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2015: Tax Increases and Mea Culpas

2015 has been a tumultuous year for Connecticut taxpayers. It started with projections of large state budget deficits for the 2016 and 2017 fiscal years and the adoption of the second largest tax increase in Connecticut history (only four years after the adoption of the largest such tax increase). By year end, executive branch and legislative branch leaders conceded that errors were made as part of the budget-setting process, and a special session was convened in December to address a growing projected deficit for the current fiscal year and severe criticism by the business community of the biennial budget.

The tax law changes enacted during the year are plentiful and will have an adverse impact on many taxpayers. Corporations face an extension of the 20% surcharge, a limit on the use of net operating losses, a further limitation on the use of tax credits and, in 2016, a new combined unitary reporting requirement and single-factor apportionment formula. High income individuals face two higher marginal tax rates, middle income taxpayers may realize a reduction in, or the loss of, the property tax credit, and lower income individuals will suffer a delay in the planned increase in the earned income tax credit. Changes to the sales tax include the repeal of an exemption for clothing and footwear costing less than \$50, a new tax on website creation and hosting services, an increase in the luxury sales tax rate and a limitation on the clothing and footwear that can be purchased tax free during the third week in August. The ability of hospitals to claim tax credits against the hospitals tax has been limited, and a new gross receipts tax is imposed upon ambulatory surgical centers.

In late June 2015, the day after the budget implementation legislation was enacted, the State Comptroller conceded that the 2014-2015 fiscal year ended with a deficit, ultimately requiring \$113.2 million to be drawn from the state's rainy day fund. Subsequently, the nonpartisan Office of Fiscal Analysis issued a chilling report, projecting a \$254.4 million deficit for the current 2016 fiscal year (after the application of \$102 million in budget rescissions previously announced by the Governor), a \$552 million deficit for the 2017 fiscal year, a \$1.72 billion deficit for the 2018 fiscal year, a \$1.87 billion deficit for the 2019 fiscal year and a \$2.2 billion deficit for the 2020 fiscal year. In response, in October Governor Malloy convened bipartisan meetings to address the projected deficit for the current fiscal year and the concerns of the business community, and then called for a special session of the General Assembly. During the resulting December Special Session, the General Assembly enacted a measure that attempts to address the current fiscal year projected deficit, while affording some tax relief to business taxpayers. The tax relief includes a new cap on the additional tax that a combined group would have to pay under the new combined unitary reporting regime (when compared to the current separate return regime), increased flexibility in the use of certain tax credits, and an exclusion from the Connecticut personal income tax for nonresident employees who render personal services in Connecticut, but are in the state no more than 15 days during the calendar year.

Despite the significant tax increases enacted this year, Connecticut taxpayers still face great uncertainty as to the future. The December Special Session did not tackle the broader budget and structural issues that underlie the large budget deficit projections for future fiscal years, leaving taxpayers to speculate as to what tax increases and other revenue-generating measures may be adopted during the next or subsequent legislative sessions. Hopefully, state leaders will act promptly to address such uncertainty so that businesses and individuals can plan properly for the future.

This Alert summarizes Connecticut tax legislation enacted, court decisions rendered and administrative guidance published by the Connecticut Department of Revenue Services ("DRS") during 2015. Please contact any member of our State and Local Tax Practice Group if you have any questions regarding the new tax law changes or how they affect you and your business.

CORPORATION BUSINESS TAX

I. Legislation

Surcharge Extended. The surcharge on the corporation business tax has been extended for an additional three years. The current 20% surcharge on the corporation business tax, that was to be applicable only to income years commencing prior to January 1, 2016, is extended for two additional years, through income years commencing prior to January 1, 2018. For the income year commencing on or after January 1, 2018 and prior to January 1, 2019, the surcharge will be 10%. As under current law, the surcharge is calculated based upon the tax liability of the Subchapter C corporation, excluding any credits, whether calculated based upon the corporation's net income or capital base, and is imposed on the corporation unless either (i) the tax liability of the corporation is equal to \$250 (i.e., the minimum tax) or (ii) the annual gross income of the corporation is less than \$100 million. The \$100 million annual gross income exemption is not available to a corporation that files a combined return or a unitary return (with respect to income years commencing prior to January 1, 2016), or a combined unitary tax return (for income years commencing on or after January 1, 2016). Conn. Gen. Stat. §§12-214(b) and 12-219(b), as amended by Conn. Pub. Act No. 15-244, §§83-84 (*effective June 30, 2015, and applicable to income years commencing on or after January 1, 2015*); as further amended by June Special Session Conn. Pub. Act No. 15-5, §139 (*effective June 30, 2015*), and §§140-141 (*effective January 1, 2016, and applicable to income years commencing on or after said date*).

Combined Unitary Tax Reporting. Effective for income years commencing on or after January 1, 2016, a "combined group" with a member subject to the Connecticut corporation business tax must file a combined unitary tax return. A "combined group" is a group of companies that have "common ownership" and are engaged in a "unitary business." "Common ownership" means that more than 50% of the voting control of each member of the combined group is directly or indirectly owned by a common owner or owners, either corporate or noncorporate, whether or not the owner or owners are members of the combined group. A "unitary business" means a single economic enterprise that is made up either of separate parts of a single business entity or of a group of business entities under common ownership, "which enterprise is sufficiently interdependent, integrated or interrelated through its activities so as to provide mutual benefit and produce a significant sharing or exchange of value among such entities, or a significant flow of value among the separate parts." The combined group has the option of determining its members' net income, capital base and apportionment factors on a world-wide basis or an affiliated group basis, but an election of either reporting method is binding for the income year in which it is made and the following ten years. If the combined group does not elect to report on a world-wide basis or an affiliated group basis, it must determine the net income, capital base and the apportionment factors of each of its taxable members on a "water's-edge basis." Under the legislation, the use of the water's-edge basis may require the inclusion of the net income, capital base and apportionment factors of the nontaxable members of the combined group under certain circumstances, including if they are incorporated in a jurisdiction that is determined by the Commissioner of Revenue Services to be a "tax haven" as defined under the law (unless it is proven to the satisfaction of the Commissioner that the member is incorporated in a tax haven for a legitimate business purpose). The new law provides, however, that a "tax haven" does not include a jurisdiction that has entered into a comprehensive tax treaty with the United States that the Secretary of the Treasury has determined is satisfactory for purposes of I.R.C. §1(h)(11)(C)(i)(II). Special rules are provided for the calculation of the combined group's net income or loss, capital base and apportionment factors, the use of net operating losses, the application of tax credits and the ability of certain publicly-traded companies to offset any increase in their members' net deferred tax liability, a decrease in their net deferred tax asset or an aggregate change from a net deferred tax asset to a net deferred tax liability resulting from the newly imposed unitary reporting requirements (but only over a seven-year period commencing in the 2018 income year and only if they file a required statement with the DRS claiming the deduction by July 1, 2017). During the December Special Session, the General Assembly amended the combined unitary reporting provisions to provide that the tax calculated for a combined group on a combined unitary

basis, prior to the surtax and the application of credits, may not exceed by more than \$2.5 million the “nexus combined basis tax.” The “nexus combined basis tax” is the tax measured on the sum of separate net income or loss (or the minimum tax base) of each taxable member as if it was not required to file a combined unitary tax return (with certain eliminations and adjustments). Conn. Gen. Stat. §§12-213(a), 12-214, 12-216a, 12-217, 12-217n(b), 12-217t(e), 12-217u(l), 12-217gg(c), 12-217gg(h), 12-218, 12-218b, 12-218c(c), 12-218d(d), 12-219, 12-219a, 12-221a, 12-222, 12-223a, 12-223b, 12-223c, 12-223e, 12-223f, 12-242d and 38a-88a, as amended and supplemented by Conn. Pub. Act No. 15-244, §§138-163 (*effective December 29, 2015, and applicable to income years commencing on or after January 1, 2015*), as further amended by June Special Session, Conn. Pub. Act No. 15-5, §139 (*effective June 30, 2015*), and §§142-153 (*effective January 1, 2016, and applicable to income years commencing on or after said date*), as further amended by December Special Session, Conn. Pub. Act No. 15-1, §§36-37 (*effective January 1, 2016, and applicable to income years commencing on or after said date*) and §39 (*effective December 29, 2015*).

Limitation on Net Operating Losses. Under current law, a corporation that incurs a net operating loss (“NOL”) for an income year (i.e., an excess of allowable deductions over gross income for the income year) may carry forward the NOL for up to 20 years and thereby reduce its tax liability in those years until the NOL is used in its entirety. Under new legislation, for income years commencing on or after January 1, 2015, the portion of the NOL for an income year (the “Loss Year”) which may be deducted in any future income year is limited to the lesser of (i) 50% of the net income of such year (or 50% of the net income apportioned to Connecticut if the corporation apportions its income to multiple states) or (ii) the excess, if any, of such NOL over the NOL being carried forward from income years prior to such Loss Year. Conn. Gen. Stat. §12-217(a)(14), as amended by Conn. Pub. Act No. 15-244, §87 (*effective June 30, 2015*). During the June Special Session, the Connecticut General Assembly enacted an alternative NOL rule for combined groups with unused operating losses in excess of \$6 billion from income years beginning prior to January 1, 2013. If such a combined group elects to relinquish 50% of its unused NOLs from tax years prior to the tax year commencing on or after January 1, 2015, and before January 1, 2016, the combined group may use the remaining NOL carry-over to reduce the combined group’s tax in any income year commencing on or after January 1, 2015, prior to the surtax and the application of credits, to \$2.5 million. Such an election must be made on the tax return for the tax year which begins on or after January 1, 2015, and before January 1, 2016. NOLs generated in tax years beginning on or after January 1, 2015 are subject to the 50% of net income limit on the use of NOLs imposed by Public Act No. 15-244. Conn. Gen. Stat. §12-217(a)(4), as further amended by June Special Session Conn. Pub. Act No. 15-5, §482 (*effective June 30, 2015*), as further amended by the December Special Session Conn. Pub. Act No. 15-1, §38 (*effective December 29, 2015*).

