

Connecticut Tax News

quarterly

Volume 11, Issue 3
July/August 1999

SPECIAL ISSUE: LEGISLATIVE SUMMARY

A PUBLICATION OF THE CONNECTICUT DEPARTMENT OF REVENUE SERVICES

From The Commissioner Gene Gavin

Updates on recent tax changes and an invitation to a Magical Mystery Tax Tour

A primary responsibility of the Department of Revenue Services (DRS) is to ensure that taxpayers are aware of changes in the tax laws. In this special edition of the *DRS Tax News*, we are providing you with a snapshot of

the new laws and revisions that were approved by the 1999 session of the Connecticut General Assembly and signed into law by Governor John G. Rowland. Many major tax types were affected by new laws this year, and I am proud to say that DRS played a key role in shaping most of these initiatives, ensuring that changes in Connecticut's tax policy continue to make it more taxpayer friendly, while providing fairness and equity for everyone.

Another way to become well-informed about changes in Connecticut taxes is to attend what I call our **Magical Mystery Tax Tour**. This second annual Connecticut Tax Seminar will be on

► **COMMISSIONER**, page 3



1999 Connecticut Sales Tax Rebate

New legislation authorizes a \$50 rebate of sales and use taxes paid in 1998 for Connecticut residents who were:

- Required to file Connecticut resident income tax returns for 1998 and filed returns or extensions;
- Not required to file Connecticut resident income tax returns but were required to file federal income tax returns for 1998 and filed returns or extensions;
- Not required to file Connecticut resident income tax returns but received federal earned income tax credits for 1998; or
- Not required to file Connecticut resident income tax returns or federal income tax returns but received benefits under Title II of the Social Security Act during 1998.

DRS expects to mail rebates beginning in late September and continuing through the end of 1999.

(1999 Conn. Pub. Acts 173, §§3 and 4)

Social Security Benefits Not Taxable for Certain Recipients

Recently enacted legislation exempts certain Social Security recipients from paying Connecticut income tax on their Social Security Benefits. The new legislation applies to individuals who filed a federal income tax return as single or married filing separately and reported a federal adjusted gross income of less than \$50,000, and to those who filed a

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Provisions of the 1998 IRS Restructuring and Reform Act Adopted

Connecticut has adopted several provisions of the 1998 IRS Restructuring and Reform Act for Connecticut taxes. The taxpayer-friendly provisions allow taxpayers more flexibility with filing and paying Connecticut taxes. Under the new laws, taxpayers may take advantage of any of the following benefits: request relief from joint and several liability (see **Relief For Innocent Spouse**, Page 5), elimination of interest rate differentials ("netting" of interest) for certain audit periods where the taxpayer has both underpayments and overpayments of the same tax, file returns using designated delivery services in addition to the U.S. Postal Service, and suspend the statute of limitations during a period of financial disability.

(1999 Conn. Pub. Acts 48, §§1, 2, 3, 4 and 5)

The Mission of the Connecticut Department of Revenue Services is to administer the tax laws of the State of Connecticut and collect the tax revenues in the most cost effective manner; achieve the highest level of voluntary compliance through accurate, efficient and courteous customer services; and perform in a manner which instills public confidence in the integrity and fairness of the State's tax programs.

Commissioner
from page 1

Thursday, September 23, co-sponsored by DRS and the Institute of Professionals in Taxation. Several tax professionals from the private sector will join our DRS staff experts in making presentations. Laura Wyeth of PricewaterhouseCoopers, Jeremiah Lynch of Ernst & Young, and Charles Lenore of Day, Berry & Howard, will help us roll out our new Managed Compliance Program with details of managed audit agreements, managed compliance agreements and direct pay permits. In addition, we are pleased to have the Honorable Robert F. McWeeny, judge of the Connecticut Superior Court, and other experts joining us to discuss Connecticut property tax matters. New DRS materials will also be rolled out at this important program. Please call DRS Taxpayer Services for more information.

"Changes in Connecticut's tax policy continue to make it more taxpayer friendly".

