17b-425, (7) to any production featuring live performances by actors or musicians presented at Gateway's Candlewood Playhouse, Ocean Beach Park or any nonprofit theater or playhouse in the state, provided such theater or playhouse possesses evidence confirming exemption from federal tax under Section 501 of the Internal Revenue Code, or (8) to any carnival or amusement ride. The tax shall be imposed upon the person making such charge and reimbursement for the tax shall be collected by such person from the purchaser. Such reimbursement, termed "tax", shall be paid by the purchaser to the person making the admission charge. Such tax, when added to the admission charge, shall be a debt from the purchaser to the person making the admission charge and shall be recoverable at law.

Sec. 53. Subsection (b) of section 12-543 of the general statutes is repealed and the following is substituted in lieu thereof:

(b) (1) A club shall be exempt from the dues tax if the annual dues of a member enjoying full privileges and any initiation fee required of such a member are each one hundred dollars or less. (2) A club sponsored and controlled by a charitable or religious organization, a governmental agency or a nonprofit educational institution shall be exempt from the dues tax. (3) Any society, order or association operating under the lodge system or any local fraternal organization among students of a college or university shall be exempt from the dues tax. (4) Lawn bowling clubs shall be exempt from the dues tax.

Sec. 54. Section 12-545 of the general statutes is repealed and the following is substituted in lieu thereof:

The admissions [, dues and cabaret] and dues taxes shall be imposed on amounts received within or without the state but only if the place of admission [, cabaret] or club facilities are within the state.

Sec. 55. Section 12-460a of the general statutes is repealed and the following is substituted in lieu thereof:

Notwithstanding the provisions of section 13b-61, the Commissioner of Revenue Services shall deposit into the Conservation Fund established under section 22a-27h [five hundred thousand] two million dollars of the amount of the funds received by the state from the tax imposed under this chapter attributable to sales of fuel from distributors to any boat yard, public or private marina or other entity renting or leasing slips, dry storage, mooring or other space for marine vessels provided [such amount shall be equally divided and] two hundred fifty thousand dollars shall be credited to the boating account and one million seven hundred fifty thousand dollars shall be credited to the fisheries account.

Sec. 56. Section 3-114g of the general statutes is repealed and the following is substituted in lieu thereof:

At the end of each fiscal year, commencing with the fiscal year ending on June 30, 1990, the Comptroller is authorized to record as revenue for such fiscal year, the amount of revenue related to the tax imposed under chapter 208 for such fiscal year which is received by the Commissioner of Revenue Services or is delivered by United States mail to said commissioner in an envelope bearing a United States post office cancellation mark no later than (1) the [fifteenth day of August] last day of July immediately following the end of such fiscal year, or (2) if such [fifteenth day of August] last day of July is a Saturday, Sunday or legal holiday, as defined in section 12-39a, the next succeeding day which is not a Saturday, Sunday or legal holiday.

Sec. 57. Section 12-814 of the general statutes is amended by adding subsection (c) as follows:

(NEW) (c) On or before October 1, 1999, the corporation shall implement a code of standards for all advertisements and other activities intended to promote the purchase of lottery tickets for games authorized pursuant to this chapter. The code of standards shall include the requirement that no

advertisement or promotion shall denigrate the character or conduct of nonlottery players or praise the character or conduct of lottery players.

Sec. 58. Section 12-818 of the general statutes is repealed and the following is substituted in lieu thereof:

[For the fiscal year ending June 30, 1997, and each fiscal year thereafter, the Connecticut Lottery Corporation shall transfer the sum of two hundred fifty thousand dollars of the revenue received from the sale of lottery tickets to the Chronic Gamblers Fund for educational, prevention and treatment programs and for the fiscal year ending June 30, 1999, and for each fiscal year thereafter, the Connecticut Lottery Corporation shall transfer the sum of five hundred thousand dollars] For the fiscal year ending June 30, 2000, the Connecticut Lottery Corporation shall transfer the sum of eight hundred seventy-five thousand dollars of the revenue received from the sale of lottery tickets to the chronic gamblers treatment and rehabilitation account created pursuant to section 17a-713, as amended by this act. For the fiscal year ending June 30, 2001, and each fiscal year thereafter, the Connecticut Lottery Corporation shall transfer the sum of one million two hundred thousand dollars of the revenue received from the sale of lottery tickets to the chronic gamblers treatment and rehabilitation account created pursuant to section 17a-713, as amended by this act.