Tax Credit Limitation. For any income year commencing on or after January 1, 2002, and prior to January 1, 2015, current law limits the amount of tax credit or credits otherwise allowable against the Connecticut corporation business tax due for an income year to not more than 70% of the amount of tax due for that income year prior to the application of such credit or credits. New legislation further limits the use of tax credits for any income year on or after January 1, 2015, such that their use may not exceed 50.01% of the tax due for the income year, prior to the application of such credit or credits. During the December Special Session, the General Assembly further amended the limitation to permit a taxpayer, starting with income years on or after January 1, 2016, to use “excess credits” to further reduce its tax due. “Excess credits” are the following tax credits to the extent they remain available after the application of the 50.01% limitation: the research and experimental expenditures tax credit; the rolling research and development tax credit; and the urban and industrial site reinvestment tax credit. The aggregate amount of tax credits and excess credits allowable shall not exceed 55% of the amount of tax due for 2016, 60% of the amount of tax due for 2017, 65% of the amount of tax due for 2018, and 70% of the amount of tax due for 2019 and each year thereafter. Conn. Gen. Stat. §12-217zz, as amended by Conn. Pub. Act No. 15-244, §88 (*effective June 30, 2015*), as further amended by December Special Session Conn. Pub. Act No. 15-1, §29 (*effective December 29, 2015*).

Apportionment Formula. Effective for income years commencing on or after January 1, 2016, the general formula

for the apportionment of the net income of a taxpayer taxable in Connecticut and elsewhere has been changed from a three-factor formula (property, payroll and double-weighted gross receipts) to a single-factor formula based solely on the taxpayer's gross receipts from sales or other sources. Manufacturers which derive a minimum of 75% of their gross receipts from the direct or indirect sale of tangible personal property to the United States government may continue to elect to use the old three-factor formula. The current special apportionment formulae for manufacturers, financial service companies, broadcasters and other taxpayers remain unchanged. Conn. Gen. Stat. §12-218, as amended by Conn. Pub. Act No. 15-244, §149 (*effective December 29, 2015 and applicable to income years commencing on or after January 1, 2015*), as further amended by June Special Session Conn. Pub. Act No. 15-5, §140 (*effective July 1, 2015*), as further amended by December Special Session Conn. Pub. Act No. 15-1, §40 (*effective January 1, 2016, and applicable to income years commencing on or after January 1, 2016*).

Apportionment and Sourcing Review. The Commissioner of Revenue Services has been charged with the review of the impact of alternative methods of apportionment and sourcing of income for purposes of the corporation business tax on businesses within the state of Connecticut. On or before February 1, 2016, the Commissioner is to file a report with recommendations, if any, to the Finance, Revenue and Bonding Committee of the Connecticut General Assembly. Conn. Pub. Act No. 15-244, §219 (*effective June 30, 2015*).

II. Administrative Pronouncements

Financial Service Income. In DRS Ruling No. 2015-1, the DRS ruled that a corporation is a “financial services company” under Conn. Gen. Stat. §12-218b(a)(6)(J)(i) if it derives all of its income from its distributive shares of the gross income from partnerships that, in turn, derive all of their gross income from financial service activities.

Estimated Payment Relief. In DRS Special Notice 2015(9), *2015 Legislative Changes Affecting the Corporation Business Tax*, the DRS announced a procedure by which a corporation may seek relief from an assessment of interest due to an underpayment of 2015 Connecticut corporation business estimated tax payments to the extent the underpayment of 2015 estimated tax is the direct result of the 2015 tax law changes. To obtain such relief, the corporation must file with the DRS a written explanation describing the manner in which the tax law changes resulted in the underpayment, together with all documentation supporting such explanation. The written explanation must be sent to the DRS at the address provided in the Special Notice by the due date, or extended due date, of the corporation's 2015 Connecticut corporation business tax return.

Net Deferred Tax Liability Deduction. In early January 2016, the DRS Office of Counsel issued *OCG-2, Regarding the Net Deferred Tax Liability Deduction Corporation Business Tax*, which explains when a taxpayer is eligible to take the net deferred tax liability deduction, and how to calculate the deduction. An eligible taxpayer is a publicly traded company which, as a result of the adoption of combined unitary reporting by Connecticut, has had to make an adverse adjustment to its deferred tax assets or deferred tax liabilities. OCG-2 describes how a combined group calculates the net deduction for the group. An eligible taxpayer will be required to take the deduction over a seven-year period, beginning with the tax year beginning in 2018. Importantly, in order to validly claim the deduction, an eligible taxpayer must disclose the amount of the deduction, and certain other information, to the DRS by July 1, 2017. Forms to make the disclosure are forthcoming.

PERSONAL INCOME TAX

I. Legislation

Individual Marginal Tax Rates. The marginal tax rates have been increased for taxpayers whose taxable income is over

certain thresholds. For married people filing jointly, the highest marginal tax rate is increased from 6.7% to (i) 6.9% on taxable income in excess of \$500,000, and (ii) 6.99% on taxable income in excess of \$1 million. For single and married filing separately taxpayers, the highest marginal tax rate is increased from 6.7% to (i) 6.9% on taxable income in excess of \$250,000, and (ii) 6.99% on taxable income in excess of \$500,000. For heads of household filers, the highest marginal tax rate is increased from 6.7% to (i) 6.9% on taxable income in excess of \$400,000, and (ii) 6.99% on taxable income in excess of \$800,000. The provisions that phase out the tax benefit of the lower marginal rates, through a recapture of the tax benefit as adjusted gross income increases over certain thresholds, are adjusted to reflect the new marginal tax rates of 6.9% and 6.99%. Conn. Gen. Stat. §12-700(a), as amended by Conn. Pub. Act No. 15-244, §66 (*effective June 30, 2015, and applicable to taxable years commencing on or after January 1, 2015*). During the June special session, the General Assembly enacted a provision that provides that the statute (Conn. Gen. Stat. §12-722) that requires the accrual of interest in the case of any underpayment of estimated tax by an individual shall not apply to the extent that the underpayment was created by a provision of Public Act No. 15-244 (e.g., the increase in the highest marginal tax rates). June Special Session Conn. Pub. Act No. 15-5, §435 (*effective June 30, 2015*). [Ed. note. The DRS has published Information Publication 2015(1.1), *Connecticut Circular CT Employer's Tax Guide*, with new withholding tables for employers based upon these tax law changes.]

Tax Rate for Trusts and Estates. The flat Connecticut income tax rate for trusts and estates is increased from 6.7% to 6.99%. Conn. Gen. Stat. §12-700(a), as amended by Conn. Pub. Act No. 15-244, §66 (*effective June 30, 2015, and applicable to taxable years commencing on or after January 1, 2015*).

Nonresident Partner/Member/Shareholder Withholding. Under current law, the required rate of withholding on the Connecticut source income of nonresident partners of a partnership, members of a limited liability company and shareholders of a Subchapter S corporation is the highest marginal income tax rate. Accordingly, the adoption of a new highest marginal tax rate of 6.99% results in the increase in the rate of withholding on Connecticut source income from 6.7% to 6.99%.

Property Tax Credit. The amount and the availability of the property tax credit against the personal income tax have been limited. First, effective with the 2016 tax year, the maximum credit available has been reduced from \$300 to \$200. Second, the adjusted gross income thresholds at which the maximum property tax credit starts to phase out are reduced: (i) for single filers from \$64,500 to \$47,500 in 2015, and \$49,500 in 2016 and thereafter; (ii) for married taxpayers filing separately from \$50,250 to \$35,250 in 2015 and thereafter; (iii) for heads of household from \$78,500 to \$54,500 in 2015 and thereafter; and (iv) for married taxpayers filing jointly from \$100,500 to \$70,500 in 2015 and thereafter. Conn. Gen. Stat. §12-704c, as amended by Conn. Pub. Act No. 15-244, §70 (*effective July 1, 2015, and applicable to income years commencing on or after January 1, 2015*).

Delay in Single Filer Tax Relief. The following income tax relief provisions for single filers that were to have gone into effect for the 2015 tax year will now go into effect for the 2016 tax year: (i) the increase in the maximum personal exemption from \$14,500 to \$15,000 (and the increase in the threshold at which the personal exemption begins to gradually phase out from \$29,000 to \$30,000); and (ii) the increase in income ranges that allow single filers to qualify for personal credits against their income tax (from a range of \$14,500 to \$62,500, to a range of \$15,000 to \$65,000). Conn. Gen. Stat. §§12-702(a)(2)(H) and (I), and 12-703(a)(2)(H) and (I), as amended by Conn. Pub. Act No. 15-244, §§67-68 (*effective June 30, 2015, and applicable to taxable years commencing on or after January 1, 2015*).

Nonresident Employees. In general, compensation for personal services provided in Connecticut by a nonresident employee is subject to tax in Connecticut. Effective for taxable years commencing on or after January 1, 2016, a new exclusion is adopted for nonresident income for personal services rendered in Connecticut when the nonresident employee spends no more than 15 full or partial days in Connecticut during a calendar year. If, however, the nonresident

employee were to spend more than 15 days in Connecticut, then all of the compensation received by the employee for rendering the services in Connecticut shall be taxable in Connecticut. The new exclusion for personal services rendered by a nonresident employee does not apply to sources of income derived by an athlete, entertainer or performing artist, or to sources of income from a business, trade, profession or occupation carried on in Connecticut other than compensation for personal services. Conn. Gen. Stat. §12-711, as amended by December Special Session Conn. Pub. Act No. 15-1, §26 (effective December 29, 2015 and applicable to taxable years commencing on or after January 1, 2016).