Gene Gavin, DRS Commissioner

You can also still obtain tax updates in traditional formats from DRS. Before the ink was dry on Governor Rowland's signature, we were at work developing the many informational publications and special notices that provide the details on tax law changes. Some of these publications are already in circulation, but it will take us some months to complete the full list of topics and changes to tax forms. I urge those of you who have e-mail to subscribe to our *DRS Electronic News Service (E-News)* so that you can receive immediate notification when each new or revised document is published. It's absolutely free, and you can download the new publication to your own computer or open it and print it out directly from the link in the message. To subscribe to *DRS E-News*, log on to the DRS Web site, www.state.ct.us/drs, and click on "Subscribe to DRS E-News." It's as simple as that to be up-to-date on every Connecticut tax change.

As always, DRS welcomes your comments and suggestions on tax policy and practice. Please feel free to write or call me any time. ^{T_N}

CIGARETTE TAX

"Gray Market" Cigarettes

Restrictions have been placed on "gray market" cigarettes, most notably the prohibition on the sale or possession of such cigarettes by licensed cigarette distributors or licensed cigarette dealers in Connecticut.

Gray market cigarettes are commonly referred to as those manufactured in the United States and intended to be sold outside the United States, but which reenter the United States market.

Effective July 1, 1999, licensed cigarette distributors and licensed cigarette dealers are prohibited from affixing Connecticut cigarette tax stamps (including heat-applied decals) to gray market cigarettes. For more information, obtain **SN 99(8)**, *Sale and Possession of "Gray Market" Cigarettes*.

(1999 Conn. Pub. Acts 99, §109)

CABARET TAX

CABARET TAX REPEALED

The cabaret tax is repealed as of July 1, 1999.
(1999 Conn. Pub. Acts 173, §§49, 54 and 64)

Operators of establishments that were previously subject to the cabaret tax should be aware that **admission charges** (including cover charges) to most establishments formerly subject to cabaret tax are now subject to the 10% admissions tax, rather than the 5% cabaret tax. However, charges for food, beverages, merchandise and service sold in such establishments are **not** subject to admissions tax.

The admissions tax is imposed on admission charges to any place of amusement, entertainment or recreation. **Amusement, entertainment or recreation** include, but are not limited to, dancing, live or recorded music, games, performances and sporting events. ^{T_N}

ADMISSIONS AND DUES TAX

Effective July 1, 1999

New Admissions Tax Exemptions. The exemption for movie theater admission charges is increased from \$4.50 to \$5.00.



Admission charges to the following locations are now exempt:

- Bridgeport Harbor Yard Stadium
- Stafford Motor Speedway
- Lime Rock Park
- Thompson Speedway
- Waterford Speedbowl
- New Britain Stadium

(New Britain Stadium's exemption is retroactive to the date the stadium was placed in service.)



Charges for admission to home games of the New Haven Ravens, the Waterbury Spirit and the New Britain Rock Cats are exempt.

(1999 Conn. Pub. Acts 173, §52; 1999 Conn. Pub. Acts 1, §27 (June Spec. Sess.))

New Dues Tax Exemptions. Any increases in dues charges after July 1, 1999, that are to be used for the acquisition of *farm land, open space land, or forest land*, as those terms are defined in Conn. Gen. Stat. §12-107b, are exempt from dues tax.

Lawn bowling clubs are exempt from dues tax.

(1999 Conn. Pub. Acts 173, §§49 and 53)

SALES AND USE TAXES (SEE ALSO PAGE 4)

Effective January 1, 1998

Vehicles Using Clean Alternative Fuel. Expiration dates from previous legislation are extended from January 1, 1998, to January 1, 2002, for three sales tax exemptions:

- New motor vehicles powered by clean alternative fuel, exempt under Conn. Gen. Stat. §12-412(67);
- Equipment for converting vehicles to the use of clean alternative fuel, exempt under Conn. Gen. Stat. §12-412(68); and
- Equipment for compressed natural gas filling stations or electric recharging stations for such vehicles, exempt under Conn. Gen. Stat. §12-412(69).



Clean alternative fuel means natural gas or electricity, and propane when used in vehicles that meet certain emissions standards.

