Exhibit 103

2018 Conn. Legis. Serv. P.A. 18-49 (S.B. 11) (WEST)

CONNECTICUT 2018 LEGISLATIVE SERVICE

2018 February Regular Session of the General Assembly

Additions are indicated by **Text**; deletions by
~~Text~~ .
Vetoes are indicated by ~~Text~~ ;
stricken material by ~~**Text**~~ .

P.A. No. 18–49
S.B. No. 11
TAXATION

AN ACT CONCERNING AN AFFECTED BUSINESS ENTITY TAX, VARIOUS PROVISIONS RELATED TO CERTAIN BUSINESS DEDUCTIONS, THE ESTATE AND GIFT TAX IMPOSITION THRESHOLDS, THE TAX TREATMENT OF CERTAIN WAGES AND INCOME AND A STUDY TO IDENTIFY BEST PRACTICES FOR MARKETING THE BENEFITS OF QUALIFIED OPPORTUNITY ZONES.

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

Section 1. (NEW) (Effective from passage and applicable to taxable years commencing on or after January 1, 2018)

(a) As used in this section and section 2 of this act:

(1) "Partnership" has the same meaning as provided in Section 7701(a)(2) of the Internal Revenue Code, [1] as defined in section 12–213 of the general statutes, and regulations adopted thereunder. "Partnership" includes a limited liability company that is treated as a partnership for federal income tax purposes;

(2) "S corporation" means a corporation or a limited liability company that is treated as an S corporation for federal income tax purposes;

(3) "Affected business entity" means a partnership or an S corporation, but does not include a publicly-traded partnership, as defined in Section 7704(b) of the Internal Revenue Code, [2] that has agreed to file an annual return pursuant to section 12–726 of the general statutes reporting the name, address, Social Security number or federal employer identification number and such other information required by the Commissioner of Revenue Services of each unitholder whose distributive share of partnership income derived from or connected with sources within this state was more than five hundred dollars;

(4) "Member" means (A) a shareholder of an S corporation, (B) a partner in (i) a general partnership, (ii) a limited partnership, or (iii) a limited liability partnership, or (C) a member of a limited liability company that is treated as a partnership or an S corporation for federal income tax purposes; and

(5) "Taxable year" means the taxable year of an affected business entity for federal income tax purposes.

(b) Each affected business entity that is required to file a return under the provisions of section 12–726 of the general statutes, as amended by this act, shall, on or before the fifteenth day of the third month following the close of each taxable year, pay to the commissioner a tax as determined under this section.

(c) The tax due under subsection (b) of this section shall equal (1) (A) the separately and nonseparately computed items, as described in Section 702(a) of the Internal Revenue Code [3] with respect to a partnership or Section 1366 of the Internal Revenue Code [4] with respect to an S corporation, of the affected business entity, to the extent derived from or connected with sources within this state, as determined under the provisions of chapter 229 [5] of the general statutes, (B) as increased or decreased by any modification described in section 12–701 of the general statutes, as amended by this act, that relates to an item of the affected business entity's income, gain, loss or deduction, to the extent derived from or connected with sources within this state, as determined under the provisions of chapter 229 of the general statutes, (2) multiplied by six and ninety-nine-hundredths per cent. If the amount calculated under subdivision (1) of this subsection results in a net loss, such net loss may be carried forward to succeeding taxable years until fully used.

(d) If an affected business entity, the lower-tier entity, is a member of another affected business entity, the upper-tier entity, the lower-tier entity shall, when calculating the amount under subdivision (1) of subsection (c) of this section, subtract its distributive share of income or add its distributive share of loss from the upper-tier entity to the extent that the income or loss was derived from or connected with sources within this state.

(e) (1) A nonresident individual who is a member of an affected business entity shall not be required to file an income tax return under the provisions of chapter 229 of the general statutes for a taxable year if, for such taxable year, the only source of income derived from or connected with sources within this state for such member, or the member and the member's spouse if a joint federal income tax return is or shall be filed, is from one or more affected business entities and such affected business entity or entities file and pay the tax due under this section.

(2) The provisions of subdivision (1) of this subsection shall not apply to a nonresident individual who is a member of an affected business entity that elects to file its return on a combined basis under subsection (j) of this section if such nonresident individual member's tax under chapter 229 of the general statutes would not be fully satisfied by the credit allowed to such individual under subparagraph (A) of subdivision (1) of subsection (g) of this section.

(f) Each affected business entity shall report to each of its members, for each taxable year, such member's direct pro rata share of the tax imposed under this section on such affected business entity and indirect pro rata share of the tax imposed on any upper-tier entity of which such affected business entity is a member.

(g) (1) (A) Each person that is subject to the tax imposed under chapter 229 of the general statutes and is a member of an affected business entity shall be entitled to a credit against the tax imposed under said chapter, other than the tax imposed under section 12–707 of the general statutes. Such credit shall be in an amount equal to such person's direct and indirect pro rata share of the tax paid under this section by any affected business entity of which such person is a member multiplied by ninety-three and one-hundredths per cent. If the amount of the credit allowed pursuant to this subdivision exceeds such person's tax liability for the tax imposed under said chapter, the commissioner shall treat such excess as an overpayment and, except as provided in section 12–739 or 12–742 of the general statutes, shall refund the amount of such excess, without interest, to such person.

(B) Each person that is subject to the tax imposed under chapter 229 of the general statutes as a resident or a part-year resident of this state and is a member of an affected business entity shall also be entitled to a credit against the tax imposed under said chapter, other than the tax imposed under section 12–707 of the general statutes, for such person's direct and indirect pro rata share of taxes paid to another state of the United States or the District of Columbia, on income of any affected business entity of which such person is a member that is derived therefrom, provided the taxes paid to another state of the United States or the District of Columbia results from a tax that the commissioner determines is substantially similar to the tax imposed under this section. Any such credit shall be calculated in the manner prescribed by the commissioner, which shall be consistent with the provisions of section 12–704 of the general statutes.

(2) Each company that is subject to the tax imposed under chapter 208 [6] of the general statutes and is a member of an affected business entity shall be entitled to a credit against the tax imposed under said chapter. Such credit shall be in an amount equal to such company's direct and indirect pro rata share of the tax paid under this section by any affected business entity of which such company is a member multiplied by ninety-three and one-hundredths per cent. Such credit shall be applied after all other credits are applied and shall not be subject to the limits imposed under section 12–217zz of the general statutes. Any credit that is not used in the income year during which the affected business entity incurs the tax under this section shall be carried forward to each of the succeeding income years by the company until such credit is fully taken against the tax under chapter 208 of the general statutes.

(h) Upon the failure of any affected business entity to pay the tax due under this section within thirty days of the due date, the provisions of section 12–35 of the general statutes shall apply with respect to the enforcement of this section and the collection of such tax. The warrant therein provided for shall be signed by the commissioner or an authorized agent of the commissioner. The amount of any such tax, penalty and interest shall be a lien, from the last day of the last month of the taxable year next preceding the due date of such tax until discharged by payment, against all real estate of the taxpayer within the state, and a certificate of such lien signed by the commissioner may be recorded in the office of the clerk of any town in which such real estate is situated, provided no such lien shall be effective as against any bona fide purchaser or qualified encumbrancer of any interest in any such property. When any tax with respect to which a lien has been recorded under the provisions of this section has been satisfied, the commissioner, upon request of any interested party, shall issue a certificate discharging such lien, which certificate shall be recorded in the same office in which the lien was recorded. Any action for the foreclosure of such lien shall be brought by the Attorney General in the name of the state in the superior court for the judicial district in which the property subject to such lien is situated, or, if such property is located in two or more judicial districts, in the superior court for any one such judicial district, and the court may limit the time for redemption or order the sale of such property or make such other or further decree as it judges equitable.

(i) If any tax is not paid when due as provided in this section, there shall be added to the amount of the tax interest at the rate of one per cent per month or fraction thereof from the date the tax became due until it is paid.

(j) (1) Any affected business entity subject to tax under this section may elect to file a combined return together with one or more other commonly-owned affected business entities subject to tax under this section. Each affected business entity making such election shall submit written notice of such election to file a combined return, including the written consent of the other commonly-owned affected business entities to such election, to the commissioner not later than the due date, or if an extension of time to file has been requested and granted, the extended due date, of the returns due from such entities. An affected business entity shall submit such written notice and consent for each taxable year such entity makes the election under this subdivision. Each affected business entity electing to file a combined return under this subdivision shall be jointly and severally liable for the tax due under this section. For the purposes of this subdivision, "commonly-owned" means that more than eighty per cent of the voting control of an affected business entity is directly or indirectly owned by a common owner or owners, either corporate or noncorporate. Whether voting control is indirectly owned shall be determined in accordance with Section 318 of the Internal Revenue Code. [7]

(2) Except as provided in subdivision (5) of this subsection, affected business entities that elect to file a combined return under subdivision (1) of this subsection shall net the amounts each such entity calculates under subdivision (1) of subsection (c) of this section after such amounts are separately apportioned or allocated by each affected business entity in accordance with this section.