Military Retirement Pay. The exemption from the Connecticut personal income tax for retirement pay for a retired member of the Armed Forces of the United States (i.e., Army, Navy, Marine Corps, Air Force and Coast Guard) or the Army or Air National Guard is increased from 50% to 100%, commencing with the 2015 tax year. Conn. Gen. Stat. §12-701(a)(20)(B)(xvii), as amended by Conn. Pub. Act No. 15-244, §65 (effective July 1, 2015, and applicable to taxable years commencing on or after January 1, 2015).

Earned Income Tax Credit. The increase in the earned income tax credit from 27.5% to 30%, which was to go into effect for the 2015 tax year, has been delayed two years so that the increase will go into effect for the 2017 tax year. Conn. Gen. Stat. §12-704e(e), as amended by Conn. Pub. Act No. 15-244, §69 (effective June 30, 2015, and applicable to taxable years commencing on or after January 1, 2015).

Innocent Spouse Relief. Revisions have been made to the statute that authorizes the Commissioner of Revenue Services to excuse a taxpayer who files a joint tax return from paying taxes, interest and penalties if his or her spouse or former spouse improperly reported or omitted items on their joint tax return. The statute currently establishes three grounds for such relief: (i) innocent spouse relief; (ii) separation of liability relief; and (iii) equitable relief; however, the taxpayer must apply for relief within two years after the Commissioner first attempts to collect the tax. This provision has been amended to: (i) eliminate the two-year deadline for taxpayers applying for equitable relief; and (ii) allow, but not require, the Commissioner to adopt regulations necessary to carry out the provision. Conn. Gen. Stat. §12-702a, as amended by June Special Session Conn. Pub. Act No. 15-5, §§124-125 (effective June 30, 2015).

Federal Forms W-2. Under current law, an employer required to deduct and withhold Connecticut income tax from the wages of an employee during a calendar year must file with the Commissioner copies of the employer's federal Forms W-2 by the last day of (i) February of the next succeeding year, for employers filing paper returns, and (ii) March of the next succeeding year, for employers filing electronic returns. New legislation will require employers to file such copies (and Form CT-W-3, *Connecticut Annual Reconciliation of Withholding*) with the Commissioner on or before January 31st of the next succeeding year. Conn. Gen. Stat. §12-706(b), as amended by June Special Session Conn. Pub. Act No. 15-5, §126 (effective June 30, 2015).

II. Case Law

Nonqualified Stock Options and Statutory Limitations on Refunds Claims. In *Allen v. Sullivan*, 2015 Conn. Super. LEXIS 953 (Super. Ct. Apr. 29, 2015), the plaintiff-taxpayers sought a refund of income taxes for the taxable years of 2002, 2006 and 2007, in each case based upon the asserted erroneous reporting of income from the exercise of nonqualified stock options as Connecticut source income. The Tax Session of the Superior Court held that the refund claim for the 2002 tax year was barred by the applicable statute of limitations because it had been filed after April 15, 2006 (the three-year anniversary of the due date for the 2002 tax year). The Court also rejected the taxpayers' argument that the income from the exercise of the nonqualified stock options in 2006 and 2007 should not be considered Connecticut source income because the taxpayers were not residents of Connecticut at the time of the exercise of the options. Rather, the Court found that the options had been granted as compensation to the taxpayer when the taxpayer was employed

in, and a resident of, Connecticut, and held that any compensation earned thereby is Connecticut source income even if recognized for income tax purposes later upon exercise when the taxpayer is no longer a Connecticut resident.

SALES AND USE TAX

I. Legislation

Computer and Data Processing Services. Effective October 1, 2015, the sales and use tax on computer and data processing services is extended to include services rendered in connection with the creation, development hosting or maintenance of all or part of a website which is part of the graphical, hypertext portion of the Internet (i.e., the World Wide Web). Conn. Gen. Stat. §12-407(a)(37)(A), as amended by Conn. Pub. Act No. 15-244, §75 (*effective July 1, 2015, and applicable to sales occurring on or after said date, and to sales of services that are billed to customers for a period that includes July 1, 2015*), as further amended by June Special Session Conn. Pub. Act No. 15-5, §133 (*effective July 1, 2015, and applicable to sales occurring on or after said date*), §134 (*effective October 1, 2015, and applicable to sales occurring on or after said date*), and §516, repealing Conn. Pub. Act No. 15-244, §76 (*effective June 30, 2015*). [Ed. note. The increase in the sales and use tax rate for computer and data processing services from one percent to two percent and then to three percent, and the adoption of a new exemption for sales to 50% affiliates, were repealed during the June Special Session.]

Luxury Tax Rate. The special sales and use tax rate on specified “luxury” items is increased from 7% to 7.75%. The specified “luxury” items are: (i) certain motor vehicles with a sales price exceeding \$50,000; (ii) jewelry with a sales price exceeding \$5,000; and (iii) an article of clothing or footwear, a handbag, luggage, umbrella, wallet or watch with a sales price exceeding \$1,000. Conn. Gen. Stat. §§12-408(1)(H) and 12-411(1)(H), as amended by Conn. Pub. Act No. 15-244, §§72-73 (*effective July 1, 2015, and applicable to sales occurring on or after that date*). [Ed. note. The amendment to Conn. Gen. Stat. §12-408(1) during the June special session raises some doubt as to the effective date of the increase in the luxury item sales tax rate, but the DRS takes the position that the effective date for the increase of both the luxury item sales tax rate and the luxury item use tax rate is July 1, 2015.]

Sales Tax Free Week. The scope of the sales-tax-free week that occurs annually commencing with the third Sunday in August has been limited. Under prior law, the exemption was limited to the sale of any article of clothing or footwear that is intended to be worn on or about the human body, the cost of which is less than \$300. Effective for 2015, the cost of the article of clothing must be less than \$100, and the exemption is expressly not available for: (i) any special clothing or footwear primarily designed for athletic activity or protective use and which is not normally worn except for such an activity or use; and (ii) jewelry, handbags, luggage, wallets, watches and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing. Conn. Gen. Stat. §12-407e, as amended by Conn. Pub. Act No. 15-244, §71 (*effective July 1, 2015*). [Ed. note. The sales tax free week this year will be from August 16-22, 2015.]

Sales Tax Return and Remittance Deadline. Under current law, the due date for the filing of a sales and use tax return and the remittance of sales and use tax is the 20th day of the month immediately following the applicable reporting period. (The applicable reporting period is generally each calendar month or calendar quarter depending upon the amount of sales and use tax paid and collected by the taxpayer.) Effective for reporting periods ending on or after December 31, 2015, the due date will revert back to the last day of the next succeeding month after the monthly or quarterly reporting period. Conn. Gen. Stat. §§12-414(a) and (b), as amended by June Special Session Conn. Pub. Act No. 15-5, §137 (*effective October 1, 2015, and applicable to periods ending on or after December 31, 2015*).

Car Wash Services. Effective July 1, 2015, car wash services, including coin-operated car washes are subject to the Connecticut sales and use tax. Car washing services, but excluding coin-operated car washes, were previously taxable during the period from July 1, 1989 through December 31, 1993. Conn. Gen. Stat. §§12-407(a)(37)(OO), as added by Conn. Pub. Act No. 15-244, §75 (*effective July 1, 2015, and applicable to sales occurring on or after said date, and to sales of services that are billed to customers for a period that includes July 1, 2015*), as further amended by June Special Session Conn. Pub. Act No. 15-5, §136 (*effective July 1, 2015, and applicable to sales occurring on or after said date*). See DRS Special Notice 2015(4), *Sales and Use Taxes on Car Washes*.

Exemptions Repealed. The following exemptions from the Connecticut sales and use tax have been repealed: (i) sales of clothing and footwear costing less than \$50 (which exemption was to go into effect as of July 1, 2015); (ii) sales of non-metered parking in seasonal lots with 30 or more spaces provided by the United States, the state of Connecticut or any of the political subdivisions thereof, or its or their respective agencies, a nonprofit charitable hospital, nursing home, rest home, residential care home, certain acute care for-profit hospitals, or other tax-exempt organizations; and (iii) sales of goods or services purchased by a water company in maintaining, operating, managing, or controlling a pond, lake, reservoir, stream, well, or distributing plant or system to supply water to at least 50 customers. Conn. Gen. Stat. §12-412(119), as repealed by Conn. Pub. Act No. 15-244, §222 (*effective July 1, 2015*); Conn. Gen. Stat. §12-407(a)(37)(N), as amended by Conn. Pub. Act No. 15-244, §75 (*effective July 1, 2015, and applicable to sales occurring on or after said date, and to sales of services that are billed to customers for a period that includes July 1, 2015*), as further amended by June Special Session Conn. Pub. Act No. 15-5, §135 (*effective July 1, 2015, and applicable to sales occurring on or after said date*); Conn. Gen. Stat. §12-412(5), as amended by Conn. Pub. Act No. 15-244, §77 (*effective July 1, 2015*); Conn. Gen. Stat. §12-412(90), as repealed by Conn. Pub. Act No. 15-244, §222 (*effective July 1, 2015*). During the December Special Session, the General Assembly additionally repealed, effective January 1, 2016, the exemption for weatherization products and compact fluorescent light bulbs. Conn. Gen. Stat. §12-412k, as repealed by December Special Session Conn. Pub. Act No. 15-1, §49 (*effective January 1, 2016, and applicable to sales occurring on or after said date*).