(1999 Conn. Pub. Acts 173, §§23, 24 and 25)

Effective July 1, 1999

Personnel Training Services. Sales and use taxes do not apply to job-related personnel training services otherwise taxable under Conn. Gen. Stat. §12-407(2)(i)(J) when provided by an institution of higher education licensed or accredited by the Connecticut Board of Governors of Higher Education. Previously, job-related personnel training provided by these institutions was considered taxable business management consulting services relating to human resource management activities, if the training was not open to the general public or if the institution was directly engaged and paid by an employer.

(1999 Conn. Pub. Acts 173, §10)

Freight Railroad Equipment. Railroad locomotives, track ballasts, ties, rails, machinery and equipment used to maintain railroad rights-of-way exclusively for the carriage of freight are exempt.

(1999 Conn. Pub. Acts 173, §27)

MANAGED COMPLIANCE PROGRAM

Effective July 1, and October 1, 1999

At its discretion, DRS may enter into managed audit agreements and managed compliance agreements with taxpayers. Direct Pay permit statutes are also modified to make them more workable. DRS may waive the first \$10,000 of interest and 10% of additional interest in a managed audit, and may waive penalties. More details about the program, including establishing effective use tax rates, reconciliation and discretionary waivers of penalty and interest will be featured in later *DRS Tax News* issues.

(1999 Conn. Pub. Acts 173, §§60-63, as amended by 1999 Conn. Pub. Acts 1, §42 (June Spec. Sess.))

CONSUMER SERVICES

Renovation and Repair Services to Residential Property. The tax on paving, painting or staining, wallpapering, roofing, siding and exterior sheet metal work to other than industrial, commercial or income-producing real property

under Conn. Gen. Stat. §12-407(2)(i)(BB) is being phased out. On and after July 1, 1999 the tax is 4%; on and after July 1, 2000 the tax is 2%; on and after July 1, 2001 the services are exempt from tax.

(1999 Conn. Pub. Acts 173, §§13 and 15)

Nonprescription Medicines. The exemption for nonprescription medicines under Conn. Gen. Stat. §12-412(48) is expanded to include many additional items used in or on the human body. The exemption now includes vitamin or mineral concentrates; dietary supplements; natural or herbal medicines; cough, cold or allergy medicines; antihistamines; laxatives; antidiarrheal medicines; analgesics; antibiotic, antiviral and antifungal medicines; antiseptics; astringents; anesthetics; steroidal medicines; anthelmintics; emetics and antiemetics; antacids; eye, ear or nose medications. **Excluded** from the exemption are cosmetics, dentifrices, mouthwash, shaving and hair care products, soaps and deodorants.

(1999 Conn. Pub. Acts 173, §18)

Inclined stairway chairlifts. Inclined stairway chairlifts for persons with disabilities, are now exempt. Repair and replacement parts for the chairlifts are exempt under Conn. Gen. Stat. §12-412(19).

(1999 Conn. Pub. Acts 173, §16)

Repair and Replacement Parts. Repair and replacement parts for the following exempt items are now also exempt, whether purchased separately or with the item:

- Medical equipment (such as corrective supports, wheelchairs and equipment used to support vital life functions) exempt under Conn. Gen. Stat. §12-412(19);
- Glucose monitoring equipment exempt under Conn. Gen. Stat. §12-412(54); and
- Special equipment installed in motor vehicles for persons with physical disabilities, exempt under Conn. Gen. Stat. §12-412(80).

(1999 Conn. Pub. Acts 173, §§16, 19 and 26)

Shoe Repairs. Shoe repair services are now exempt.

(1999 Conn. Pub. Acts 173, §27)

PUBLIC SAFETY ENCOURAGED

Firearm Safety Devices. Safes, lock boxes, trigger and barrel locks and other items designed to enhance home firearm safety are exempt.

(1999 Conn. Pub. Acts 173, §27)

Bicycle Helmets. Bicycle helmets that conform to minimum specifications of the American National Standards Institute or the Snell Memorial Foundation are exempt.