(3) Affected business entities that elect to file a combined return under subdivision (1) of this subsection shall report to the commissioner the portion of the direct and indirect pro rata share of the tax paid with the combined return that is allocated to each of their members. Such report shall be filed with the combined return and the allocation reported shall be irrevocable.

(4) The election made under this subsection shall not affect the calculation of tax due under any other provision of the general statutes other than with respect to the calculation of the credits under subsection (g) of this section.

(5) Affected business entities that elect to file a combined return under subdivision (1) of this subsection shall calculate their tax due in accordance with subsection (c) of this section unless each such entity elects under subsection (k) of this section to calculate its tax due on the alternative basis under subsection (*l*) of this section. If such election is made, the affected business entities shall net their alternative tax bases instead of netting the amounts under subdivision (2) of this subsection.

(k) In lieu of calculating the tax due in accordance with subsection (c) of this section, any affected business entity may elect to calculate the tax due on the alternative basis under subsection (*l*) of this section. An affected business entity making such election shall submit to the commissioner written notice of such election not later than the due date, or if an extension of time to file has been requested and granted, the extended due date, of the return due from such entity. An affected business entity shall submit such written notice for each taxable year such entity makes the election under this subsection. The election made under this subsection shall not affect the calculation of tax due under any other provision of the general statutes other than with respect to the calculation of the credits under subsection (g) of this section.

(*l*) (1) The tax due from an affected business entity making the election under subsection (k) of this section shall be equal to six and ninety-nine-hundredths per cent multiplied by the alternative tax base. The alternative tax base shall be equal to the resident portion of unsourced income plus modified Connecticut source income.

(2) For the purposes of this subsection:

(A) "Resident portion of unsourced income" means unsourced income multiplied by a percentage equal to the sum of the ownership interests in the affected business entity owned by members who are residents of this state, as defined in section 12–701 of the general statutes, as amended by this act;

(B) "Unsourced income" means the separately and nonseparately computed items, as described in Section 702(a) of the Internal Revenue Code with respect to a partnership or Section 1366 of the Internal Revenue Code with respect to an S corporation, of the affected business entity, regardless of the location from which such item is derived or connected, as increased or decreased by any modification described in section 12–701 of the general statutes, as amended by this act, that relates to an item of the affected business entity's income, gain, loss or deduction, regardless of the location from which such item is derived or connected, less (i) the amount determined under subdivision (1) of subsection (c) of this section, determined without regard to subsection (d) of this section, and (ii) the separately and nonseparately computed items, as described in Section 702(a) of the Internal Revenue Code, of the affected business entity, to the extent derived from or connected with sources within another state that has jurisdiction to subject the affected business entity to tax, as determined under the provisions of chapter 229 of the general statutes, as increased or decreased by any modification described in section 12–701 of the general statutes, as amended by this act, that relates to an item of the affected business entity's income, gain or deduction, to the extent derived from or connected with sources within another state that has jurisdiction to subject the affected business entity to tax, as determined under the provisions of chapter 229 of the general statutes; and

(C) "Modified Connecticut source income" means the amount calculated under subdivision (1) of subsection (c) of this section multiplied by a percentage equal to the sum of the ownership interests in the affected business entity owned by members that are (i) subject to tax under chapter 229 of the general statutes, or (ii) affected business entities to the extent such entities are directly or indirectly owned by persons subject to tax under chapter 229 of the general statutes. A member that is an affected business entity shall be presumed to be directly or indirectly owned by persons subject to tax

under chapter 229 of the general statutes unless the affected business entity subject to tax under this section can establish otherwise by clear and convincing evidence to the satisfaction of the commissioner.

(m) The provisions of sections 12–723, 12–725 and 12–728 to 12–737, inclusive, of the general statutes shall apply to the provisions of this section in the same manner and with the same force and effect as if the language of said sections had been incorporated in full into this section and had expressly referred to the tax under this section, except to the extent that any such provision is inconsistent with a provision of this section.

1 26 U.S.C.A. § 7701.

2 26 U.S.C.A. § 7704.

3 26 U.S.C.A. § 702.

4 26 U.S.C.A. § 1366.

5 C.G.S.A. § 12–700 et seq.

6 C.G.S.A. § 12–213 et seq.

7 26 U.S.C.A. § 318.

Sec. 2. (NEW) (Effective from passage and applicable to taxable years commencing on or after January 1, 2018)

(a) As used in this section, "required annual payment" means the lesser of (1) ninety per cent of the tax under section 1 of this act that is reported on the return filed for the taxable year or, if no return is filed, ninety per cent of the tax due under section 1 of this act, or (2) if the preceding taxable year was a taxable year of twelve months and the affected business entity filed a return for such taxable year, one hundred per cent of the tax under section 1 of this act that is reported on such return.

(b) (1) Each affected business entity required to pay the tax imposed under section 1 of this act shall make the required annual payment each taxable year, in four required estimated tax installments on the following due dates: (A) For the first required installment, the fifteenth day of the fourth month of the taxable year; (B) for the second required installment, the fifteenth day of the sixth month of the taxable year; (C) for the third required installment, the fifteenth day of the ninth month of the taxable year, and (D) for the fourth required installment, the fifteenth day of the first month of the next succeeding taxable year. An affected business entity may elect to pay any required installment prior to the specified due date. Except as provided in subdivision (2) of this subsection, the amount of each required installment shall be twenty-five per cent of the required annual payment.

(2) (A) For any required installment, if the affected business entity establishes that its annualized income installment calculated pursuant to subparagraph (B) of this subdivision is less than the amount determined under subsection (a) of this section, the amount of such required installment shall be the annualized income installment. Any reduction in a required installment resulting pursuant to this subdivision shall be recaptured by increasing the amount of the next required installment by the amount of such reduction and by increasing subsequent required installments to the extent such reduction has not previously been recaptured under this subdivision.

(B) The annualized income installment is the amount by which (i) the amount equal to the applicable percentage, as set forth in subparagraph (C) of this subdivision, multiplied by the tax imposed under section 1 of this act for the taxable year that would be due if income subject to tax under said section for the months in the taxable year ending before the due date of the installment was annualized, (ii) exceeds the aggregate amount of any prior required installments for the taxable year.

(C) For the purposes of subparagraph (B) of this subdivision, the applicable percentages shall be as follows: (i) For the first required installment, twenty-two and one-half per cent; (ii) for the second required installment, forty-five per cent; (iii) for the third required installment, sixty-seven and one-half per cent; and (iv) for the fourth required installment, ninety per cent.

(c) (1) Except as otherwise provided in this section, in the case of any underpayment of estimated tax by an affected business entity, there shall be added to the tax imposed under section 1 of this act an amount determined by applying interest (A) at the rate of one per cent per month or fraction thereof, (B) to the amount of the underpayment, (C) for the period of the underpayment.

(2) For the purposes of subdivision (1) of this subsection, (A) the amount of the underpayment is the amount by which the required installment exceeds the amount, if any, of the installment paid on or before the due date of the installment, and (B) the period of the underpayment runs from the due date of the installment to whichever date is earlier: (i) The fifteenth day of the third month of the next succeeding taxable year, or (ii) with respect to any portion of the underpayment, the date on which such portion is paid. Any payment of estimated tax under this section shall be credited against unpaid or underpaid required installments in the order in which such installments are required to be paid.

(d) Payment of the estimated tax under this section or any required installment thereof shall be considered payment on account of the tax imposed under section 1 of this act for the taxable year.

(e) For taxable years of less than twelve months, the provisions of this section shall apply in a manner consistent with the regulations adopted under chapter 229 [1] of the general statutes pertaining to such taxable years.

[1] C.G.S.A. § 12–700 et seq.

Sec. 3. Subdivision (1) of subsection (b) of section 12–719 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

<< CT ST § 12–719 >>

(b) (1) **(A) The provisions of this subsection shall not apply to taxable years commencing on or after January 1, 2018.**

(B) With respect to each of its nonresident partners, each partnership doing business in this state or having income derived from or connected with sources within this state shall, for each taxable year, make payment to the commissioner as provided in subdivision (2) of this subsection.

Sec. 4. Subdivision (1) of subsection (c) of section 12–719 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

<< CT ST § 12–719 >>

(c) (1) **(A) The provisions of this subsection shall not apply to taxable years commencing on or after January 1, 2018.**

(B) With respect to each of its nonresident shareholders, each S corporation doing business in this state or having income derived from or connected with sources within this state shall, for each taxable year, make payment to the commissioner as provided in subdivision (2) of this subsection.

