



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

SN 2006(6)

25 Sigourney Street
Hartford CT 06106-5032

SPECIAL NOTICE

2006 Legislative Changes Affecting
Municipal Electric Utilities

Purpose: This Special Notice describes the changes affecting municipal electric utilities made during the 2006 session of the Connecticut General Assembly.

Effective Date: July 1, 2006

Statutory Authority: Conn. Gen. Stat. §§12-264, 12-265, 12-213, 12-268a, 12-268c, and 12-268d, as amended by 2006 Conn. Pub. Acts 186, §§68 to 73, inclusive.

Definitions: As used in this Special Notice:

- **Municipal electric utility** means a municipality, or department or agency thereof, or district manufacturing, selling, distributing electricity to be used for light, heat, or power.
- **Participating municipal electric utility** means a participating municipal electric utility, as defined in Conn. Gen. Stat. §16-1(a)(35).
- **Electric transmission services** means electric transmission services, as defined in Conn. Gen. Stat. §16-1(a)(33).
- **Electric distribution services** means electric distribution services, as defined in Conn. Gen. Stat. §16-1(a)(28).
- **Electric generation services** means electric generation services, as defined in Conn. Gen. Stat. §16-1(a)(32).
- **Electric distribution company** means an electric distribution company, as defined in Conn. Gen. Stat. §16-1(a)(29).

- **Gross earnings tax** means the utility company gross earnings tax imposed under Conn. Gen. Stat. §12-264(c), as amended by 2006 Conn. Pub. Acts 186, §68, on electric distribution companies and municipal electric utilities.
 - **DRS** means the Department of Revenue Services.
 - **DPUC** means the Department of Public Utility Control.
 - **Competitive transition assessment** means the competitive transition assessment collected under Conn. Gen. Stat. §16-245g.
 - **Systems benefits charge** means the systems benefits charge collected under Conn. Gen. Stat. §16-245l.
 - **Conservation and load management program assessment** means the conservation and load management program assessment charged under Conn. Gen. Stat. §16-245m.
 - **Renewable Energy Investment Fund Assessment** means the Renewable Energy Investment Fund assessment charged under Conn. Gen. Stat. §16-245n.
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Gross Earnings From Operations No Longer the Measure of Gross Earnings Tax for Municipal Electric Utilities: For calendar quarters beginning on or after July 1, 2006, municipal electric utilities are no longer subject to gross earnings tax on their *gross earnings from operations*. Previously, gross earnings from operations included all income classified as operating revenues in the uniform systems of accounts prescribed by DPUC. This included income classified as:

- Income from merchandising, jobbing, and contract work;
- Income from non-utility operations;
- Revenues from lease of physical property not devoted to utility operation; **and**

- Receipts from the sale of residuals and other by-products obtained in connection with the production of electricity.

For calendar quarters beginning on or after July 1, 2006, municipal electric utilities are subject to gross earnings tax only on their gross earnings from providing electric transmission services and electric distribution services. They are no longer subject to gross earnings tax on their gross earnings *from other sources*, as previously described.

With the passage of 2006 Conn. Pub. Acts 186, the gross earnings taxation of municipal electric utilities is now similar (but not identical) to the gross earnings taxation of electric distribution companies.

The gross earnings subject to gross earnings tax of electric distribution companies from providing electric transmission services and electric distribution services include:

- The competitive transition assessment collected from customers;
- The systems benefits charge collected from end user customers;
- The conservation and load management program assessment charged to end use customers; **and**
- The Renewable Energy Investment Fund assessment charged to end use customers.

Except as otherwise provided in *Special Treatment for Certain Municipal Electric Utilities*, the gross earnings subject to gross earnings tax of municipal electric utilities do not include any amount attributable to the following assessments and charges because municipal electric utilities do not charge these to their end use customers:

- The competitive transition assessment;
- The systems benefits charge;
- The conservation and load management program assessment; **and**
- The Renewable Energy Investment Fund assessment.

Special Treatment for Certain Municipal Electric Utilities: Any municipal electric utility created on or after July 1, 1998, or any municipal electric utility that, on or after July 1, 1998, and as a participating municipal electric utility, is authorized by DPUC to provide electric generation services to end use customers outside its service area, as defined in Conn. Gen. Stat. §16-245c(a), is required to collect from its new customers:

- The competitive transition assessment;
- The systems benefits charge;
- The conservation and load management program assessment; **and**
- The Renewable Energy Investment Fund assessment.

Accordingly, the gross earnings subject to gross earnings tax of such municipal electric utility from providing electric transmission services and electric distribution services will include these assessments and charges.

Municipal Electric Utilities File Form UCT-212 EDC Instead of Form UCT-212: For calendar quarters beginning on or after July 1, 2006, municipal electric utilities will file **Form UCT-212 EDC**, *Electric Distribution Companies and Municipal Electric Utilities Gross Earnings Tax Return* (Rev. 9/2006), using the same Connecticut tax registration number currently assigned to them. For calendar quarters beginning on or after July 1, 2006, municipal electric utilities will no longer file **Form UCT-212**, *Municipal Utilities, Gas Suppliers, and Local Gas Distribution Companies Gross Earnings Tax Return*. Form UCT-212 will be revised to eliminate any references to municipal electric utilities.

Sole Municipal Gas Utility to Continue Filing Form UCT-212: 2006 Conn. Pub. Acts 186 did not affect the gross earnings taxation of the sole municipal gas utility in Connecticut. For calendar quarters beginning on or after July 1, 2006, that municipal gas utility will continue to file Form UCT-212.

Effect on Other Documents: For calendar quarters beginning on or after July 1, 2006, Form UCT-212 EDC and Form UCT-212 will be revised to reflect the fact that municipal electric utilities will no longer be filing Form UCT-212 and will instead be filing Form UCT-212 EDC.

For Further Information on the Utility Companies Gross Earnings Tax or this Special Notice: For further information on the utility company gross earnings tax or this Special Notice, call the Public Services Taxes Unit of the Audit Division at 860-541-3225 from 8:30 a.m. to 4:30 p.m., Monday through Friday.

Effect of This Document: A Special Notice announces a new policy or practice in response to changes in state or federal laws or regulations or to judicial decisions. A Special Notice indicates an informal interpretation of Connecticut tax law by DRS.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only); **or**
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Visit the DRS Web site at **www.ct.gov/DRS** to download and print Connecticut tax forms; **or**
 - **Telephone:** Call **1-800-382-9463** (Connecticut calls outside the Greater Hartford calling area only) and select **Option 2** from a touch-tone phone, or call **860-297-4753** (from anywhere).
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Paperless Filing/Payment Methods (fast, easy, free, and confidential):

- **For business returns:** Use **Fast-File** to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues tax, or withholding tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on **File/Register OnLine**.
 - **For payment of business taxes other than those listed above:** Use **Fast-File** to pay your business taxes over the Internet or by phone. Visit the DRS Web site at **www.ct.gov/DRS** and click on **Electronic Services** for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
 - **For resident income tax returns:** Use **WebFile** to file personal income tax returns over the Internet. Visit the DRS Web site at **www.ct.gov/DRS** and click on **File/Register OnLine**.
 - **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use **WebFile** to electronically file personal income tax returns over the Internet. You can also use **WebFile** to make an electronic income tax payment for a prior year. Visit the DRS Web site at **www.ct.gov/DRS** and click on **File/Register OnLine**.
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