(1999 Conn. Pub. Acts 173, §27)

“Call Before You Dig” Services. Business services by public utilities to the “Call Before You Dig” Program under Conn. Gen. Stat. §16-349 are exempt.

(1999 Conn. Pub. Acts 173, §27)

SALES AND USE TAXES, CONTINUED FROM PAGE 3

TAX CHANGES AFFECTING VESSELS

Vessels are now exempt from sales tax when purchased by nonresidents who maintain no permanent place of abode in Connecticut and who will not register them with the Department of Motor Vehicles in Connecticut. (The alternative "home state" rate for nonresidents purchasing vessels in Connecticut no longer applies.)

Repair and maintenance services to vessels are now entirely exempt from sales and use taxes, completing the scheduled phaseout of the taxes on these services. 1999 Conn. Pub. Acts 173, §13 adds "labor" to the existing exemption for repair and maintenance services to vessels. Labor refers to fabrication labor enumerated in Conn. Gen. Stat. §12-407(2)(c) and (2)(g).

Vessel means every description of watercraft, other than a seaplane on water, used or capable of being used as a means of transportation on water.

(1999 Conn. Pub. Acts 173, §§13 and 21; 1996 Conn. Pub. Acts 232, §1)



BUILDING MATERIAL SUPPLIERS

Certain building material suppliers will be allowed to remit sales tax when they receive payment for building materials or services. For a supplier to qualify to use this provision, the supplier must demonstrate annually by July 1st that in any two of the most recent four quarterly periods, at least 50% of its sales of building materials were to contractors, subcontractors or repair men for the improvement of real property. The supplier must also qualify as a materialman authorized to file mechanic's liens under Chapter 847 with respect to these sales.



Any tax amount not collected on the full purchase price within one year of a supplier's original sale of materials must be paid in full with the supplier's last tax return for that one-year period. Specific rules apply if the supplier factors (sells) its accounts receivable.

(1999 Conn. Pub. Acts 173, §14)

Effective July 1, 1999

Joint Ventures. The exemption for certain personnel and business services rendered in connection with joint ventures is expanded to include joint ventures formed for marketing and support of new or experimental products or systems, in addition to production and development. The exemption is increased from 10 to 30 years for joint ventures within the aircraft industry in existence prior to January 1, 1986.

(1999 Conn. Pub. Acts 173, §20)

Diesel Fuel for Generators. Diesel fuel used exclusively in portable power system generators larger than 150 kilowatts is exempt.

(1999 Conn. Pub. Acts 173, §27)

Sale and Leaseback Arrangements. Sales and use taxes do not apply to the original sale of tangible personal property in a sale and leaseback arrangement, if within 120 days from the original sale the original purchaser sells or contracts to sell the

property to a retailer that will lease it back to the original purchaser in a taxable lease.

(1999 Conn. Pub. Acts 173, §11)

Certain Motor Vehicles. Motor vehicles sold to limited liability companies or their members in connection with the organization or termination of the limited liability company are exempt from use tax under Conn. Gen. Stat. §12-431(a), provided the last taxable sale was subject to tax.

(1999 Conn. Pub. Acts 173, §29)

Calibration Services. Calibration services for manufacturing machinery, equipment or instrumentation, and other services associated with registration and compliance of quality management and assurance standards, are exempt.

(1999 Conn. Pub. Acts 173, §27)

Low and Moderate Income Housing. The exemption for tangible personal property and services used in qualifying low and moderate income

housing projects is expanded to include projects sponsored and either owned or operated by municipal housing authorities.

(1999 Conn. Pub. Acts 173, §17)

Services Between Wholly Owned Entities. The exemption in Conn. Gen. Stat. §12-412(62) for services rendered between affiliated corporations is expanded to include services between business entities other than corporations, where either entity owns a 100% *controlling interest* (as defined in the statute) in the other. *Business entities* include corporations, trusts, estates, partnerships, limited partnerships, limited liability companies, sole proprietorships and nonstock corporations. In addition, the exemption now applies to telecommunications services and community antenna television services.