Sec. 5. Section 12–726 of the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage and applicable to taxable years commencing on or after January 1, 2018):

<< CT ST § 12–726 >>

(a) Each partnership doing business in this state or having any income derived from or connected with sources within this state, determined in accordance with the provisions of this chapter, shall make a return for the taxable year setting forth all items of income, gain, loss and deduction, and the name, address and Social Security or federal employer identification number of each partner, whether or not a resident of this state, the amount of each partner's distributive share of (1) such partnership's separately and nonseparately computed items, as described in Section 702(a) of the Internal Revenue Code, [1] (2) any modification described in section 12–701**, as amended by this act,** which relates to an item of such partnership's income, gain, loss or deduction, (3) such partnership's separately and nonseparately computed items, as described in Section 702(a) of the Internal Revenue Code, to the extent derived from or connected with sources within this state, as determined under this chapter, ~~and~~ (4) any modification described in section 12–701**, as amended by this act,** which relates to an item of such partnership's income, gain, loss or deduction, to the extent derived from or connected with sources within this state, as determined under this chapter, **and (5) the direct pro rata share of the tax imposed on the partnership under section 1 of this act and the indirect pro rata share of the tax imposed on any upper-tier entity under section 1 of this act,** and such other pertinent information as the Commissioner of Revenue Services may prescribe by regulations and instructions. Such return shall be filed on or before the fifteenth day of the ~~fourth~~ **third** month following the close of each taxable year. The partnership shall, on or before the day on which such return is filed, furnish to each person who was a partner during the taxable year a copy of such information as shown on the return. By way of example and not of limitation, and for purposes of this section**,** ~~and section 12–719,~~ a partnership that has a substantial economic presence within this state, as evidenced by a purposeful direction of business toward this state, examined in light of the frequency, quantity and systematic nature of the partnership's economic contacts with this state, without regard to physical presence, shall, to the extent permitted by the Constitution of the United States, be considered to be doing business in this state.

(b) Each S corporation doing business in this state or having any income derived from or connected with sources within this state, determined in accordance with the provisions of this chapter, shall make a return for the taxable year setting forth all items of income, gain, loss and deduction, and the name, address and Social Security or federal employer identification number of each shareholder, whether or not a resident of this state, the amount of each shareholder's pro rata share of (1) such S corporation's separately and nonseparately computed items, as described in Section 1366 of the Internal Revenue Code, [2] (2) any modification described in section 12–701**, as amended by this act,** which relates to an item of such S corporation's income, gain, loss or deduction, (3) such S corporation's separately and nonseparately computed items, as described in Section 1366 of the Internal Revenue Code, to the extent derived from or connected with sources within this state, as determined under this chapter, ~~and~~ (4) any modification described in section 12–701**, as amended by this act,** which relates to an item of such S corporation's income, gain, loss or deduction, to the extent derived from or connected with sources within this state, as determined under this chapter, **and (5) the direct pro rata share of the tax imposed on the S corporation under section 1 of this act and the indirect pro rata share of the tax imposed on any upper-tier entity under section 1 of this act,** and such other pertinent information as the Commissioner of Revenue Services may prescribe by regulations and instructions. Such return shall be filed on or before the fifteenth day of the ~~fourth~~ **third** month following the close of each taxable year. The S corporation shall, on or before the day on which such return is filed, furnish to each person who was a shareholder during the taxable year a copy of such information as shown on the return. By way of example and not of limitation, and for purposes of this section**,** ~~and section 12–719,~~ an S corporation that has a substantial economic presence within this state, as evidenced by a purposeful direction of business toward this state, examined in light of the frequency, quantity and systematic nature of the S corporation's economic contacts with this state, without regard to physical presence, shall, to the extent permitted by the Constitution of the United States, be considered to be doing business in this state.

[1] 26 U.S.C.A. § 702.

[2] 26 U.S.C.A. § 1366.

Sec. 6. Subsection (b) of section 12–733 of the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage and applicable to taxable years commencing on or after January 1, 2018):

<< CT ST § 12–733 >>

(b) (1) If the taxpayer omits from Connecticut adjusted gross income, in the case of an individual, or from Connecticut taxable income, in the case of a trust or estate, an amount properly includable therein which is in excess of twenty-five per cent of the amount of Connecticut adjusted gross income or Connecticut taxable income, as the case may be, stated in the return, a notice of a proposed deficiency assessment may be mailed to the taxpayer not later than six years after the date on which the return is filed. For purposes of this subdivision, there shall not be taken into account any amount which is omitted in the return if such amount is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the Commissioner of Revenue Services of the nature and the amount of such item.

(2) If the taxpayer omits from the Connecticut adjusted gross income derived from or connected with sources within this state, in the case of a nonresident individual or part-year resident individual, or from Connecticut taxable income derived from or connected with sources within this state, in the case of a nonresident trust or estate of part-year resident trust, an amount properly includable therein which is in excess of twenty-five per cent of the amount of Connecticut adjusted gross income derived from or connected with sources within this state or Connecticut taxable income derived from or connected with sources within this state, as the case may be, stated in the return, a notice of a proposed deficiency assessment may be mailed to the taxpayer not later than six years after the date on which the return is filed. For purposes of this subdivision, there shall not be taken into account any amount which is omitted in the return if such amount is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the commissioner of the nature and the amount of such item.

(3) If an employer, as defined in section 12–707, omits from Connecticut wages an amount properly includable that is in excess of twenty-five per cent of the amount of Connecticut wages stated in the Connecticut withholding tax return required under section 12–707, a notice of a proposed deficiency assessment may be mailed to the employer not later than six years after the date on which the return is filed. For purposes of this subdivision, there shall not be taken into account any amount which is omitted in the return if such amount is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the commissioner of the nature and the amount of such item.

(4) If ~~a pass-through entity, as defined in subparagraph (D) of subdivision (2) of subsection (b) of section 12–719~~ **an affected business entity, as defined in section 1 of this act**, omits from the Connecticut adjusted gross income derived from or connected with sources within Connecticut of any ~~nonresident individual who is a~~ member of such ~~pass-through~~ **affected business** entity an amount properly includable therein ~~which~~ **that** is in excess of twenty-five per cent of the amount of Connecticut adjusted gross income derived from or connected with sources within Connecticut stated in the return **required under section 1 of this act**, a notice of a proposed deficiency assessment may be mailed to the taxpayer not later than six years after the date on which the return is filed. For purposes of this subdivision, there shall not be taken into account any amount ~~which~~ **that** is omitted in the return if such amount is disclosed in the return, or in a statement attached to the return, in a manner adequate to apprise the commissioner of the nature and the amount of such item.

Sec. 7. Subsection (a) of section 4–30a of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

<< CT ST § 4–30a >>

(a) All revenue in excess of three billion one hundred fifty million dollars received by the state each fiscal year from estimated and final payments of the personal income tax imposed under chapter 229 [1] **and the affected business entity tax imposed under section 1 of this act** shall be transferred by the Treasurer to a special fund to be known as the Budget Reserve Fund.

[1] C.G.S.A. § 12–700 et seq.

Sec. 8. Subdivision (1) of subsection (aa) of section 3–20 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective May 15, 2018):

<< CT ST § 3–20 >>

(aa) (1) For each fiscal year during which general obligation bonds or credit revenue bonds issued on and after May 15, 2018, and prior to July 1, 2020, shall be outstanding, the state of Connecticut shall comply with the provisions of (A) section 4–30a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 704 of public act 17–2 of the June special session **and section 7 of this act**, (B) section 2–33c in effect on October 31, 2017, (C) section 2–33a of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 709 of public act 17–2 of the June special session, (D) subsections (d) and (g) of this section, revision of 1958, revised to January 1, 2017, as amended by sections 710 and 711 of public act 17–2 of the June special session, and (E) section 3–21 of the general statutes, revision of 1958, revised to January 1, 2017, as amended by section 712 of public act 17–2 of the June special session. The state of Connecticut does hereby pledge to and agree with the holders of any bonds, notes and other obligations issued pursuant to subdivision (2) of this subsection that no public or special act of the General Assembly taking effect on or after May 15, 2018, and prior to July 1, 2028, shall alter the obligation to comply with the provisions of the sections and subsections set forth in subparagraphs (A) to (E), inclusive, of this subdivision, until such bonds, notes or other obligations, together with the interest thereon, are fully met and discharged, provided nothing in this subsection shall preclude such alteration (i) if and when adequate provision shall be made by law for the protection of the holders of such bonds, or (ii) (I) if and when the Governor declares an emergency or the existence of extraordinary circumstances, in which the provisions of section 4–85 are invoked, (II) at least three-fifths of the members of each chamber of the General Assembly vote to alter such required compliance during the fiscal year for which the emergency or existence of extraordinary circumstances are determined, and (III) any such alteration is for the fiscal year in progress only.