Sec. 59. Section 17a-713 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) The Department of Mental Health and Addiction Services shall establish a program for the treatment and rehabilitation of compulsive gamblers in the state. The program shall provide prevention, treatment and rehabilitation services for chronic gamblers. The department may enter into agreements with subregional planning and action councils and nonprofit organizations to assist in providing these services, [and] provided not less than twenty-five per cent of the amount received pursuant to section 12-818, as amended by this act, annually shall be set aside for contracts with subregional planning and action councils established pursuant to section 17a-671 and nonprofit organizations and not less than five per cent of the amount received pursuant to section 12-818, as amended by this act, annually shall be set aside for a contract with the Connecticut Council on Problem Gambling. The department may impose a reasonable fee, on a sliding scale, on those

participants who can afford to pay for any such services. The department shall implement such program when the account established under subsection (b) of this section is sufficient to meet initial operating expenses. As used in this section "chronic gambler" means a person who is chronically and progressively preoccupied with gambling and the urge to gamble, and with gambling behavior that compromises, disrupts or damages personal, family or vocational pursuits.

(b) The program established by subsection (a) of this section shall be funded by imposition of: (1) A fee of one hundred thirty-five dollars on each association license, for each performance of jai alai or dog racing conducted under the provisions of chapter 226, provided no such licensee shall contribute more than forty-five thousand dollars in any one year; [and] (2) a fee of twenty-five dollars for each teletheater performance on each operator of a teletheater facility; and (3) the amount received from the Connecticut Lottery Corporation pursuant to section 12-818, as amended by this act. The executive director of the Division of Special Revenue within the Department of Revenue Services shall collect the fee from each association licensee or such operator on a monthly basis. The receipts shall be deposited in the General Fund and credited to a separate, nonlapsing chronic gamblers treatment and rehabilitation account which shall be established by the Comptroller. All moneys in the account are deemed to be appropriated and shall be expended for the purposes established in subsection (a) of this section.

(c) The department shall adopt regulations in accordance with the provisions of chapter 54 to carry out the purposes of this section.

Sec. 60. (NEW) For purposes of this section and sections 61 and 62 of this act:

(1) "Eligible taxpayer" means any person who is required to file any return or to pay or remit any tax under chapter 219 of the general statutes and who in the opinion of the commissioner has demonstrated a willingness and ability to comply with the tax laws of this state and has maintained an acceptable system of business records;

(2) "Managed compliance agreement" means an agreement between the commissioner and an eligible taxpayer that provides for an agreed upon method for calculating and remitting use tax on that taxpayer's purchases;

(3) "Managed audit agreement" means an agreement between the commissioner and an eligible taxpayer consisting of an audit plan developed by the commissioner and the eligible taxpayer wherein the eligible taxpayer agrees to review selected sales and purchase records and to calculate and determine its liability for sales and use taxes;

(4) "Commissioner" means the Commissioner of Revenue Services; and

(5) "Effective use tax rate" means the rate of use tax to be applied against a predetermined base of purchases for the purpose of computing the eligible taxpayer's use tax liability for a defined period.

Sec. 61. (NEW) (a) The commissioner may, in the commissioner's sole discretion, enter into a managed compliance agreement with an eligible taxpayer. Such agreement may provide for (1) one or more effective use tax rates for purchases subject to tax under chapter 219 of the general statutes, (2) a method to reconcile the effective use tax rate with the eligible taxpayer's actual liability, (3) a term not to exceed three years, provided nothing shall preclude the commissioner from entering into a subsequent agreement with the same taxpayer, (4) the conditions under which the agreement may require modification or termination, (5) a procedure to resolve disputes concerning the agreement, and (6) any such other provisions as the commissioner and the eligible taxpayer mutually agree upon to carry out the purposes of this section.

(b) The commissioner may, in the commissioner's sole discretion, terminate a managed compliance agreement and conduct an audit of an eligible taxpayer under subsection (1) of section 12-415 of the general statutes, if the eligible taxpayer fails to fulfill any of the terms of a managed compliance agreement and such failure is materially adverse to the commissioner and the taxpayer fails to cure such failure not later than thirty days after the mailing of written notice of such failure by the commissioner, provided no such notice need be given in the event such failure is not capable of being cured or the commissioner believes that the collection of any tax required to be collected and paid to the state or of any assessment will be jeopardized by delay. Any such termination shall be effective on the first day of the fourth month following the month in which notice of such termination is given by the commissioner to the taxpayer, except that such termination shall take effect immediately if such failure is not capable of being cured or if the

commissioner believes that the collection of any tax required to be collected and paid to the state or of any assessment will be jeopardized by delay.

(c) Nothing in this section shall abridge or alter any other requirements, rights or obligations of an eligible taxpayer or the commissioner granted or imposed by statute or regulation, including, but not limited to, penalties for negligence or intentional disregard of the provisions of chapter 219 of the general statutes, except as provided in subsection (b) of this section; penalties for failure to file returns or for fraud or intent to evade the provisions of said chapter 219; limitation periods and waivers of limitation periods; the right of an eligible taxpayer to petition for reassessment under section 12-418 of the general statutes; the right of an eligible taxpayer to appeal an assessment under section 12-422 of the general statutes; or the right of an eligible taxpayer to claim a refund under section 12-425 of the general statutes.