(1999 Conn. Pub. Acts 173, §22)

TRANSITIONAL RULES FOR SALES AND USE TAXES

Charges for services provided before and after the date of repeal of the tax on such services are subject to tax only on the portion of the charges for services provided before the date of repeal.

Charges for services being reduced because of a phaseout of the tax are subject to tax at the higher rate only on the portion of the charges for services provided before the date of the rate reduction. The portion of the charges for services provided on or after the date of the rate reduction is subject to tax at the reduced rate. T_N

INDIVIDUAL INCOME TAX (SEE ALSO PAGE 7)

Relief for Innocent Spouses

Newly enacted taxpayer-friendly legislation provides three types of relief from joint and several liability to innocent spouses who have filed a joint Connecticut income tax return. Any individual who has filed a joint return may request *separation of liability, innocent spouse relief* or *equitable relief* to avoid joint and several liability.

Separation of liability is available to any individual who filed a joint return for the taxable year(s) that has a deficiency due, in part, to an item of the taxpayer's spouse. If relief is granted, the deficiency is allocated between the taxpayer and the taxpayer's spouse. Certain transfers between spouses may invalidate this election.

Innocent spouse relief is available to any individual who has filed a joint return that has an understatement of tax due to an erroneous item of the taxpayer's spouse. If relief is granted, the taxpayer shall be relieved of tax liability (including interest and penalties) to the extent such liability is attributable to the understatement.

If the taxpayer does not qualify for separation of liability or innocent spouse relief, the taxpayer may request "**equitable relief**" if it is inequitable to hold the taxpayer liable for any unpaid tax or deficiency.

Individuals seeking relief must complete **Form CT-8857, Request for Innocent Spouse Relief**. An individual may file for relief within two years after the date on which the Commissioner has started collection activities against the taxpayer seeking relief.

1999 Conn. Pub. Acts 48, §§3 and 4)

Property Tax Credits for 1999 and 2000 Highest Ever

The maximum property tax credit is increased to \$425 for taxable years beginning on or after January 1, 1999, and to \$500 for taxable years beginning on or after January 1, 2000. The dollar for dollar credits are the highest yet to be available to Connecticut residents to reduce their income tax. The property tax must have been paid to a Connecticut political subdivision on a primary residence or motor vehicle, or both.

The chart below shows the increases in the Connecticut Property Tax Credit: *(1999 Conn. Pub. Acts 173, §2)*

TAX YEAR	PROPERTY TAX CREDIT (maximum amount)	INCREASE OVER PREVIOUS YEAR
1998	\$350	\$135
1999	\$425	\$75
2000	\$500	\$75

Single Filers Will Pay Less Tax in the New Millenium

The personal income tax exemptions and credits available to single individuals are increased over an 8 year period for taxable years beginning on or after January 1, 2000. In calculating Connecticut taxable income, single taxpayers will reduce Connecticut adjusted gross income by a higher personal exemption before applying the income tax rate. After calculating the Connecticut income tax, single taxpayers will then apply a higher personal credit percentage to arrive at the amount of total Connecticut tax liability. The tax tables will be revised beginning with the 2000 taxable year to reflect the increase in personal exemptions and credits over the 8 year period. The personal income tax exemptions and credits for taxpayers who file as married filing separately, head of household and married filing jointly will remain unchanged.

(1999 Conn. Pub. Acts 173, §§5, 6, 7 and 8)

Other Income Tax Changes

For taxable years beginning on or after January 1, 1999

Extension Requirement Clarified

Taxpayers who pay 90% or more of their total income tax due with their extension request by the original due date of the return and pay the remaining 10% balance with a timely-filed income tax return will avoid penalty for failure to pay the full amount due by the original due date.

(1999 Conn. Pub. Acts 121, §22)

For taxable years beginning on or after January 1, 2000

Property Tax Thresholds for Single Filers Increased

The Connecticut adjusted gross income thresholds used by single filers to calculate the property tax credit will increase over an 8 year period.