Sec. 9. Section 3–114g of the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

<< CT ST § 3–114g >>

At the end of each fiscal year, commencing with the fiscal year ending on June 30, 1990, the Comptroller is authorized to record as revenue for such fiscal year~~,~~ the amount of revenue related to the tax imposed under chapter 208 [1] **and section 1 of this act** for such fiscal year which is received by the Commissioner of Revenue Services not later than five business days after the ~~August fifteenth~~ **last day of July** immediately following the end of such fiscal year.

[1] C.G.S.A. § 12–213 et seq.

Sec. 10. (NEW) (Effective July 1, 2018)

(a) As used in this section: (1) "Residential property" means (A) a building containing three or fewer dwelling units used for human habitation, the parcel of land on which such building is situated and any accessory buildings or other improvements located on such parcel, (B) a condominium, as defined in section 47–68a of the general statutes, that is used for residential purposes, or (C) a common interest community, as defined in section 47–202 of the general statutes; (2) "community supporting organization" means an organization that is (A) exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, [1] or any subsequent corresponding internal revenue code of the United States, as amended from time to time, and (B) organized solely to support municipal expenditures for public programs and services, including public education; and (3) "municipality" means any town, city or borough, consolidated town and city or consolidated town and borough.

(b) (1) Upon approval, on or before October first of each year, by a municipality's legislative body, or in any town in which the legislative body is a town meeting, by the board of selectmen, any municipality may provide a residential property tax credit for the following fiscal year in accordance with the provisions of this section. The municipality shall determine the amount of such tax credit, except that such amount shall not exceed the lesser of (A) the amount of property tax owed, or (B) eighty-five per cent of the amount of voluntary, unrestricted and irrevocable cash donations made by or on behalf of the owner of a residential property located in the municipality to a community supporting organization during the calendar year preceding the year in which an application for such tax credit is filed. The municipality may include in any such approval a residency requirement or other requirement the municipality deems necessary or desirable. Any grant amounts received by a municipality from the designated community supporting organization pursuant to subsection (c) of this section shall be subject to municipal appropriation and expenditure.

(2) Upon approval of a tax credit under subdivision (1) of this subsection, the owner of a residential property located in the municipality or a person on behalf of such owner may make a voluntary, unrestricted and irrevocable cash donation or donations to the community supporting organization designated pursuant to subsection (c) of this section.

(c) Any municipality that approves a tax credit pursuant to subdivision (1) of subsection (b) of this section shall designate a single community supporting organization to receive cash donations that will qualify for such tax credit. The chief executive officer of such municipality shall enter into an agreement with such designated community supporting organization that requires (1) the designated community supporting organization to only accept voluntary, unrestricted and irrevocable cash donations, (2) the community supporting organization to provide, on or after July first but not later than July thirty-first of each fiscal year for which the tax credit has been approved, a grant to the municipality in an amount equal to all cash donations received during the prior fiscal year and a written statement of all cash donations received during such prior fiscal year, including the name and residential address of each donor, the name and residential address of the owner of the residential property if the donation was made on behalf of such owner and the date each such donation was received, (3) the municipality to provide, not later than December thirty-first following the close of a fiscal year in which the community supporting organization paid a grant to the municipality pursuant to subdivision (2) of this subsection, a written statement to the designated community supporting organization of the municipal programs and services supported by such grant, (4) the municipality to serve as the administrative and fiscal agent for the designated community supporting organization. The municipality may retain and expend an amount of not more than fifteen per cent of the total amount of the grant received during a fiscal year as the reasonable costs of providing such service as the administrative and fiscal agent, and (5) the designated community supporting organization to provide a contemporaneous written receipt to a donor of a voluntary, unrestricted and irrevocable cash donation.

(d) (1) A taxpayer that has made a voluntary, unrestricted and irrevocable cash donation pursuant to subdivision (2) of subsection (b) of this section may file an application for the tax credit under this section with the tax collector of the municipality in which the residential property is located. No tax credit under this section shall be allowed unless the taxpayer or an authorized agent of the taxpayer files the application on or after January first and prior to April second prior to the fiscal year for which such tax credit is being claimed.

(2) Each such applicant shall include evidence satisfactory to the tax collector of the total amount of such donations made during the preceding calendar year to a community supporting organization and an affidavit, on a form prescribed by the Secretary of the Office of Policy and Management, affirming that such donations were made in cash and were voluntary, unrestricted and irrevocable.

(e) Upon the receipt of all information required under subsection (d) of this section, the tax collector shall apply the residential property tax credit, subject to any limitations set forth by the municipality in the authorizing ordinance, to the residential property tax due and payable for the fiscal year for which the application was received.

(f) No taxpayer may use a cash donation made pursuant to subdivision (2) of subsection (b) of this section to claim a tax credit with respect to more than one fiscal year. Any taxpayer who knowingly submits a false record or knowingly makes a false affidavit to claim the tax credit under this section shall be fined not more than five hundred dollars and shall refund to the municipality the entire amount of the tax credit improperly received.

[1] 26 U.S.C.A. § 501.

Sec. 11. Subparagraphs (A) and (B) of subdivision (20) of subsection (a) of section 12–701 of the 2018 supplement to the general statutes are repealed and the following is substituted in lieu thereof (Effective from passage and applicable to taxable years commencing on or after January 1, 2017):

<< CT ST § 12–701 >>

(20) "Connecticut adjusted gross income" means adjusted gross income, with the following modifications:

(A) There shall be added thereto**:**

(i) ~~to~~ **To** the extent not properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of any state, political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity, exclusive of such income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of any such income with respect to which taxation by any state is prohibited by federal law**;**~~,~~

(ii) ~~any~~ **Any** exempt-interest dividends, as defined in Section 852(b)(5) of the Internal Revenue Code, [1] exclusive of such exempt-interest dividends derived from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut and exclusive of such exempt-interest dividends derived from obligations, the income with respect to which taxation by any state is prohibited by federal law**;**~~,~~

(iii) ~~any~~ **Any** interest or dividend income on obligations or securities of any authority, commission or instrumentality of the United States which federal law exempts from federal income tax but does not exempt from state income taxes**;**~~,~~

(iv) ~~to~~ **To** the extent included in gross income for federal income tax purposes for the taxable year, the total taxable amount of a lump sum distribution for the taxable year deductible from such gross income in calculating federal adjusted gross income**;**~~,~~

(v) ~~to~~ **To** the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any loss from the sale or exchange of obligations issued by or on behalf of the state

of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such loss was recognized~~;~~

(vi) ~~to~~ **To** the extent deductible in determining federal adjusted gross income, any income taxes imposed by this state~~;~~

(vii) ~~to~~ **To** the extent deductible in determining federal adjusted gross income, any interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is exempt from tax under this chapter~~;~~

(viii) ~~expenses~~ **Expenses** paid or incurred during the taxable year for the production or collection of income which is exempt from taxation under this chapter or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is exempt from tax under this chapter to the extent that such expenses and premiums are deductible in determining federal adjusted gross income~~;~~

(ix) ~~for~~ **For** property placed in service after ~~September 10, 2001, but prior to September 11, 2004, in taxable years ending after September 10, 2001~~ **September 27, 2017**, any additional allowance for depreciation under subsection (k) of Section 168 of the Internal Revenue Code, [2] ~~as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002,~~ to the extent deductible in determining federal adjusted gross income~~;~~

(x) ~~to~~ **To** the extent deductible in determining federal adjusted gross income, the deduction allowable as qualified domestic production activities income, pursuant to Section 199 of the Internal Revenue Code [3] ~~;~~

(xi) ~~to~~ **To** the extent not properly includable in gross income for federal income tax purposes for the taxable year, any income from the discharge of indebtedness, in taxable years ending after December 31, 2008, in connection with any reacquisition, after December 31, 2008, and before January 1, 2011, of an applicable debt instrument or instruments, as those terms are defined in Section 108 of the Internal Revenue Code, [4] as amended by Section 1231 of the American Recovery and Reinvestment Act of 2009, the inclusion of which income in federal gross income for the taxable year is deferred, as provided by said Section 1231~~;~~

(xii) ~~to~~ **To** the extent not properly includable in gross income for federal income tax purposes, an amount equal to (I) any distribution from a manufacturing reinvestment account not used in accordance with subdivision (3) of subsection (c) of section 32–9zz to the extent that a contribution to such account was subtracted from federal adjusted gross income pursuant to clause (xix) of subparagraph (B) of this subdivision in computing Connecticut adjusted gross income for the current or a preceding taxable year, and (II) any return of money from a manufacturing reinvestment account pursuant to subsection (d) of section 32–9zz to the extent that a contribution to such account was subtracted from federal adjusted gross income pursuant to clause (xix) of subparagraph (B) of this subdivision in computing Connecticut adjusted gross income for the current or a preceding taxable year~~;~~ ~~and~~

(xiii) ~~to~~ **To** the extent not properly includable in gross income for federal income tax purposes, an amount equal to any compensation required to be recognized under Section 457A of the Internal Revenue Code [5] that is attributable to services performed within this state**; and**