Sales Tax Revenue Diversion. New legislation requires the Commissioner of Revenue Services to direct a percentage of the revenue derived from sales subject to the 6.35% tax rate to the Special Transportation Fund (the "Fund") and to the Municipal Revenue Sharing Account (the "Account"). The percentage of revenue diverted to each of the Fund and the Account is initially 4.7% (commencing with calendar months commencing on or after December 1, 2015 for the Fund, and on or after May 1, 2016 for the Account), and then increases to 6.3% (commencing with calendar months commencing on or after May 1, 2017 for the Fund, and on or after October 1, 2016 for the Account), and then increases again to 7.9% for calendar quarters on or after July 1, 2017 (for the Fund and the Account). Conn. Gen. Stat. §12-408(1), as amended by Conn. Pub. Act No. 15-244, §74 (*effective June 30, 2015, and applicable to sales occurring on or after October 1, 2015, and to sales of services that are billed to customers for a period that includes October 1, 2015*), as further amended by June Special Session Conn. Pub. Act No. 15-5, §132 (*effective June 30, 2015, and applicable to sales occurring on or after October 1, 2015*), as further amended by December Special Session Conn. Pub. Act No. 15-1, §32 (*effective December 29, 2015, and applicable to sales occurring on or after October 1, 2015*).

Commercial Fishing Vessels, Machinery or Equipment. New legislation repeals the statutory requirement that the Commissioner of Revenue Services adopt regulations requiring periodic registration for purposes of the issuance of the fisherman tax exemption permits. Conn. Gen. Stat. §12-412(40), as amended by Conn. Pub. Act No. 15-179, §5 (*effective June 30, 2015*).

Sharon Hospital. During the 2014 legislative session, the General Assembly adopted a two-year exemption from the sales and use tax for sales of tangible personal property or services to and by an acute care hospital operating as a sole community hospital, as described in 42 CFR 412.92, in Connecticut. The only hospital that qualifies for such exemption is

Sharon Hospital. The governing statute has been amended to make this exemption permanent. Conn. Gen. Stat. §12-412(5)(C), as amended by June Special Session Conn. Pub. Act No. 15-5, §512 (*effective July 1, 2015*).

II. Administrative Pronouncements

Nonprescription Drugs and Medicines. The DRS has published guidance concerning the exemption from the sales and use tax for certain nonprescription drugs and medicines that went into effect as of April 1, 2015. DRS Special Notice 2015(1), *Sales and Use Tax Exemption for Nonprescription Drugs and Medicines*.

Board and Employee Search, Assessment, Compensation and Other Services. In DRS Ruling 2015-2, the DRS evaluates the application of the Connecticut sales and use tax to a wide variety of services provided by a consulting firm and rules that: (i) executive search services and middle-management search services are subject to the sales and use tax as services by employment agencies under Conn. Gen. Stat. §12-407(a)(37)(C), but not Board search services because there is no intention to create an employer-employee relationship; (ii) executive assessment services, Board effectiveness assessments, assignment study services, CEO succession services, post-merger integration services, compensation study services, cultural assessment services, organization design services and team effectiveness services are subject to the sales and use tax as business analysis or business management consulting services relating to human resource management under Conn. Gen. Stat. §12-407(a)(37)(J); (iii) coaching services are subject to sales and use tax only if the coaching directly pertains to the employee's job skills, such as coaching to complete a specific job-required presentation, as opposed to training services that are indirectly related to an employee's job skills; and (iv) convening services, involving the facilitating and hosting of meetings for executives, are not taxable because they do not include any analysis, recommendations, advice or assistance to clients.

Cancer Treatment Product. In Ruling 2015-3, the DRS considered the application of the Connecticut sales and use tax to a private company's sale of a product that uses low-intensity, alternating electric fields to treat adult patients with confirmed glioblastoma multiforme (an aggressive brain tumor). The DRS ruled that sales of the product, which is only available by prescription, are exempt from Connecticut sales and use tax because it is equipment used in support of vital life functions per Conn. Gen. Stat. §12-412(19).

III. Case Law

Municipal Refuse Removal. In *Groton v. Commissioner*, 317 Conn. 319 (2015), the Town of Groton appealed a sales tax assessment imposed against it based upon the fees the Town charges for refuse removal services provided to industrial, commercial and income-producing real properties. The fees charged by the Town were based upon: (i) the pass through of charges imposed on the Town by (A) a private trash hauler to collect and dispose of the refuse and (B) the regional resource recovery authority to accept disposal of the refuse at the Preston waste-to-energy facility; and (ii) an amount to reimburse the Town for its actual administrative costs. The Supreme Court sustained the appeal and invalidated the assessment, finding that the requisite consideration did not exist to sustain the imposition of the sales tax. The Court held that the Town functioned as a mere conduit between the end users and the trash haulers and regional authority, and that the Town's fee structure was simply an attempt to consolidate and fund the important governmental function of sanitation.

TAX CREDITS

Insurance Premium Tax Credit Limit. As part of 2013 legislation, the Connecticut General Assembly enacted a temporary limitation on the use of tax credits to reduce a taxpayer's liability for the insurance premium tax or subscriber charge tax. The structure of the limitation is such that: (i) each of the tax credits available to a taxpayer is classified as

one of three types; (ii) it specifies the order in which a taxpayer must apply the credits to offset its tax liability; and (iii) it establishes the maximum liability that a taxpayer can offset by claiming one or more of these types of credits. The “temporary” limitation, which was to be effective only for the 2013 and 2014 calendar years, is made effective additionally for the 2015 and 2016 calendar years. Conn. Gen. Stat. §12-211a(a), as amended by Conn. Pub. Act No. 15-244, §85 (*effective June 30, 2015, and applicable to calendar years commencing on or after January 1, 2015*).

Film Production Tax Credit Moratorium. As part of the 2013 legislative session, the General Assembly imposed a moratorium for the state fiscal years ending on June 30, 2014 and June 30, 2015, on the issuance of any tax credit for a motion picture that was not a designated state-certified production prior to July 1, 2013. An exemption from the two-year moratorium was established for any motion picture for which 25% or more of the principal shooting days are in Connecticut at a facility that receives not less than \$25 million in private investment and opens for business on or after July 1, 2013. During the 2015 legislative session, the General Assembly extended the moratorium, subject to the same exemption, for the state fiscal years ending June 30, 2016, and June 30, 2017. Conn. Gen. Stat. §12-217jj(a)(3)(A), as amended by Conn. Pub. Act No. 15-244, §86 (*effective June 30, 2015*). The General Assembly also amended the film production tax credit provisions to provide that all or part of any tax credit arising from a tax credit voucher issued on or after July 1, 2015, shall be claimed for the income year in which the production expenses or costs were incurred, or in the five immediately succeeding income years. Under prior law, tax credits authorized after January 1, 2006, had to be claimed in the year in which the expenses occurred or in the three immediately succeeding income years. Conn. Gen. Stat. §12-217jj(f), as amended by June Special Session Conn. Pub. Act No. 15-5, §431 (*effective June 30, 2015*).

Tax Credit Limitation. For any income year commencing on or after January 1, 2002, and prior to January 1, 2015, current law limits the amount of tax credit or credits otherwise allowable against the Connecticut corporation business tax due for an income year to not more than 70% of the amount of tax due for that income year prior to the application of such credit or credits. New legislation further limits the use of tax credits for any income year on or after January 1, 2015, such that their use may not exceed 50.01% of the tax due for the income year prior to the application of such credit or credits. During the December Special Session, the General Assembly further amended the limitation to permit a taxpayer, starting with income years on or after January 1, 2016, to use “excess credits” to further reduce its tax due. “Excess credits” are the following tax credits to the extent they remain available after the application of the 50.01% limitation: the research and experimental expenditures tax credit; the rolling research and development tax credit; and the urban and industrial site reinvestment tax credit. The aggregate amount of tax credits and excess credits allowable shall not exceed 55% of the amount of tax due for 2016, 60% of the amount of tax due for 2017, 65% of the amount of tax due for 2018, and 70% of the amount of tax due for 2019 and each year thereafter. Conn. Gen. Stat. §12-217zz, as amended by Conn. Pub. Act No. 15-244, §88 (*effective June 30, 2015*), as further amended by December Special Session Conn. Pub. Act No. 15-1, §29 (*effective December 29, 2015*).

Hospitals Tax Credit Limitation. New legislation limits the amount of tax credit or credits otherwise allowable against the hospitals tax due for a calendar quarter commencing on or after July 1, 2015, and prior to January 1, 2015, to an amount that does not exceed 50.01% of the amount of tax due for such calendar quarter prior to the application of such credit or credits. This limitation is increased to 55% of the amount of tax due for each calendar quarter during 2016, and then increased an additional 5% each year thereafter until 2019, when the tax credit limit is set at 70% for that year and all years thereafter. Conn. Gen. Stat. §12-263b, as amended by Conn. Pub. Act No. 15-244, §89 (*effective July 1, 2015*), as further amended by December Special Session Conn. Pub. Act No. 15-1, §30 (*effective December 29, 2015 and applicable to calendar quarters commencing on or after January 1, 2016*).

Connecticut Insurance Reinvestment Fund Credit. Under current law, a non-transferrable credit is available against the insurance premiums tax for taxpayers who make cash investments in a state-approved insurance reinvestment fund that fully funds the purchase price of (i) an equity interest in the fund, or (ii) an eligible debt instrument issued by the fund

for at least par value that has a maturity date of at least five years. The insurance reinvestment tax credit provisions are amended to change the name of insurance reinvestment funds to invest CT funds and to: (i) increase the aggregate cap on credits available under the program from \$200 million to \$350 million (but not to change the annual cap of \$40 million); (ii) increase the amount of investments that a fund must obtain from sources other than insurers by providing that such non-insurer capital must be equal to no less than 5% of the total amount of eligible capital to be invested in the invest CT fund on or before June 30, 2015, and that such non-insurer capital must be equal to no less than 10% of the total amount of eligible capital to be invested in the invest CT fund on or after September 1, 2015; (iii) increase from 3% to 7% the amount a fund must invest in pre-seed businesses for funds seeking certifications or credit allocations on or after September 1, 2015 (but extending the deadline for the achievement of that goal from three to four years); (iv) expand the investment targets of funds certified on or after September 1, 2015, to include the requirements that 25% of the funds must be invested in businesses located in municipalities with over 80,000 people, and at least 3% in cybersecurity businesses; (v) with respect to investments of eligible capital made on or after September 1, 2015, delay the ability of an insurer to claim the credit from the fourth year to the sixth year; (vi) for allocation dates of September 1, 2015 or later, delay from the fourth year to the sixth year when a fund must have invested at least 60% of its credit-eligible capital in eligible businesses; (vii) for funds certified after September 1, 2015, add conditions a fund must meet before it can distribute returns; and (viii) for funds receiving credit allocations on or after September 1, 2015, extend the period when the state may decertify a fund and cause it to forfeit future unclaimed credits. Conn. Gen. Stat. §38a-88a, as amended by Conn. Pub. Act No. 15-244, §§163 and 171 (*effective July 1, 2015*), and as further amended by June Special Session Conn. Pub. Act No. 15-5, §153 (*effective January 1, 2016, and applicable to income years commencing on or after said date*). [Ed. note. The amendments to the credit provisions seemingly contain a number of ambiguities that need to be addressed, including the rules applicable to certain invest CT fund actions if they should occur between June 30, 2015 and September 1, 2015.]