(1999 Conn. Pub. Acts 173, §7)

REAL ESTATE CONVEYANCE TAX

Identity Change or Form of Ownership Transfers

Transfers or conveyances of real property that are to effectuate a mere change of identity or form of ownership or organization are exempt from the real estate conveyance tax, if there is no change in beneficial ownership. The exemption is applicable to transfers made on or after October 1, 1999.

(1999 Conn. Pub. Acts 231)

Withholding Tables to Change July 2000

For the period prior to July 1, 2000, single individuals should make withholding or estimated tax payments without regard to the personal income tax exemption and credit changes. The Commissioner of Revenue Services will issue new withholding tables and estimated income tax worksheets effective July 1, 2000. The new tables and worksheets will reflect the increased personal exemptions and credits for single individuals that are in effect for all of taxable year 2000.

(1999 Conn. Pub. Acts 173, §8)

CORPORATION TAXES / TAX CREDITS

CHANGES AFFECTING CORPORATIONS

New corporation business income tax legislation:

Effective for income years beginning on or after January 1, 1999.

- Permits corporations to deduct from gross income an amount equal to 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 water company land.
- Allows a company that is a limited partner in a partnership, other than an investment partnership, that is not otherwise carrying on or doing business within the state, to elect to apportion net income as provided under Chapter 208.
- Allows a corporation that has been granted an extension for filing a completed return to avoid a late payment penalty as long as the balance due is 10% or less and is remitted with the corporation business tax return. Interest at the rate of 1% per month is due from the original due date to the actual date of payment.
- Allows any net operating loss incurred for income years beginning on or after January 1, 2000, to be carried forward for 20 years. (see also page 8)

Effective for income years beginning on or after January 1, 2000.

- Increases the air carriers minimum tax to \$250.

New legislation affecting corporation business tax credits:

Effective for income years beginning on or after January 1, 1999.

- Allows S corporations with income years commencing on or after

January 1, 1999, but before December 31, 2000, to take 100% of the Neighborhood Assistance Act (NAA) credit, instead of the phaseout amount.

- Amends the NAA credit to provide a 60% credit for cash donations to an open space acquisition fund of any political subdivision of the state or any nonprofit land conservation organization to purchase land, an interest in land, or permanent conservation restriction on land which is permanently preserved as protected open space. This new NAA credit is not subject to the requirement that the amount expended must exceed the amount expended in the preceding year.
- Creates a tax credit equal to 50% of any donation of open space land to the state, a political subdivision of the state or any nonprofit land conservation organization. The donated land must be permanently preserved as protected open space.
- Increases the total Employer Assisted Housing Tax Credit available from \$1 million to \$5 million. The credit allowed per firm changes from \$50,000 to \$75,000.
- For companies that are headquartered in an enterprise zone, employ more than 2,500 workers and have revenues in excess of \$3 billion, the credit available for research and development expenses of more than \$200 million is the greater of \$5.5 million plus 6% of the research and development expenses in excess of \$200 million or 3.5% of the total research and development expenses.
- Creates a new tax credit for qualifying small businesses having gross receipts not in excess of \$5

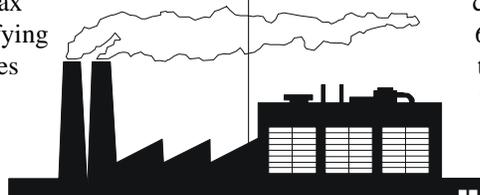


million. The credit is equal to the amount paid by the qualifying small business to the Small Business Administration (SBA) as a guaranty fee to obtain guaranteed financing.

- The Department of Labor now administers the Opportunity Certificate Credit.
- Extends the sunset date for the Clean Alternative Fuel Credit to any income years beginning on or before January 1, 2002. The credit was scheduled to be repealed effective for income years beginning on or before January 1, 2000.

Effective for income years beginning on or after January 1, 2000.