(xiv) For taxable years commencing on or after January 1, 2018, eighty per cent of any deduction claimed for federal purposes under Section 179 of the Internal Revenue Code. [6]

(B) There shall be subtracted therefrom**:**

(i) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes, any income with respect to which taxation by any state is prohibited by federal law~~;~~**;**

(ii) ~~to~~ **To** the extent allowable under section 12–718, exempt dividends paid by a regulated investment company~~;~~**;**

(iii) **To the extent properly includable in gross income for federal income tax purposes,** the amount of any refund or credit for overpayment of income taxes imposed by this state, or any other state of the United States or a political subdivision thereof, or the District of Columbia~~;, to the extent properly includable in gross income for federal income tax purposes,~~**;**

(iv) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes and not otherwise subtracted from federal adjusted gross income pursuant to clause (x) of this subparagraph in computing Connecticut adjusted gross income, any tier 1 railroad retirement benefits~~;~~**;**

(v) ~~to~~ **To** the extent any additional allowance for depreciation under Section 168(k) of the Internal Revenue Code~~, as provided by Section 101 of the Job Creation and Worker Assistance Act of 2002,~~ for property placed in service after ~~December 31, 2001, but prior to September 10, 2004~~ **September 27, 2017**, was added to federal adjusted gross income pursuant to subparagraph (A)(ix) of this subdivision in computing Connecticut adjusted gross income~~, for a taxable year ending after December 31, 2001,~~ twenty-five per cent of such additional allowance for depreciation in each of the four succeeding taxable years~~;~~**;**

(vi) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes, any interest income from obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut~~;~~**;**

(vii) ~~to~~ **To** the extent properly includable in determining the net gain or loss from the sale or other disposition of capital assets for federal income tax purposes, any gain from the sale or exchange of obligations issued by or on behalf of the state of Connecticut, any political subdivision thereof, or public instrumentality, state or local authority, district or similar public entity created under the laws of the state of Connecticut, in the income year such gain was recognized~~;~~**;**

(viii) ~~any~~ **Any** interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such interest on indebtedness is not deductible in determining federal adjusted gross income and is attributable to a trade or business carried on by such individual~~;~~**;**

(ix) ~~ordinary~~ **Ordinary** and necessary expenses paid or incurred during the taxable year for the production or collection of income which is subject to taxation under this chapter but exempt from federal income tax, or the management, conservation or maintenance of property held for the production of such income, and the amortizable bond premium for the taxable year on any bond the interest on which is subject to tax under this chapter but exempt from federal income tax, to the extent that such expenses and premiums are not deductible in determining federal adjusted gross income and are attributable to a trade or business carried on by such individual~~;~~**;**

(x) (I) ~~for~~ **For** taxable years commencing prior to January 1, 2019, for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than fifty thousand dollars, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than sixty thousand dollars or a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is less than sixty thousand dollars, an amount equal to the Social Security benefits includable for federal income tax purposes;

(II) ~~for~~ **For** taxable years commencing prior to January 1, 2019, for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or as a married individual filing separately whose federal adjusted gross income for such taxable year is fifty thousand dollars or more, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income from such taxable year is sixty thousand dollars or more or for a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is sixty thousand dollars or more, an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes and the lesser of twenty-five per cent of the Social Security benefits received during the taxable year, or twenty-five per cent of the excess described in Section 86(b)(1) of the Internal Revenue Code; [7]

(III) ~~for~~ **For** the taxable year commencing January 1, 2019, and each taxable year thereafter, for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than seventy-five thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than seventy-five thousand dollars, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than one hundred thousand dollars or a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is less than one hundred thousand dollars, an amount equal to the Social Security benefits includable for federal income tax purposes; and

(IV) ~~for~~ **For** the taxable year commencing January 1, 2019, and each taxable year thereafter, for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is seventy-five thousand dollars or more, or as a married individual filing separately whose federal adjusted gross income for such taxable year is seventy-five thousand dollars or more, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income from such taxable year is one hundred thousand dollars or more or for a person who files a return under the federal income tax as a head of household whose federal adjusted gross income for such taxable year is one hundred thousand dollars or more, an amount equal to the difference between the amount of Social Security benefits includable for federal income tax purposes and the lesser of twenty-five per cent of the Social Security benefits received during the taxable year, or twenty-five per cent of the excess described in Section 86(b)(1) of the Internal Revenue Code**;** ~~,~~

(xi) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes, any amount rebated to a taxpayer pursuant to section 12–746**;** ~~,~~

(xii) ~~to~~ **To** the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, any distribution to such beneficiary from any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state**;** ~~,~~

(xiii) ~~to~~ **To** the extent allowable under section 12–701a, contributions to accounts established pursuant to any qualified state tuition program, as defined in Section 529(b) of the Internal Revenue Code, established and maintained by this state or any official, agency or instrumentality of the state**;** ~~,~~

(xiv) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes, the amount of any Holocaust victims' settlement payment received in the taxable year by a Holocaust victim**;** ~~,~~

(xv) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes of an account holder, as defined in section 31–51ww, interest earned on funds deposited in the individual development account, as defined in section 31–51ww, of such account holder**;** ~~,~~

(xvi) ~~to~~ **To** the extent properly includable in the gross income for federal income tax purposes of a designated beneficiary, as defined in section 3–123aa, interest, dividends or capital gains earned on contributions to accounts established for the designated beneficiary pursuant to the Connecticut Homecare Option Program for the Elderly established by sections 3–123aa to 3–123ff, inclusive**;** ~~,~~

(xvii) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes, any income received from the United States government as retirement pay for a retired member of (I) the Armed Forces of the United States, as defined in Section 101 of Title 10 of the United States Code, or (II) the National Guard, as defined in Section 101 of Title 10 of the United States Code**;** ~~,~~

(xviii) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes for the taxable year, any income from the discharge of indebtedness in connection with any reacquisition, after December 31, 2008, and before January 1, 2011, of an applicable debt instrument or instruments, as those terms are defined in Section 108 of the Internal Revenue Code, as amended by Section 1231 of the American Recovery and Reinvestment Act of 2009, to the extent any such income was added to federal adjusted gross income pursuant to subparagraph (A)(xi) of this subdivision in computing Connecticut adjusted gross income for a preceding taxable year**;** ~~,~~

(xix) ~~to~~ **To** the extent not deductible in determining federal adjusted gross income, the amount of any contribution to a manufacturing reinvestment account established pursuant to section 32–9zz in the taxable year that such contribution is made**;** ~~,~~

(xx) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes, (I) for the taxable year commencing January 1, 2015, ten per cent of the income received from the state teachers' retirement system, (II) for the taxable years commencing January 1, 2016, January 1, 2017, and January 1, 2018, twenty-five per cent of the income received from the state teachers' retirement system, and (III) for the taxable year commencing January 1, 2019, and each taxable year thereafter, fifty per cent of the income received from the state teachers' retirement system or the percentage, if applicable, pursuant to clause (xxi) of this subparagraph**;** ~~,~~

(xxi) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes, except for retirement benefits under clause (iv) of this subparagraph and retirement pay under clause (xvii) of this subparagraph, for a person who files a return under the federal income tax as an unmarried individual whose federal adjusted gross income for such taxable year is less than seventy-five thousand dollars, or as a married individual filing separately whose federal adjusted gross income for such taxable year is less than seventy-five thousand dollars, or as a head of household whose federal adjusted gross income for such taxable year is less than seventy-five thousand dollars, or for a husband and wife who file a return under the federal income tax as married individuals filing jointly whose federal adjusted gross income for such taxable year is less than one hundred thousand dollars, (I) for the taxable year commencing January 1, 2019, fourteen per cent of any pension or annuity income, (II) for the taxable year commencing January 1, 2020, twenty-eight per cent of any pension or annuity income, (III) for the taxable year commencing January 1, 2021, forty-two per cent of any pension or annuity income, (IV) for the taxable year commencing January 1, 2022, fifty-six per cent of any pension or annuity income, (V) for the taxable year commencing January 1, 2023, seventy per cent of any pension or annuity income, (VI) for the taxable year commencing January 1, 2024, eighty-four per cent of any pension or annuity income, and (VII) for the taxable year commencing January 1, 2025, any pension or annuity income**;** ~~,~~

(xxii) ~~the~~ **The** amount of lost wages and medical, travel and housing expenses, not to exceed ten thousand dollars in the aggregate, incurred by a taxpayer during the taxable year in connection with the donation to another person of an organ for organ transplantation occurring on or after January 1, 2017**;** ~~, and~~

(xxiii) ~~to~~ **To** the extent properly includable in gross income for federal income tax purposes, the amount of any financial assistance received from the Crumbling Foundations Assistance Fund or paid to or on behalf of the owner of a residential building pursuant to sections 8–442 and 8–443**; and**

(xxiv) To the extent any portion of a deduction under Section 179 of the Internal Revenue Code was added to federal adjusted gross income pursuant to subparagraph (A)(xiv) of this subdivision in computing Connecticut adjusted gross income, twenty-five per cent of such disallowed portion of the deduction in each of the four succeeding taxable years.