Urban and Industrial Site Reinvestment Tax Credit. Under an existing program, taxpayers who make investments in eligible urban reinvestment projects or eligible industrial site investment projects may be allowed a tax credit. The cap on the aggregate amount of credits that can be granted under the program has been increased from \$800 million to \$950 million. Conn. Gen. Stat. §32-9t(i), as amended by June Special Session Conn. Pub. Act No. 15-5, §408 (*effective July 1, 2015*).

New Markets Tax Credit. Current law permits a qualified community development entity (“CDE”) (under the new markets tax credit provisions of Section 45D of the Internal Revenue Code) or the businesses that invest in the CDE, to serve as a conduit for bond-funded grants intended to fund projects undertaken by other entities (“grant recipients”). The relevant statute is amended to: (i) specify that grants may only be so channeled if the program or project funded by the grant is located in Connecticut; and (ii) allow the CDE to reinvest the proceeds directly in the project following a foreclosure brought against the grant recipient or any affiliate of the grant recipient. Conn. Gen. Stat. §3-20(z), as amended by June Special Session Conn. Pub. Act No. 15-5, §409 (*effective July 1, 2015*).

Neighborhood Assistance Act Tax Credit. Effective July 1, 2017, the maximum aggregate amount of tax credits allowed to all business firms under the R.E. VanNorstrand Neighborhood Assistance Act has been increased from \$5 million to \$10 million in any one fiscal year. Conn. Gen. Stat. §12-632(i), as amended by June Special Session Conn. Pub. Act No. 15-5, §446 (*effective July 1, 2017*).

Enterprise Zone Tax Credit. A tax credit currently is available for a “qualifying corporation” that is created in an enterprise zone and employs a required number of Workforce Investment Act (WIA)-eligible residents of the enterprise zone. The required number of WIA-eligible residents of the enterprise zone that need to be employed by a “qualifying corporation” has been lowered for a corporation that is primarily engaged in bioscience, clean technology or cybersecurity technology and that is created on or after July 1, 2015 in an enterprise zone. Conn. Gen. Stat. §12-217v, as amended by

December Special Session Conn. Pub. Act No. 15-1, §35 (effective December 29, 2015 and applicable to taxable years commencing on or after January 1, 2017).

Manufacturing Apprenticeship Tax Credit. Under current law, the tax credit for apprenticeship training in the manufacturing, construction and plastics-related trades is available to corporations and pass-through entities (such as S corporations and partnerships); however, pass-through entities are forced to sell these tax credits as they currently are only applicable against the corporation business tax. Effective for tax periods commencing on or after January 1, 2016, the manufacturing apprenticeship tax credit may be used to offset taxes additionally imposed under Chapter 212 and Chapter 227, the utility company tax and the sale of petroleum products gross earnings tax, respectively. Conn. Gen. Stat. §12-217g(a), as amended by December Special Session Conn. Pub. Act No. 15-1, §28 (effective January 1, 2016, and applicable to taxable and income years commencing on or after January 1, 2016).

ESTATE AND GIFT TAX

I. Legislation

Cap on Estate and Gift Taxes. The combined estate and gift taxes payable by decedents dying on or after January 1, 2016, and gift taxes paid with respect to gifts made on or after January 1, 2015, is now limited to \$20 million. In addition, the \$20 million cap is reduced by gift taxes paid on post January 1, 2016 gifts made by a decedent, a decedent's estate or a decedent's spouse, with respect to gifts made by the decedent which are included in the decedent's taxable estate. Conn. Gen. Stat. §§12-391(d) and (e), as amended by Conn. Pub. Act No. 15-244, §174 (effective December 29, 2015, and applicable to estates of decedents dying on or after January 1, 2016); Conn. Gen. Stat. §12-642(c), as added by Conn. Pub. Act No. 15-244, §175 (effective June 30, 2015, and applicable to gifts made during calendar years commencing on or after January 1, 2015).

II. Case Law

Estate Taxation of QTIP Trusts. In two cases involving different decedent's estates but similar Connecticut estate tax issues, the Tax Session of the Superior Court rejected executor arguments that the value of qualified terminable interest in property ("QTIP") marital trusts should not be included in the taxable estates of the surviving spouses for whom the trusts were created. Consequently, the Court granted the Commissioner's motion for summary judgment in both cases. Specifically, the plaintiff executors, in Estate of Helen Brooks vs. Sullivan, 2015 Conn. Super. LEXIS 950 (Super. Ct. April 29, 2015), argued that the value of a trust created for the benefit of Mrs. Brooks by her late husband, for which her late husband's executor made a federal QTIP (qualified terminable interest in property) election so as to qualify the trust for the federal estate tax marital deduction, should not be included in the Connecticut taxable estate of Mrs. Brooks as she did not "own" the property at her death. The executors argued that prior to a 2013 amendment, Connecticut General Statutes §12-391(d)(3) provided that Connecticut had the jurisdiction to tax only intangible personal property "owned by" a Connecticut resident decedent. The executors further contended that, because Mrs. Brooks did not "own" the assets of the marital trust, Connecticut did not have the jurisdiction to impose Connecticut estate tax on those assets. The Court rejected that argument, finding that the plaintiff's reliance on the 2013 statutory change which now refers to assets "included in the gross estate of the decedent" was clarifying in nature, not a substantive change in the law and, therefore, should be applied retroactively. The Court also noted that Conn. Gen. Stat. §12-391(c)(1) defines the Connecticut taxable estate by reference to the federal gross estate which includes the marital trust. Similarly, in Alfred Terrell vs. Sullivan, 2015 Conn. Super. LEXIS 978 (Super. Ct. April 29, 2015), the Court rejected the executor's argument that the assets of a marital trust for the benefit of the surviving spouse decedent should not be included in the decedent's Connecticut taxable

estate because the succession tax previously had been imposed on the value of the remainder of the trust, and the decedent surviving spouse did not “own” those assets for purposes of Conn. Gen. Stat. §12-391(d)(3).

PROPERTY TAX

I. Legislation

Motor Vehicles. Commencing with the October 1, 2015 assessment year, any municipality or district may establish a mill rate for motor vehicles that is different from the mill rate for real property, but the mill rate for motor vehicles, regardless of whether there is a different mill rate for real property, cannot exceed (i) 32 mills for the October 1, 2015 assessment year; and (ii) 29.36 mills for each assessment year thereafter. The legislation further limits the motor vehicle mill rate special taxing districts and boroughs may impose by barring them from setting a rate that, if combined with the motor vehicle mill rate of the municipality in which it is located, would exceed the foregoing mill rate caps. Conn. Gen. Stat. §12-122a, as amended and supplemented by Conn. Pub. Act No. 15-244, §§206 and 208 (*effective October 1, 2015, and applicable to assessment years commencing on or after October 1, 2015*).

Health System Property. New legislation authorizes the limited municipal taxation of certain real and personal property of a “health system”, as defined in Conn. Gen. Stat. §19a-508c, if the health system had, for the fiscal year ended September 30, 2013, net patient revenue from facilities located within Connecticut of at least \$1.5 billion. The property subject to municipal property taxation is: (i) real property that is acquired by the health system on or after October 1, 2015, that (A) at the time of acquisition was subject to municipal property taxation, and (B) is not within a “campus”, as defined in Conn. Gen. Stat. §19(a)-508c(a)(2); and (ii) any personal property incident to the rendering of health care services at such real property. Although a “health system” may be a hospital, the new law provides that all municipal property taxes imposed pursuant to the provision are to be “liabilities of, and paid by, the health system, and shall not be paid by a hospital or other entity affiliated with such system.” Conn. Gen. Stat. §12-66a, as added by June Special Session Conn. Pub. Act No. 15-5 (S.B. 1502), §238 (*effective June 30, 2015, and applicable to assessment years commencing on or after October 1, 2015*). A second provision then validates, for property tax purposes, the acts and proceedings of a municipality’s officers and officials concerning the tax treatment of health system property on the 2014 grand list and prior lists, and provides that each municipality shall continue to treat such real or personal property as taxable or not taxable, as the case may be, in subsequent tax years. Conn. Gen. Stat. §12-66b, as added by June Special Session Conn. Pub. Act No. 15-5, §239 (*effective June 30, 2015*). Finally, an existing statute that permits a municipality to enter into an agreement to fix the real property tax assessment attributable to improvements made to real property is amended to include improvements for use by or on behalf of a health system. Conn. Gen. Stat. §12-65b, as amended by June Special Session Conn. Pub. Act No. 15-5, §240 (*effective June 30, 2015*).