- Increases the total NAA credit available from \$4 million to \$5 million.
- Creates a tax credit for expenses related to rehabilitating historic homes. To be entitled to a tax credit voucher, the owner must incur qualified rehabilitation expenditures exceeding \$25,000. The credit allowed is the lesser of 30% of the projected qualified rehabilitation expenditures or 30% of the actual qualified rehabilitation expenditures. The credit may not exceed \$30,000 per dwelling unit for a historic home. The total amount of tax credits reserved in any fiscal year may not exceed \$3 million.
- Allows qualified small businesses (having gross receipts of less than \$70 million) who cannot use their Research and Experimental Incremental Expenditure Credits (Conn. Gen. Stat. §12-217j) or their Research and Development Non-incremental Expenditure Credits (Conn. Gen. Stat. §12-21n) as a result of having no tax liability, to exchange tax credits for a cash payment of 65% of the value of the credits or elect to carry the credits forward for future use. ^{T_N}



INDIVIDUAL INCOME TAX, CONTINUED FROM PAGE 5

**Effective June 3, 1999
Time for Making Deficiency Assessments**

The Commissioner may mail a notice of proposed deficiency at any time if a taxpayer fails to report a change or correction by the United States Internal Revenue Service, which, in the case of an individual, increases federal adjusted gross income or in the case of a trust or estate, increases federal taxable income. The Commissioner may mail a notice of proposed deficiency at any time if a taxpayer fails to report a change or correction by tax officers of another jurisdiction which affects the tax that the taxpayer is required to pay to another jurisdiction. Also, if a taxpayer reports a change or correction by the IRS or by tax officers of another jurisdiction, the assessment, if not made upon the filing of the

report, may be made not later than three years after such report is filed. (1999 Conn. Pub. Acts 121, §25)

Fraud Penalty

A 25% penalty applies to any deficiency assessment where a federal court has held that a taxpayer has filed a fraudulent return with the IRS. (1999 Conn. Pub. Acts 121, §23)

Jeopardy Assessments

Jeopardy assessments are final ten days after service of the notice of assessment, unless the taxpayer files a timely written protest. The amount assessed is due and payable no later than the tenth day after service of the notice of assessment, unless the taxpayer has obtained a stay of collection. (1999 Conn. Pub. Acts 121, §24)

**TAX CHANGES
FOR HOSPITALS**

Effective July 1, 1999

Patient care services by hospitals are subject to sales and use taxes at the reduced rate of 5.75%.

Sales of patient care services by any short-term acute care hospital operated exclusively by the State of Connecticut are exempt from sales and use taxes.

Any short-term acute care hospital operated exclusively by the State of Connecticut also is exempt from the gross earnings tax imposed on hospitals.



However, any short-term acute care hospital operated by the State of Connecticut as a receiver pursuant to Chapter 920 of the Connecticut General Statutes is not exempt from either sales tax or gross earnings tax. T_N

Effective October 1, 1999

The rate of the gross earnings tax imposed on hospitals is reduced from 7.25% to 4.5%. Under prior law, the rate of the gross earnings tax imposed on hospitals was scheduled to be reduced from 7.25% to 6.25% for each taxable quarter beginning on or after October 1, 1999.

(1999 Conn. Pub. Acts 173, §12, 13, 31 and 32)

Social Security from page 15	federal income tax return as married individuals filing jointly or head of household and reported a federal adjusted gross income of less than \$60,000. Eligible individuals will be able to subtract the amount of federally taxable Social Security benefits from federal adjusted gross income in arriving at Connecticut adjusted gross income on returns filed for taxable years beginning on or after January 1, 1999. (1999 Conn. Pub. Acts 173, §1) Social Security recipients who pay federal income tax on their benefits and report a federal adjusted gross income above the threshold amounts are unaffected by the new law. These individuals remain liable for the Connecticut income tax on up to 25% of total Social Security benefits received and should complete the <i>Social Security Benefit Adjustment Worksheet</i> to compute the amount of benefits that are taxable for Connecticut income tax purposes. T _N
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SUCCESSION AND TRANSFER TAXES

Reporting After-Discovered Assets

The assessment of succession tax by the Commissioner of Revenue Services becomes final 60 days after issuance. Assets discovered after the filing of the succession tax return and less than 60 days from the Commissioner's assessment must be reported to the Commissioner. For taxable estates, prior law required that assets discovered more than 60 days after the Commissioner's assessment be reported to the Commissioner if the value of the assets was more than \$500. For nontaxable estates, prior law required that assets discovered more than 60 days after a Judge of Probate's issuance of a *Certificate on No Tax* and valued at more

than \$1000 be reported to the Commissioner.