1 26 U.S.C.A. § 852.

2 26 U.S.C.A. § 168.

3 26 U.S.C.A. § 199.

4 26 U.S.C.A. § 108.

5 26 U.S.C.A. § 457A.

6 U.S.C.A. § 179.

7 26 U.S.C.A. § 86.

Sec. 12. Subsection (b) of section 12–217 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

<< CT ST § 12–217 >>

(b) (1) For purposes of determining net income under this section, the deduction allowed for depreciation shall be determined as provided under the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as from time to time amended, provided in making such determination, the provisions of Section 168(k) of said code shall not apply.

(2) (A) For purposes of determining net income under this section for taxable years ending after December 31, 2008, and to the extent any income from the discharge of indebtedness, under Section 108 of the Internal Revenue Code, [1] as amended by Section 1231 of the American Recovery and Reinvestment Act of 2009, [2] in connection with any reacquisition, after December 31, 2008, and before January 1, 2011, of an applicable debt instrument or instruments, as those terms are defined in said Section 108, as amended by said Section 1231, is not properly includable in gross income for federal income tax purposes for the taxable year, any deferral of the recognition of any such income shall not be allowed.

(B) To the extent that any income from the discharge of indebtedness in connection with any reacquisition, after December 31, 2008, and before January 1, 2011, of an applicable debt instrument or instruments, as those terms are defined in Section 108 of the Internal Revenue Code, as amended by Section 1231 of the American Recovery and Reinvestment Act of 2009, is properly includable in gross income for federal income tax purposes for the taxable year, any such income shall be deductible in computing net income under this section for a taxable year ending after December 31, 2008, to the extent that the deferral of recognition of such income from such discharge was not allowed pursuant to subparagraph (A) of this subdivision in computing net income for a preceding taxable year.

(C) For income years commencing on or after January 1, 2018, eighty per cent of any deduction claimed under Section 179 of the Internal Revenue Code for federal income tax purposes shall be disallowed. To the extent such a deduction is disallowed

for purposes of computing the tax under this chapter, twenty-five per cent of the disallowed portion of the deduction shall be allowed as a deduction in each of the four succeeding income years.

1 26 U.S.C.A. § 108.

2 Pub.L. 111–5.

Sec. 13. Subsection (a) of section 12–217 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage and applicable to income years commencing on or after January 1, 2017):

<< CT ST § 12–217 >>

(a) (1) In arriving at net income as defined in section 12–213, whether or not the taxpayer is taxable under the federal corporation net income tax, there shall be deducted from gross income, (A) all items deductible under the Internal Revenue Code effective and in force on the last day of the income year except (i) any taxes imposed under the provisions of this chapter which are paid or accrued in the income year and in the income year commencing January 1, 1989, and thereafter, any taxes in any state of the United States or any political subdivision of such state, or the District of Columbia, imposed on or measured by the income or profits of a corporation which are paid or accrued in the income year, (ii) deductions for depreciation, which shall be allowed as provided in subsection (b) of this section, (iii) deductions for qualified domestic production activities income, as provided in Section 199 of the Internal Revenue Code, [1] and (iv) in the case of any captive real estate investment trust, the deduction for dividends paid provided under Section 857(b)(2) of the Internal Revenue Code, [2] and (B) additionally, in the case of a regulated investment company, the sum of (i) the exempt-interest dividends, as defined in the Internal Revenue Code, and (ii) expenses, bond premium, and interest related to tax-exempt income that are disallowed as deductions under the Internal Revenue Code, and (C) in the case of a taxpayer maintaining an international banking facility as defined in the laws of the United States or the regulations of the Board of Governors of the Federal Reserve System, as either may be amended from time to time, the gross income attributable to the international banking facility, provided, no expense or loss attributable to the international banking facility shall be a deduction under any provision of this section, and (D) additionally, in the case of all taxpayers, all dividends as defined in the Internal Revenue Code effective and in force on the last day of the income year not otherwise deducted from gross income, including dividends received from a DISC or former DISC as defined in Section 992 of the Internal Revenue Code [3] and dividends deemed to have been distributed by a DISC or former DISC as provided in Section 995 of said Internal Revenue Code, [4] other than thirty per cent of dividends received from a domestic corporation in which the taxpayer owns less than twenty per cent of the total voting power and value of the stock of such corporation, and (E) additionally, in the case of all taxpayers, the value of any capital gain realized from the sale of any land, or interest in land, to the state, any political subdivision of the state, or to any nonprofit land conservation organization where such land is to be permanently preserved as protected open space or to a water company, as defined in section 25–32a, where such land is to be permanently preserved as protected open space or as Class I or Class II water company land, and (F) in the case of manufacturers, the amount of any contribution to a manufacturing reinvestment account established pursuant to section 32–9zz in the income year that such contribution is made to the extent not deductible for federal income tax purposes, ~~and~~ (G) additionally, to the extent allowable under subsection (g) of section 32–776, the amount paid by a 7/7 participant, as defined in section 32–776, for the remediation of a brownfield**, and (H) the amount of any contribution made on or after December 23, 2017, by the state of Connecticut or a political subdivision thereof to the extent included in a company's gross income under Section 118(b)(2) of the Internal Revenue Code**. [5]

(2) **(A)** No deduction shall be allowed for ~~(A)~~ **(i)** expenses related to dividends ~~which~~ **that** are allowable as a deduction or credit under the Internal Revenue Code**,** and ~~(B)~~ **(ii)** federal taxes on income or profits, losses of other calendar

or fiscal years, retroactive to include all calendar or fiscal years beginning after January 1, 1935, interest received from federal, state and local government securities, if any such deductions are allowed by the federal government.

(B) For purposes of this subdivision, expenses related to dividends shall equal five per cent of all dividends received by a company during an income year. The net income associated with the disallowance of expenses related to dividends shall be apportioned, if the company conducts business within and without the state or is required to apportion its income under section 12–218b, in accordance with this chapter.

(3) Notwithstanding any provision of this section to the contrary, no dividend received from a real estate investment trust shall be deductible under this section by the recipient unless the dividend is: (A) Deductible under Section 243 of the Internal Revenue Code; [6] (B) received by a qualified dividend recipient from a qualified real estate investment trust and, as of the last day of the period for which such dividend is paid, persons, not including the qualified dividend recipient or any person that is either a related person to, or an employee or director of, the qualified dividend recipient, have outstanding cash capital contributions to the qualified real estate investment trust that, in the aggregate, exceed five per cent of the fair market value of the aggregate real estate assets, valued as of the last day of the period for which such dividend is paid, then held by the qualified real estate investment trust; or (C) received from a captive real estate investment trust that is subject to the tax imposed under this chapter. For purposes of this section, a "related person" is as defined in subdivision (7) of subsection (a) of section 12–217m, "real estate assets" is as defined in Section 856 of the Internal Revenue Code, [7] a "qualified dividend recipient" means a dividend recipient who has invested in a qualified real estate investment trust prior to April 1, 1997, and a "qualified real estate investment trust" means an entity that both was incorporated and had contributed to it a minimum of five hundred million dollars worth of real estate assets prior to April 1, 1997, and that elects to be a real estate investment trust under Section 856 of the Internal Revenue Code prior to April 1, 1998.