Student Housing. Notwithstanding any statute or special act which provides an exemption from taxation of real or personal property held by or on behalf of a private nonprofit institution of higher learning, a new statutory provision generally will subject to municipal property taxation, for assessment years commencing on and after October 1, 2015, “residential real property,” except a “dormitory,” intended for use or used as student housing. “Residential real property” is defined as any house or building, or portion thereof, which is rented, leased or hired out to be occupied as a home or resident of one or more students. A “dormitory” is defined as a building containing living or sleeping facilities consisting of 20 or more beds intended for use or used as student housing and maintained by a private nonprofit institution of higher learning as defined in Conn. Gen. Stat. §12-20a. The provision continues to exempt from such municipal taxation real and personal property exempt from taxation under Conn. Gen. Stat. §12-81(8) (*i.e.*, certain property of seven educational institutions, including Connecticut College, Trinity College, Wesleyan College and Yale College). Conn. Gen. Stat. §12-66c, as added by June Special Session Conn. Pub. Act No. 15-5, §241 (*effective June 30, 2015, and applicable to*

assessment years commencing on or after October 1, 2015).

Municipal Tax Collection. The statutes governing the collection of municipal taxes are amended in a number of ways, including: (i) requiring a municipality to follow the written instructions of a taxpayer who is liable for taxes on more than one property as to which property or properties a specific payment shall be applied; (ii) eliminating the requirement that a municipality apply payments on a priority basis to outstanding recording fees; (iii) specifying that tax payments made through a municipal electronic payment service within the time allowed by statute are timely and not subject to interest charges; (iv) authorizing a municipality or any district health department to withhold or revoke any license or permit issued by it to operate a business enterprise if any taxes or water, sewer or sanitation charges are delinquent for a period of one year or more; and (v) permitting the enforcement by levy and sale any tax warrant upon real estate for any unpaid tax. Conn. Gen. Stat. §§12-144b, 12-146, 12-146a and 12-155(b), as amended by Conn. Pub. Act No. 15-156, §§1-4 (*effective October 1, 2015*). In addition, the laws governing tax sales are amended to: (i) clarify in a pre-sale tax notice that additional taxes, interest, fees and other charges “are owed in addition to”, as opposed to “have been added to”, the amount indicated as due and owing in the notice; (ii) require that the post-sale notice that the municipality must cause to be published in a newspaper and mailed to the owner, mortgagee, lienholder and other interested persons state that if the property is not redeemed, all parties notified will lose their respective titles, mortgage liens and other interests in it including, now, restraints on alienation; (iii) require municipalities to retain any interest that accrues on excess tax sale proceeds; (iv) specify that state and municipal tax liens against a delinquent taxpayer have precedence or priority over any claim against the taxpayer by a party who redeems a property following a tax sale; (v) extend the redemption period when a delinquent taxpayer or another interested party can redeem a property to cover the period from the tax sale notice’s publication through the sale date; (vi) limit the priority of a claim by a redeeming party who paid delinquent taxes on a property against the delinquent taxpayer such that the claim will not have precedence or priority over any state or municipal tax liens (including a lien for a tax that was not yet due and payable when notice of the tax levy was first published); (vii) require that a tax collector’s deed specify that the redeemer’s claim is subject to other liens in favor of the municipality (but not the state); and (viii) provide that a purchaser need not be a party to an action filed by a delinquent taxpayer to claim excess sales proceeds from a tax sale. Conn. Gen. Stat. §§ 12-157, 12-158(a) and 12-159(b), as amended by Conn. Pub. Act No. 15-156, §§5-7 (*effective October 1, 2015*), as further amended by June Special Session Conn. Pub. Act No. 15-5 (S.B. 1502), §47 (*effective October 1, 2015*).

Property Tax Base Revenue Sharing Program. New legislation authorizes a regional council of governments to establish a property tax base revenue sharing program under which the municipalities in the region (i) tax commercial and industrial property at a composite mill rate, and (ii) share up to 20% of the property tax revenue generated by the growth in their commercial and industrial property tax bases since 2013 (the base year). Conn. Gen. Stat. §§12-62u – 12-62y, as added by Conn. Pub. Act No. 15-244, §§211-215 (*effective October 1, 2015, and applicable to assessment years commencing on or after October 1, 2015*).

Land Value Taxation Program. New legislation amends the statute authorizing the Secretary of the Office of Policy and Management to conduct a pilot program in up to three municipalities whereby the selected municipalities can classify real estate as (i) land or land exclusive of buildings or (ii) buildings or land, and then establish a higher mill rate for land or land exclusive of buildings. The legislation (a) extends from December 31, 2014 to December 31, 2015, the deadline by when a participating municipality must submit a plan for implementation of land value taxation to the Connecticut General Assembly, and (b) prohibits any municipality that previously applied for and participated in the pilot program from again participating in the pilot program (for example, to designate additional areas to be subject to land value taxation). Conn. Gen. Stat. §12-63h, as amended by Conn. Pub. Act No. 15-184, §7 (*effective June 30, 2015*).

Tax Increment Financing Districts. New legislation authorizes a municipality’s legislative body to establish a tax increment district (also known as a tax increment financing (TIF) district) to finance economic development priorities

in an eligible area. The municipality may finance the economic development property by (i) designating all or a part of the new or incremental real property tax revenue generated in the district to pay the costs incurred to fund the projects, (ii) imposing assessments on real property in the district benefitting from certain public improvements (i.e., benefit assessments), and (iii) issuing bonds backed by these revenue streams to pay projects costs. Conn. Gen. Stat. §§7-339cc – 7-339kk, as added by Conn. Pub. Act No. 15-57, §§1-9 (*effective October 1, 2015*).

Enterprise Zone Optional Tax Relief Program. Legislation adopted during the December Special Session authorizes any of the 17 Connecticut municipalities with a state-designated enterprise zone to establish a local property tax relief program for qualifying commercial and industrial property owners. The relief program potentially would both (i) reduce the assessment of an improvement to commercial or industrial property that would otherwise result in a minimum of a \$10,000 increased assessment from the October 1, 2014 assessment year, and (ii) allow for any increase in tax revenue attributable to the improvement to be allocated to reduce the assessments and total tax imposed on commercial and industrial properties located within the municipality. December Special Session Conn. Pub. Act No. 15-1, §34 (*effective December 29, 2015 and applicable to assessment years commencing on or after October 1, 2015*).

Class I Renewable Energy Source Exemption. Effective for assessment years commencing on and after October 1, 2015, any municipality may vote to abate up to 100% of the property taxes due for any tax year, for a period not longer than the term of the power purchase agreement, with respect to any Class I renewable energy source. Conn. Gen. Stat. §§12-81(57)(F), as added by June Special Session Conn. Pub. Act No. 15-5, §104 (*effective June 30, 2015*).

Housing Authorities. Under current law, a housing authority with moderate rental housing projects in a municipality is required to make a payment to that municipality in lieu of real property taxes, special benefit assessments and sewerage system use charges. Under new legislation, for the period from June 30, 2015 and until June 30, 2016, each municipality that has received a grant pursuant to Conn. Gen. Stat. §8-216 in the fiscal year ended June 30, 2015, is required to waive the payment in lieu of taxes unless funds are made available for such payment by an agency or department of the United States government. June Special Session Conn. Pub. Act No. 15-5, §495 (*effective June 30, 2015*).

II. Case Law

Aircraft Hangars. In Stratford v. Jacobelli, 317 Conn. 863 (2015), the Connecticut Supreme Court was asked to consider whether portable aircraft hangars, located on property owned by the City of Bridgeport, are subject to municipal property taxation. The Supreme Court concluded that the hangars are subject to municipal taxation, holding that: (i) taxable “buildings” include “sheds” and other structures suitable for occupancy or storage, and the subject hangars were found by the trial court to be “virtually permanent” and affixed to the ground with heavy spikes; (ii) the hangars are not exempt from taxation pursuant to Conn. Gen. Stat. §12-64(b) because, while the land is public property, the hangars are privately-owned and controlled; and (iii) the hangars are not exempt from taxation pursuant to Conn. Gen. Stat. §12-64(c) because the property is neither a “general aviation airport” nor owned, operated or managed by the state.

Receiver of Rents Authority. Pursuant to Conn. Gen. Stat. §12-163a, a municipality may petition the Superior Court for the appointment of a receiver of rents or for use and occupancy payments for any property for which the owner is delinquent in the payment of real property taxes. In Canton v. Cadle Properties of Connecticut, Inc., 316 Conn. 851 (2015), the Connecticut Supreme Court held that a receiver of rent can be authorized to collect new and back taxes, but that section 12-163a cannot be the basis to authorize the receiver to evict a tenant from the property in the event of default and to lease the property to a new tenant.

Tax Appeal Service. In companion tax appeals, Chestnut Point Realty, LLC v. East Windsor, 158 Conn. App. 565 (2015), and Kettle Brook Realty, LLC v. East Windsor, 158 Conn. App. 576 (2015), the Connecticut Appellate Court considered

what a taxpayer is required to do to timely file an appeal from a municipal property tax assessment pursuant to Conn. Gen. Stat. §12-117a “within two months from the date of the mailing of notice” from a board of tax review or a board of assessment appeals. In both cases, the taxpayer had filed an application titled “Complaint” with the Superior Court within two months from the date of the notice from the Town’s Board of Assessment Appeals. However, in each case, the taxpayer did not have the appeal served on the Town until after the end of such two-month period. The Appellate Court upheld the dismissal of both appeals noting that tax appeals are to be served and returned in the same manner as civil actions. The Appellate Court ruled that the Superior Court did not have jurisdiction to hear either appeal because service on the defendant municipality determines the time at which an appeal is deemed to be filed, and that service did not occur within two months of the notice of the Board of Assessment Appeals decision as required by section 12-117a.

Municipality vs. Tax District. In Stratford v. Thorough, 2015 Conn. Super. LEXIS 857 (Apr. 21, 2015), the Town of Stratford sought to foreclose on unpaid sewer use tax liens, asserting that all other recorded encumbrances on the subject property were subordinate to the Town’s liens. The Oronoque Tax District filed a motion for summary judgment asserting that any liens arising from taxes levied by a Tax District were equal in priority to the tax liens filed by the Town. The Superior Court granted the motion for summary judgment holding that the Town could not foreclose out the tax liens of the Oronoque Tax District as the liens of a municipality have the same priority as those of a municipal taxing district.