Effective July 1, 1999

Reporting requirements for certain after-discovered assets discovered more than 60 days after the Commissioner's assessment or more than 30 days after the issuance of a *Certificate of No Tax* by a Judge of Probate are required to be reported to the Commissioner **only if the additional succession tax attributable to such assets is \$100 or more.**

The time period for the Commissioner to object to a Judge of Probate's issuance of a Certificate of No Tax

For certificates of no tax issued by a Judge of Probate on or after July 1, 1999, the time period for the Commissioner to

file an objection is changed from 60 days to 30 days after the date of issuance.

Unless the Commissioner files an objection with the Probate Court within the 30 day requirement, the *Certificate of No Tax* is conclusive evidence that real estate included in the gross taxable estate is free from any claim of succession tax and that no succession tax is due from the estate.

(1999 Conn. Pub. Acts 121, §§10 and 11)

For transfers of open space land made on or after July 1, 1999, a succession tax exemption is allowed with respect to any transfer of open space land, as defined in Conn. Gen. Stat. §12-107e.

(1999 Conn. Pub. Acts 231, §51)

For Tax Forms, Publications or Personal Assistance

- Visit the DRS Web site: www.state.ct.us/drs



- Call CONN-TAX at 1-800-382-9463 (in-state) or 1-860-297-5962 (anywhere)

TTY, TDD and Text Telephone users only may transmit inquiries 24 hours a day, seven days a week by calling 860-297-4911.

- Write to: Department of Revenue Services
Taxpayer Services Division
25 Sigourney Street
Hartford, CT 06106-5032



Forms and publications may be obtained 24 hours a day, seven days a week, by using any of the following resources.



Internet: Preview and download forms from the DRS Web site at www.state.ct.us/drs

DRS TaxFax: Call 860-297-5698 from the handset attached to your fax machine



E-mail: E-mail your request for forms to:
ctforms.drs@po.state.ct.us

Telephone: From a touch-tone phone 24 hours a day call 1-800-382-9463 (in-state) and select Option 2 or 860-297-4753 (DRS Forms Unit).



For free assistance on forms, visit our offices from 8:00 a.m. to 5:00 p.m. (Monday through Friday). For pre-recorded directions to DRS offices, call CONN-TAX. If you require special accommodations, please advise the Department representative.

BRIDGEPORT

10 Middle St.
203-579-6251

HAMDEN

3074 Whitney Ave.
203-287-8243

HARTFORD

25 Sigourney St.
860-297-5962

NORWICH

2 Cliff St.
860-889-2669

WATERBURY*

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CONNECTICUT TAX NEWS, from the Connecticut Department of Revenue Services, is published five times a year.

This newsletter is designed to provide general information to taxpayers and tax practitioners. It is not designed to explain in depth a current Department policy affecting the liability of taxpayers. Nothing in this publication supersedes, alters, or otherwise changes the provisions of the Connecticut General Statutes, regulations, Department rulings or tax information publications.

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Computer and Data Processing

Effective July 1, 1999

As part of the phaseout of the tax on computer and data processing services under Conn. Gen. Stat. §12-407(2)(i)(A), the rate is reduced from 4% to 3%.

NET OPERATING LOSS CARRYFORWARD NOW 20 YEARS

In arriving at net income, any excess of the deductions allowed for any income year, over the gross income for that year or the amount of such excess apportioned to Connecticut, shall be an operating loss of that income year, and shall be deductible as an operating loss carry-over.

Currently, Connecticut's net operating loss carryover is allowed in

each of the five income years following the loss year.

1999 Conn. Pub. Acts 173, §39 amends Conn. Gen. Stat. §12-217(a)(4) to allow a five year carry forward for net operating losses incurred prior to income years beginning January 1, 2000, and a twenty year carry forward for net operating losses incurred in income years beginning on or after January 1, 2000. T_N