Sec. 62. (NEW) (a) The commissioner may, in the commissioner's sole discretion, enter into a managed audit agreement with an eligible taxpayer. Under a managed audit agreement, the commissioner shall (1) agree to accept, upon verification, the eligible taxpayer's determinations for purposes of making a deficiency assessment or otherwise determining the taxpayer's liability for the period under review, (2) provide written procedural guidelines to be included as part of the managed audit agreement, including, but not limited to, the general scope of the managed audit, what records will be examined and what types of sampling techniques will be used, and (3) review the results of the managed audit with the eligible taxpayer and issue an audit determination.

(b) The commissioner may, in the commissioner's sole discretion, terminate a managed audit agreement and conduct an audit of an eligible taxpayer under subsection (1) of section 12-415 of the general statutes, if the eligible taxpayer fails to fulfill any of the terms of a managed audit agreement, or if the commissioner believes that a managed audit should not be conducted for any other reason.

(c) Nothing in this section shall abridge or alter any other requirements, rights or obligations of an eligible taxpayer or the commissioner granted or imposed by statute or regulation, including, but not limited to, penalties for negligence or intentional disregard of the provisions of chapter 219 of the general statutes, except as provided in subsection (c) of this section; penalties for

failure to file returns or for fraud or intent to evade the provisions of said chapter 219; limitation periods and waivers of limitation periods; the right of an eligible taxpayer to petition for reassessment under section 12-418 of the general statutes; the right of an eligible taxpayer to appeal an assessment under section 12-422 of the general statutes or the right of an eligible taxpayer to claim a refund under section 12-425 of the general statutes.

Sec. 63. Subsection (a) of section 12-409a of the general statutes is repealed and the following is substituted in lieu thereof:

(a) Any person who purchases tangible personal property or [a service under circumstances which make it impossible or impracticable to determine, at the time of purchase, the manner in which such tangible personal property or services will be used,] services may apply to the Commissioner of Revenue Services for a direct payment permit. At the time of making an application, the applicant shall pay to the commissioner a permit fee of twenty dollars for each permit. If the commissioner finds that (1) the collection of the sales and use taxes will not be jeopardized by the issuance of such a permit, [he] (2) because of the nature of the applicant's business, the permit will significantly reduce the work of administering the taxes under this chapter, (3) the applicant's accounting system will clearly indicate the amount of tax that the applicant owes under this chapter, and (4) the applicant makes taxable purchases in sufficient volume to justify the expense of regular audits by the commissioner, the commissioner may, in [his] the commissioner's discretion, issue such a permit to the purchaser. Such direct payment permit shall bear an identifying registration number. No vendor making a sale to a direct payment permit holder shall be required to collect the sales tax otherwise payable on such sale. Each direct payment permit holder shall report, on a form designated by the commissioner, and pay directly to the commissioner the tax due on any tangible personal property or services acquired by [him] such permit holder pursuant to such permit. The use of a direct payment permit shall be subject to such conditions, including the obligation to make payment of the tax due in accordance with the provisions of chapter 228g, as the commissioner shall determine to be appropriate to insure the collection of the tax and may be suspended or revoked by the commissioner at any time if [he] the commissioner determines that the collection of any tax due from the permit holder is in jeopardy or that the permit holder has not complied with the conditions to which the permit is

subject. The commissioner may adopt regulations in accordance with chapter 54 to carry out the provisions of this section.

Sec. 64. Section 12-542 of the general statutes is repealed.

Sec. 65. This act shall take effect from its passage, except that sections 23 to 25, inclusive, shall be applicable to sales occurring on or after January 1, 1998; sections 1 and 2 shall be applicable to taxable years commencing on or after January 1, 1999; sections 33, 39, 40, 42 and 47 shall be applicable to income years commencing on or after January 1, 1999; sections 10 to 22, inclusive, and sections 26 to 29, inclusive, shall be applicable to sales occurring on or after July 1, 1999; section 31 shall be applicable to calendar quarters commencing on or after July 1, 1999; sections 50 and 51 shall be applicable to transfers made on or after July 1, 1999; sections 49, 52 to 54, inclusive, and section 64 shall be applicable to sales made on or after July 1, 1999; sections 55 to 59, inclusive, shall take effect July 1, 1999; section 32 shall be applicable to calendar quarters commencing on or after October 1, 1999; section 63 shall take effect October 1, 1999; sections 5 to 8, inclusive, and sections 34 to 38, inclusive, shall be applicable to taxable years commencing on or after January 1, 2000; and section 45 shall be applicable to income years commencing on or after January 1, 2000.

Approved June 23, 1999