Statute of Limitations. In Cornelius v. Arnold, 2015 Conn. Super. LEXIS 164 (Jan. 30, 2015), the taxpayer argued that the one-year statute of limitations for filing an appeal pursuant to Conn. Gen. Stat. §12-119 from a property tax assessment does not commence until the assessment list for the relevant assessment year is sent by the assessor to the Secretary of the Office of Policy and Management. The Superior Court disagreed and granted summary judgment in favor of the municipality finding that an appeal of an assessment for the assessment year commencing October 1, 2011 must be filed within one year of that date pursuant to section 12-119.

Form of Appeal. In Sweet Potatoes, LLC v. Seymour, 2015 Conn. Super. LEXIS 701 (March 27, 2015), the Superior Court considered the validity of an appeal taken to the Board of Assessment Appeals from an assessment of personal property tax where the appeal was in the form of a letter to the Board rather than on a standard or uniform appeal form. Although the letter did not contain the taxpayer’s estimate of value or the date of its signature, as required by Conn. Gen. Stat. §12-111, the Superior Court denied the Town’s motion to dismiss the appeal, holding that there was substantial compliance with the appeal statute and that the Town was not prejudiced.

School Buses. In Region 9 Board of Education v. Bethel, Docket No. CV 12-6024843S (Super. Ct. June 26, 2015), the Town of Bethel attempted to assess property tax against school buses that the Region 9 Board of Education, Easton Board of Education and Redding Board of Education asserted were owned by them and exempt as municipal property under Conn. Gen. Stat. §12-81(4). The Superior Court agreed with the boards of education finding that: (i) the boards of education did own the school buses and that a lease agreement with TD Equipment Finance constituted evidence of a capital lease financing of the purchase; (ii) the use of the school buses by the boards of education for student transportation constituted a use for a public purpose; and (iii) the exemption from property tax for municipal property provided for in Conn. Gen. Stat. §12-81(4) applies to the property of boards of education.

Attorneys’ Fees. In Milford Tax, LLC v. Paradigm Milford, LLC, 2015 Conn. Super. LEXIS 1500 (May 28, 2015), the plaintiff sought attorneys’ fees in an action foreclosing on tax liens acquired from the City of Milford. The Superior Court held that Conn. Gen. Stat. §12-193 limits the right of a plaintiff to an award of attorneys’ fees in a municipal tax lien foreclosure action to those fees incurred “as a result of” and “directly related” to the foreclosure action. Accordingly, the Court denied that portion of the plaintiff’s fee request attributable to fees incurred in connection with a related bankruptcy proceeding.

MISCELLANEOUS TAXES

I. Legislation

Commission on Economic Competitiveness. During the June special session, the General Assembly established a new Commission on Economic Competitiveness “to analyze the implications of state tax policy on state business and industry and to develop policies that promote economic growth.” The Commission is to further: (i) examine and report on the implications on state business and industry of the tax revisions set forth in the biennial budget for the 2016 and 2017 fiscal years; (ii) examine the needs of large and small businesses and industries as relates to their ability to maintain economic competitiveness; and (iii) offer legislative recommendations that promote the growth and prosperity of state business and industry, including, but not limited to, recommendations relating to state tax policy. The appointments to the Commission are to be made no later than August 1, 2015, and are to be for two-year terms. The 13-member Commission will include appointees of the leadership of the Senate and House of Representatives (which are to include an attorney, an executive of a publicly-traded corporation, a member of an employee advocacy group, a representative of a major corporation and an owner of a small business), the Commissioner of Revenue Services or his designee, the Commissioner of Economic and Community Development or her designee, and a representative of the Connecticut Business and Industry Association. The first meeting is to be scheduled for no later than 60 days after June 30, 2015. By not later than January 1, 2016, the Commission is to submit a report on its findings and recommendations regarding the implications of the tax revisions in the recently-enacted biennial budget on state business and industry. The Commission is then to submit annually a report on its activities to the Finance, Revenue and Bonding Committee on or before January 1st (commencing with January 1, 2017). June Special Session Conn. Pub. Act No. 15-5, §498 (*effective June 30, 2015*).

First Five Plus Program Extended. The First Five Plus Program provides substantial financial assistance to up to 15 eligible business development projects. The program, which was scheduled to sunset on June 30, 2015, has been extended for one year until June 30, 2016. Conn. Gen. Stat. §§32-41, as amended by June Special Session Conn. Pub. Act No. 15-5, §42 (*effective July 1, 2015*).

DRS Administrative Pronouncements. Prior to June 30, 2015, if the Commissioner issued an administrative pronouncement providing his interpretation of the tax laws, the Commissioner was required to publish, within 180 days, a notice of intent to adopt regulations to implement the provisions of the administrative pronouncement and to present those regulations to the Legislative Regulation Review Committee within six months from the date of the issuance of such pronouncement. The requirement to publish a notice and to present regulations to the Legislative Regulation Review Committee has been repealed. Conn. Gen. Stat. §12-2(b), as amended by June Special Session Conn. Pub. Act No. 15-5 (S.B. 1502), §122 (*effective June 30, 2015*).

Tax Incidence Study. The deadline has been extended from December 31, 2014 to February 15, 2017, for the submission to the General Assembly by the Commissioner of Revenue Services of a report on the overall incidence of the income tax, sales and excise taxes, the corporation business tax and the property tax, and on the distribution of the tax burden on individuals (including among different income classes) and on business (including based upon business size, legal organization and industry by NAICS code). Conn. Gen. Stat. §12-7c, as amended by June Special Session Conn. Pub. Act No. 15-5, §123 (*effective June 30, 2015*).

Dry Cleaning Establishment Surcharge. Under current law, dry cleaning businesses must register with the Commissioner of Revenue Services and pay quarterly a one-percent surcharge on their dry cleaning retail gross receipts. New legislation: (i) requires each dry cleaning business to renew annually its registration with the Commissioner commencing October 1, 2015; (ii) prohibits a dry cleaning establishment from transacting business unless it is registered with the Commissioner; (iii) imposes a penalty of \$1,000 for the failure to register (that is not subject to waiver); and (iv)

imposes a penalty of \$200 for the failure to renew a registration within 45 days after a nonrenewal notice is sent by the Commissioner (that may be waived, subject to Penalty Review Committee approval, if the failure was due to reasonable cause). Conn. Gen. Stat. §12-263m(b), as amended by June Special Session Conn. Pub. Act No. 15-5, §154 (*effective July 1, 2015*). DRS Announcement 2015(5), *Obligation of Dry Cleaners and Dry Cleaning Drop Stores for the Dry Cleaning Establishment Surcharge and Business Use Tax*.

Rental Surcharge Tax. Under current law, a surcharge is imposed on any business entity that is a “rental company” on the short-term rental (i.e., 30 days or less) of cars, trucks and heavy machinery (without an operator) that may be used for construction, mining or forestry. The applicable surcharge is 3% for car and truck rentals and 1.5% for machinery rentals. In general, a business entity is a “rental company” if it has five or more passenger motor vehicles, rental trucks or pieces of machinery for rent in Connecticut (excluding certain new and used car dealers and those required to be licensed for selling or repairing motor vehicles). Under new legislation, effective July 1, 2015, the statute imposing the surcharge is amended to: (i) provide that a business entity will be deemed to be a “rental company” only if it has total rental income, excluding retail or wholesale sales of rental equipment, that is 51% or more of the total revenue of the business entity in a given taxable year; and (ii) expand the application of the surcharge on machinery to all rental equipment (not just heavy machinery) owned by the rental company and for rentals of 364 days or less or under an open-ended contract for an undefined period of time. By law, the surcharge reimburses the rental company for Connecticut property taxes and Department of Motor Vehicles (DMV) licensing and titling fees. The rental company must annually report to the DRS on (i) the aggregate amount of personal property taxes paid to towns and registration and titling fees paid to the DMV, and (ii) the aggregate amount of rental surcharges collected in the previous year on rentals. The new legislation now requires this report to be filed on a consolidated basis. Conn. Gen. Stat. §12-692, as amended by Conn. Pub. Act No. 15-244, §107 (*effective from July 1, 2015*).

Ambulatory Surgical Center Tax. For each calendar quarter commencing on or after October 1, 2015, a new tax is imposed on each ambulatory surgical center in Connecticut at the rate of 6% of the gross receipts of the center. For purposes of the tax, an “ambulatory surgical center” is defined as an entity included within the definition of “ambulatory surgical center” that is set forth in 42 CFR 416.2 and that is licensed by the Department of Public Health as an outpatient surgical facility, and any other ambulatory surgical center that is Medicare certified. The return for the tax must be filed electronically on or before the last day of the first month after each calendar quarter. The audit, refund, penalty, appeal and other miscellaneous rules applicable to the Admissions and Dues Tax are made applicable to this tax. Conn. Gen. Stat. §12-263i, as added by Conn. Pub. Act No. 15-244, §172 (*effective October 1, 2015*). During the June Special Session, the legislation was amended to provide that: (i) the ambulatory surgical center tax shall not be imposed on the first \$1 million of gross receipts of the center in the applicable fiscal year; (ii) the ambulatory surgical center tax shall not be imposed on any amount of gross receipts that would be subject to the hospitals tax; and (iii) an ambulatory surgical center could seek remuneration for the tax. June Special Session Conn. Pub. Act No. 15-5, §130 (*effective October 1, 2015*). During the December Special Session, the General Assembly further amended the legislation to allow an ambulatory surgical center to offset the new tax with tax credits in the same manner, and subject to the same limitation, as a hospital subject to the Connecticut hospitals tax. Conn. Gen. Stat. §12-263b(c), as amended by December Special Session Conn. Pub. Act No. 15-1, §30 (*effective December 29, 2015 and applicable to calendar quarters commencing on or after January 1, 2016*). DRS Special Notice 2015(6), *2015 Legislation Imposing the Gross Receipts Tax on Ambulatory Surgical Centers*.

Cigarette Taxes. The cigarette tax is increased in two steps, from (i) \$3.40 to \$3.65 per pack on October 1, 2015, and (ii) \$3.65 to \$3.90 per pack on July 1, 2016. Similar to prior tax rate increases, a “floor tax” of 25 cents is imposed on each pack of cigarettes that a dealer or distributor has in inventory at the earlier of close of business or 11:59 p.m. on each of September 30, 2015 and June 30, 2016. Conn. Gen. Stat. §§12-296 and 12-316, as amended by Conn. Pub. Act No. 15-244, §§176-177 (*effective October 1, 2015, and applicable to sales occurring on or after said date*), 178 (*effective*

June 30, 2015) and 179-180 (effective July 1, 2016, and applicable to sales occurring on or after said date). DRS Special Notice 2015(8), *2015 Legislative Changes Affecting Cigarette Taxes*.

CORA and Cigarette Tax Laws. The definition of racketeering activity for purposes of the Corrupt Organization Racketeering Act (CORA) is expanded to include violations of certain cigarette tax laws. Conn. Gen. Stat. §53-394(a), as amended by June Special Session Conn. Pub. Act No. 15-5, §128 (effective June 30, 2015).

Petroleum Products Gross Earnings Tax. The exemption from the petroleum products gross earnings tax for propane used exclusively for heating purposes is expanded to cover propane used primarily for heating purposes. Conn. Gen. Stat. §12-587(b)(2), as amended by December Special Session Conn. Pub. Act No. 15-1, §27 (effective December 29, 2015 and applicable to first sales made on or after December 1, 2015).

Public Service Company Recovery. As part of legislation enacted during the June special session, the General Assembly granted permission to any public service company to defer for recovery in its next general rate case any increase in tax expense, resulting from Conn. Pub. Act No. 15-244 (i.e., the state biennial budget), which is not currently authorized in such company's rates. June Special Session Conn. Pub. Act No. 15-5, §468 (effective July 1, 2015).

Admissions Tax. An exemption from the admissions tax was enacted with respect to any admission charge, from July 1, 2015 to June 30, 2017, to any athletic event presented by a member team of the Atlantic League of Professional Baseball at the Ballpark at Harbor Yard in Bridgeport. Conn. Gen. Stat. §12-541, as amended by Conn. Pub. Act No. 15-244, §216 (effective July 1, 2015). A similar exemption was enacted as part of Conn. Pub. Act No. 15-184, §11 (effective July 1, 2015).

Power of Attorney. Effective July 1, 2016, the Connecticut Uniform Power of Attorney Act has been adopted. The Act provides that a power of attorney grants, unless expressly stated to the contrary, general authority with respect to taxes, including authority for the agent to: (i) prepare, sign and file tax returns, refund claims, extensions for time, waivers, offers, consents, petitions and other tax documents; (ii) pay taxes due, collect refunds, receive confidential information and contest delinquencies; (iii) exercise any tax election; and (iv) act for the principal in all tax matters before a taxing authority. Conn. Pub. Act No. 15-240, §39 (effective July 1, 2016).

Insurance Company Tax Allocation Agreements. The statute that requires notice to and the approval of the Commissioner of Insurance of certain transactions involving a domestic insurance company and any person in its holding company system, including amendments to or modifications of previously filed agreements, is amended to include tax allocation agreements. Conn. Gen. Stat. §38a-136(b)(1), as amended by Conn. Pub. Act No. 15-144, §8 (effective July 1, 2015).

II. Administrative Pronouncements

Motor Vehicle Fuels Tax on Diesel Fuel. The DRS has announced that the motor vehicle fuels tax rate per gallon for diesel fuel that is to go into effect for the 12-month period commencing July 1, 2015 has been reduced to 50.3 cents. DRS Announcement 2015(4), *Motor Vehicle Fuels Tax Rate on Diesel Fuel Decreased Effective July 1, 2015*.

Conversion Factors on Motor Vehicle Fuels. The DRS has announced the conversion factors for motor vehicle fuels occurring in gaseous form applicable for the 12-month period commencing July 1, 2015. DRS Special Notice 2015(2), *Conversion Factors on Motor Vehicles Occurring in Gaseous Form Applicable Beginning July 1, 2015*.

Prepaid Wireless E 9-1-1 Fee. The DRS has announced that, effective July 1, 2015, the prepaid wireless E 9-1-1 fee has been reduced to 51 cents. DRS Special Notice 2015(3), *Changes to the Prepaid Wireless E 9-1-1 Fee*.

ADMINISTRATIVE PRONOUNCEMENTS

Announcements

- AN 2015(1), Refunded by the Connecticut Insurance Guaranty Association
- AN 2015(2), Annual List of Distributors for Motor Vehicle Fuels Tax Purposes
- AN 2015(2.1), Quarterly List of Distributors for Motor Vehicle Fuels Tax Purposes
- AN 2015(2.2), Quarterly List of Distributors for Motor Vehicle Fuels Tax Purposes
- AN 2015(2.3), Quarterly List of Distributors for Motor Vehicle Fuels Tax Purposes
- AN 2015(3), Annual Revision of Forms TPM-1, TPM-2, and TPM-3
- AN 2015(4), Motor Vehicle Fuels Tax Rate on Diesel Fuel Decreased Effective July 1, 2015
- AN 2015(5), Obligation of Dry Cleaners and Dry Cleaning Drop Stores for the Dry Cleaning Establishment Surcharge and Business Use Tax
- AN 2015(6), Information for Married Individuals Who Are Both Employed and File a Joint Connecticut Income Tax Return

Informational Publications

- IP 2015(1.1), Connecticut Circular CT Employer's Tax Guide
- IP 2015(2.3), Topical Index to Rulings and Administrative Pronouncements Covering Income Tax
- IP 2015(3.3), Topical Index to Rulings and Administrative Pronouncements Covering Corporation Business Tax
- IP 2015(4.3) Numerical Index to Rulings and Administrative Pronouncements as Affected, If at All, by Later-Issued Rulings and Pronouncements
- IP 2015(5.3), Topical Index to Rulings and Administrative Pronouncements Covering Sales and Use Taxes
- IP 2015(6.3), Topical Index to Rulings and Administrative Pronouncements Covering Miscellaneous Taxes and Administrative Topics
- IP 2015(7.1), Is My Connecticut Withholding Correct?
- IP 2015(8.1), Connecticut Tax Guide for Payers of Nonpayroll Amounts
- IP 2015(9), Form W-2 Electronic Filing Requirements for Tax Year 2015
- IP 2015(10), Forms 1099-R, 1099-MISC and W-2G Electronic Filing Requirements for Tax Year 2015
- IP 2015(11), Q&A on the Business Entity Tax
- IP 2015(12), Getting Started in Business
- IP 2015(13), The Connecticut Neighborhood Assistance Tax Credit Program
- IP 2015(14), Q&A on Estimated Corporation Business Tax and Worksheet CT-1120AE
- IP 2015(16), Q&A on the Connecticut Use Tax for Businesses and Professions
- IP 2015(17), A Guide to Calculating Your Annualized Estimated Income Tax Installments and Worksheet CT-1040 AES
- IP 2015(19), Federal/State Electronic Handbook
- IP 2015(20), Connecticut Earned Income Tax Credit Recordkeeping Requirements for Self-Employed Persons
- IP 2015(21), Q&A on the Connecticut Individual Use Tax
- IP2015(22), Annual One-Week Sales and Use Tax Exclusion for Clothing and Footwear Costing Less Than \$100
- IP2015(23), Connecticut Income Tax Treatment of State Lottery Winnings Received by Residents and Nonresidents of Connecticut
- IP 2015(24), Connecticut Income Tax Information for Armed Forces Personnel and Veterans

Policy Statements

- PS 2015(1.1), Sales and Use Tax Exemptions for Foreign Missions and Mission Personnel
- PS 2015(2), Designated Private Delivery Services and Designated Types of Service

PS 2015(4), Requests for Waiver of Civil Penalties
 PS 2015(5), Income Tax Withholding for Athletes or Entertainers
 PS 2015(6), "15-Day" Rule for Nonresident Employees

Special Notices

SN 2015(1), Sales and Use Tax Exemption for Nonprescription Drugs and Medicines
 SN 2015(2), Conversion Factors on Motor Vehicle Fuels Occurring in Gaseous Form Applicable Beginning July 1, 2015
 SN 2015(3), Changes to the Prepaid Wireless E 9-1-1 Fee
 SN 2015(4), Sales and Use Taxes on Car Wash Services
 SN 2015(5), 2015 Legislative Changes to the Sales and Use Taxes, Rental Surcharge, Dry Cleaning Surcharge, and Admissions Tax
 SN 2015(6), 2015 Legislation Imposing the Gross Receipts Tax on Ambulatory Surgical Centers
 SN 2015(7), 2015 Legislative Changes Affecting the Income Tax
 SN 2015(8), 2015 Legislative Changes Affecting Cigarette Taxes
 SN 2015(9), 2015 Legislative Changes Affecting the Corporation Business Tax
 SN 2015(11), Legislation Passed in December 2015 Special Session

Office of Counsel Guidance

OCG-1, Regarding Rental Surcharge
 OCG-2, Regarding the Net Deferred Tax Liability Deduction Corporation Business Tax

Our State and Local Tax Practice

The attorneys in the **State and Local Taxation Practice** at Shipman & Goodwin LLP are regularly called upon to advise businesses, executives and individual clients on all aspects of state and local tax matters. Additionally, our tax lawyers represent clients in connection with state and local tax audits, refund requests and appeals from state or local assessments.

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