(4) Notwithstanding any provision of this section to the contrary, (A) any excess of the deductions provided in this section for any income year commencing on or after January 1, 1973, over the gross income for such year or the amount of such excess apportioned to this state under the provisions of this chapter, shall be an operating loss of such income year and shall be deductible as an operating loss carry-over for operating losses incurred prior to income years commencing January 1, 2000, in each of the five income years following such loss year, and for operating losses incurred in income years commencing on or after January 1, 2000, in each of the twenty income years following such loss year, except that (i) for income years commencing prior to January 1, 2015, the portion of such operating loss which may be deducted as an operating loss carry-over in any income year following such loss year shall be limited to the lesser of (I) any net income greater than zero of such income year following such loss year, or in the case of a company entitled to apportion its net income under the provisions of this chapter, the amount of such net income which is apportioned to this state pursuant thereto, or (II) the excess, if any, of such operating loss over the total of such net income for each of any prior income years following such loss year, such net income of each of such prior income years following such loss year for such purposes being computed without regard to any operating loss carry-over from such loss year allowed under this subparagraph and being regarded as not less than zero, and provided further the operating loss of any income year shall be deducted in any subsequent year, to the extent available for such deduction, before the operating loss of any subsequent income year is deducted, (ii) for income years commencing on or after January 1, 2015, the portion of such operating loss which may be deducted as an operating loss carry-over in any income year following such loss year shall be limited to the lesser of (I) fifty per cent of net income of such income year following such loss year, or in the case of a company entitled to apportion its net income under the provisions of this chapter, fifty per cent of such net income which is apportioned to this state pursuant thereto, or (II) the excess, if any, of such operating loss over the operating loss deductions allowable with respect to such operating loss under this subparagraph for each of any prior income years following such loss year, such net income of each of such prior income years following such loss year for such purposes being computed without regard to any operating loss carry-over from such loss year allowed under this subparagraph and being regarded as not less than zero, and provided further the operating loss of any income year shall be deducted in any subsequent year, to the extent available for such deduction, before the operating loss of any subsequent income

year is deducted, and (iii) if a combined group so elects, the combined group shall relinquish fifty per cent of its unused operating losses incurred prior to the income year commencing on or after January 1, 2015, and before January 1, 2016, and may utilize the remaining operating loss carry-over without regard to the limitations prescribed in subparagraph (A)(ii) of this subdivision. The portion of such operating loss carry-over that may be deducted shall be limited to the amount required to reduce a combined group's tax under this chapter, prior to surtax and prior to the application of credits, to two million five hundred thousand dollars in any income year commencing on or after January 1, 2015. Only after the combined group's remaining operating loss carry-over for operating losses incurred prior to income years commencing January 1, 2015, has been fully utilized, will the limitations prescribed in subparagraph (A)(ii) of this subdivision apply. The combined group, or any member thereof, shall make such election on its return for the income year beginning on or after January 1, 2015, and before January 1, 2016, by the due date for such return, including any extensions. Only combined groups with unused operating losses in excess of six billion dollars from income years beginning prior to January 1, 2013, may make the election prescribed in this clause, and (B) any net capital loss, as defined in the Internal Revenue Code[8] effective and in force on the last day of the income year, for any income year commencing on or after January 1, 1973, shall be allowed as a capital loss carry-over to reduce, but not below zero, any net capital gain, as so defined, in each of the five following income years, in order of sequence, to the extent not exhausted by the net capital gain of any of the preceding of such five following income years, and (C) any net capital losses allowed and carried forward from prior years to income years beginning on or after January 1, 1973, for federal income tax purposes by companies entitled to a deduction for dividends paid under the Internal Revenue Code other than companies subject to the gross earnings taxes imposed under chapters 211 and 212,[9] shall be allowed as a capital loss carry-over.

(5) This section shall not apply to a life insurance company as defined in the Internal Revenue Code effective and in force on the last day of the income year. For purposes of this section, the unpaid loss reserve adjustment required for nonlife insurance companies under the provisions of Section 832(b)(5) of the Internal Revenue Code of 1986,[10] or any subsequent corresponding internal revenue code of the United States, as from time to time amended, shall be applied without making the adjustment in Subparagraph (B) of said Section 832(b)(5).

(6) For purposes of determining net income under this section for income years commencing on or after January 1, 2018, the deduction allowed for business interest paid or accrued shall be determined as provided under the Internal Revenue Code, except that in making such determination, the provisions of Section 163(j) shall not apply.

1 26 U.S.C.A. § 199.

2 26 U.S.C.A. § 857.

3 26 U.S.C.A. § 992.

4 26 U.S.C.A. § 995.

5 26 U.S.C.A. § 118.

6 26 U.S.C.A. § 243.

7 26 U.S.C.A. § 856.

8 26 U.S.C.A. § 1 et seq.

9 C.G.S.A. §§ 12–256 et seq. and 12–264 et seq.

10 26 U.S.C.A. § 832.

Sec. 14. Subsection (g) of section 12–391 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

<< CT ST § 12–391 >>

(g) (1) With respect to the estates of decedents dying on or after January 1, 2005, but prior to January 1, 2010, the tax based on the Connecticut taxable estate shall be as provided in the following schedule:

Amount of Connecticut Taxable Estate	Rate of Tax
Not over $2,000,000	None
Over $2,000,000 but not over $2,100,000	5.085% of the excess over $0
Over $2,100,000 but not over $2,600,000	$106,800 plus 8% of the excess over $2,100,000
Over $2,600,000 but not over $3,100,000	$146,800 plus 8.8% of the excess over $2,600,000
Over $3,100,000 but not over $3,600,000	$190,800 plus 9.6% of the excess over $3,100,000
Over $3,600,000 but not over $4,100,000	$238,800 plus 10.4% of the excess over $3,600,000
Over $4,100,000 but not over $5,100,000	$290,800 plus 11.2% of the excess over $4,100,000
Over $5,100,000 but not over $6,100,000	$402,800 plus 12% of the excess over $5,100,000
Over $6,100,000 but not over $7,100,000	$522,800 plus 12.8% of the excess over $6,100,000
Over $7,100,000 but not over $8,100,000	$650,800 plus 13.6% of the excess over $7,100,000
Over $8,100,000 but not over $9,100,000	$786,800 plus 14.4% of the excess over $8,100,000

Over $9,100,000	$930,800 plus 15.2% of the excess
but not over $10,100,000	over $9,100,000
Over $10,100,000	$1,082,800 plus 16% of the excess
	over $10,100,000

(2) With respect to the estates of decedents dying on or after January 1, 2010, but prior to January 1, 2011, the tax based on the Connecticut taxable estate shall be as provided in the following schedule:

Amount of Connecticut Taxable Estate	Rate of Tax
Not over $3,500,000	None
Over $3,500,000	7.2% of the excess
but not over $3,600,000	over $3,500,000
Over $3,600,000	$7,200 plus 7.8% of the excess
but not over $4,100,000	over $3,600,000
Over $4,100,000	$46,200 plus 8.4% of the excess
but not over $5,100,000	over $4,100,000
Over $5,100,000	$130,200 plus 9.0% of the excess
but not over $6,100,000	over $5,100,000
Over $6,100,000	$220,200 plus 9.6% of the excess
but not over $7,100,000	over $6,100,000
Over $7,100,000	$316,200 plus 10.2% of the excess
but not over $8,100,000	over $7,100,000
Over $8,100,000	$418,200 plus 10.8% of the excess
but not over $9,100,000	over $8,100,000
Over $9,100,000	$526,200 plus 11.4% of the excess
but not over $10,100,000	over $9,100,000
Over $10,100,000	$640,200 plus 12% of the excess
	over $10,100,000

(3) With respect to the estates of decedents dying on or after January 1, 2011, but prior to January 1, 2018, the tax based on the Connecticut taxable estate shall be as provided in the following schedule:

Amount of Connecticut Taxable Estate	Rate of Tax
Not over $2,000,000	None
Over $2,000,000 but not over $3,600,000	7.2% of the excess over $2,000,000
Over $3,600,000 but not over $4,100,000	$115,200 plus 7.8% of the excess over $3,600,000
Over $4,100,000 but not over $5,100,000	$154,200 plus 8.4% of the excess over $4,100,000
Over $5,100,000 but not over $6,100,000	$238,200 plus 9.0% of the excess over $5,100,000
Over $6,100,000 but not over $7,100,000	$328,200 plus 9.6% of the excess over $6,100,000
Over $7,100,000 but not over $8,100,000	$424,200 plus 10.2% of the excess over $7,100,000
Over $8,100,000 but not over $9,100,000	$526,200 plus 10.8% of the excess over $8,100,000
Over $9,100,000 but not over $10,100,000	$634,200 plus 11.4% of the excess over $9,100,000
Over $10,100,000	$748,200 plus 12% of the excess over $10,100,000

(4) With respect to the estates of decedents dying on or after January 1, 2018, but prior to January 1, 2019, the tax based on the Connecticut taxable estate shall be as provided in the following schedule:

Amount of Connecticut Taxable Estate	Rate of Tax
Not over $2,600,000	None
Over $2,600,000	7.2% of the excess

but not over $3,600,000	over $2,600,000
Over $3,600,000	$72,000 plus 7.8% of the excess
but not over $4,100,000	over $3,600,000
Over $4,100,000	$111,000 plus 8.4% of the excess
but not over $5,100,000	over $4,100,000
Over $5,100,000	$195,000 plus 10% of the excess
but not over $6,100,000	over $5,100,000
Over $6,100,000	$295,000 plus 10.4% of the excess
but not over $7,100,000	over $6,100,000
Over $7,100,000	$399,900 plus 10.8% of the excess
but not over $8,100,000	over $7,100,000
Over $8,100,000	$507,000 plus 11.2% of the excess
but not over $9,100,000	over $8,100,000
Over $9,100,000	$619,000 plus 11.6% of the excess
but not over $10,100,000	over $9,100,000
Over $10,100,000	$735,000 plus 12% of the excess
	over $10,100,000

(5) With respect to the estates of decedents dying on or after January 1, 2019, but prior to January 1, 2020, the tax based on the Connecticut taxable estate shall be as provided in the following schedule:

Amount of Connecticut Taxable Estate	Rate of Tax
Not over $3,600,000	None
Over $3,600,000	7.8% of the excess
but not over $4,100,000	over $3,600,000
Over $4,100,000	$39,000 plus 8.4% of the excess
but not over $5,100,000	over $4,100,000
Over $5,100,000	$123,000 plus 10% of the excess
but not over $6,100,000	over $5,100,000

Over $6,100,000	$223,000 plus 10.4% of the excess
but not over $7,100,000	over $6,100,000
Over $7,100,000	$327,000 plus 10.8% of the excess
but not over $8,100,000	over $7,100,000
Over $8,100,000	$435,000 plus 11.2% of the excess
but not over $9,100,000	over $8,100,000
Over $9,100,000	$547,000 plus 11.6% of the excess
but not over $10,100,000	over $9,100,000
Over $10,100,000	$663,000 plus 12% of the excess
	over $10,100,000

(6) With respect to the estates of decedents dying on or after January 1, 2020, the tax based on the Connecticut taxable estate shall be as provided in the following schedule:

~~Amount of Connecticut Taxable Estate~~	~~Rate of Tax~~
~~Not over the federal basic exclusion amount~~	~~None~~
~~Over the federal basic exclusion amount but not over $6,100,000~~	~~10% of the excess over the federal basic exclusion amount~~
~~Over $6,100,000 but not over $7,100,000~~	~~10.4% of the excess over the federal basic exclusion amount~~
~~Over $7,100,000 but not over $8,100,000~~	~~10.8% of the excess over the federal basic exclusion amount~~
~~Over $8,100,000 but not over $9,100,000~~	~~11.2% of the excess over the federal basic exclusion amount~~
~~Over $9,100,000 but not over $10,100,000~~	~~11.6% of the excess over the federal basic exclusion amount~~
~~Over $10,100,000~~	~~12% of the excess over the~~

~~federal basic exclusion amount~~

Amount of Connecticut Taxable Estate	**Rate of Tax**
Not over $5,490,000	**None**
Over $5,490,000 but not over $6,100,000	**10% of the excess over $5,490,000**
Over $6,100,000 but not over $7,100,000	**$61,000 plus 10.4% of the excess over $6,100,000**
Over $7,100,000 but not over $8,100,000	**$165,000 plus 10.8% of the excess over $7,100,000**
Over $8,100,000 but not over $9,100,000	**$273,000 plus 11.2% of the excess over $8,100,000**
Over $9,100,000 but not over $10,100,000	**$385,000 plus 11.6% of the excess over $9,100,000**
Over $10,100,000	**$501,000 plus 12% of the excess over $10,100,000**

Sec. 15. Subsection (a) of section 12–642 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

<< CT ST § 12–642 >>

(a) (1) With respect to calendar years commencing prior to January 1, 2001, the tax imposed by section 12–640 for the calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Not over $25,000	1%
Over $25,000 but not over $50,000	$250, plus 2% of the excess over $25,000
Over $50,000	$750, plus 3% of the excess

but not over $75,000	over $50,000
Over $75,000	$1,500, plus 4% of the excess
but not over $100,000	over $75,000
Over $100,000	$2,500, plus 5% of the excess
but not over $200,000	over $100,000
Over $200,000	$7,500, plus 6% of the excess
	over $200,000

(2) With respect to the calendar years commencing January 1, 2001, January 1, 2002, January 1, 2003, and January 1, 2004, the tax imposed by section 12–640 for each such calendar year shall be at a rate of the taxable gifts made by the donor during the calendar year set forth in the following schedule:

Amount of Taxable Gifts	Rate of Tax
Over $25,000	$250, plus 2% of the excess
but not over $50,000	over $25,000
Over $50,000	$750, plus 3% of the excess
but not over $75,000	over $50,000
Over $75,000	$1,500, plus 4% of the excess
but not over $100,000	over $75,000
Over $100,000	$2,500, plus 5% of the excess
but not over $675,000	over $100,000
Over $675,000	$31,250, plus 6% of the excess
	over $675,000

(3) With respect to Connecticut taxable gifts, as defined in section 12–643, made by a donor during a calendar year commencing on or after January 1, 2005, but prior to January 1, 2010, including the aggregate amount of all Connecticut taxable gifts made by the donor during all calendar years commencing on or after January 1, 2005, but prior to January 1, 2010, the tax imposed by section 12–640 for the calendar year shall be at the rate set forth in the following schedule, with a credit allowed against such tax for any tax previously paid to this state pursuant to this subdivision:

Amount of Taxable Gifts	Rate of Tax
Not over $2,000,000	None
Over $2,000,000	

but not over $2,100,000	5.085% of the excess over $0
Over $2,100,000	$106,800 plus 8% of the excess
but not over $2,600,000	over $2,100,000
Over $2,600,000	$146,800 plus 8.8% of the excess
but not over $3,100,000	over $2,600,000
Over $3,100,000	$190,800 plus 9.6% of the excess
but not over $3,600,000	over $3,100,000
Over $3,600,000	$238,800 plus 10.4% of the excess
but not over $4,100,000	over $3,600,000
Over $4,100,000	$290,800 plus 11.2% of the excess
but not over $5,100,000	over $4,100,000
Over $5,100,000	$402,800 plus 12% of the excess
but not over $6,100,000	over $5,100,000
Over $6,100,000	$522,800 plus 12.8% of the excess
but not over $7,100,000	over $6,100,000
Over $7,100,000	$650,800 plus 13.6% of the excess
but not over $8,100,000	over $7,100,000
Over $8,100,000	$786,800 plus 14.4% of the excess
but not over $9,100,000	over $8,100,000
Over $9,100,000	$930,800 plus 15.2% of the excess
but not over $10,100,000	over $9,100,000
Over $10,100,000	$1,082,800 plus 16% of the excess
	over $10,100,000

(4) With respect to Connecticut taxable gifts, as defined in section 12–643, made by a donor during a calendar year commencing on or after January 1, 2010, but prior to January 1, 2011, including the aggregate amount of all Connecticut taxable gifts made by the donor during all calendar years commencing on or after January 1, 2005, the tax imposed by section 12–640 for the calendar year shall be at the rate set forth in the following schedule, with a credit allowed against such tax for any tax previously paid to this state pursuant to this subdivision or pursuant to subdivision (3) of this subsection, provided such credit shall not exceed the amount of tax imposed by this section:

Amount of Taxable Gifts	Rate of Tax

Not over $3,500,000	None
Over $3,500,000	7.2% of the excess
but not over $3,600,000	over $3,500,000
Over $3,600,000	$7,200 plus 7.8% of the excess
but not over $4,100,000	over $3,600,000
Over $4,100,000	$46,200 plus 8.4% of the excess
but not over $5,100,000	over $4,100,000
Over $5,100,000	$130,200 plus 9.0% of the excess
but not over $6,100,000	over $5,100,000
Over $6,100,000	$220,200 plus 9.6% of the excess
but not over $7,100,000	over $6,100,000
Over $7,100,000	$316,200 plus 10.2% of the excess
but not over $8,100,000	over $7,100,000
Over $8,100,000	$418,200 plus 10.8% of the excess
but not over $9,100,000	over $8,100,000
Over $9,100,000	$526,200 plus 11.4% of the excess
but not over $10,100,000	over $9,100,000
Over $10,100,000	$640,200 plus 12% of the excess
	over $10,100,000

(5) With respect to Connecticut taxable gifts, as defined in section 12–643, made by a donor during a calendar year commencing on or after January 1, 2011, but prior to January 1, 2018, including the aggregate amount of all Connecticut taxable gifts made by the donor during all calendar years commencing on or after January 1, 2005, the tax imposed by section 12–640 for the calendar year shall be at the rate set forth in the following schedule, with a credit allowed against such tax for any tax previously paid to this state pursuant to this subdivision or pursuant to subdivision (3) or (4) of this subsection, provided such credit shall not exceed the amount of tax imposed by this section:

Amount of Taxable Gifts	Rate of Tax
Not over $2,000,000	None
Over $2,000,000	7.2% of the excess
but not over $3,600,000	over $2,000,000
Over $3,600,000	$115,200 plus 7.8% of the excess

but not over $4,100,000	over $3,600,000
Over $4,100,000	$154,200 plus 8.4% of the excess
but not over $5,100,000	over $4,100,000
Over $5,100,000	$238,200 plus 9.0% of the excess
but not over $6,100,000	over $5,100,000
Over $6,100,000	$328,200 plus 9.6% of the excess
but not over $7,100,000	over $6,100,000
Over $7,100,000	$424,200 plus 10.2% of the excess
but not over $8,100,000	over $7,100,000
Over $8,100,000	$526,200 plus 10.8% of the excess
but not over $9,100,000	over $8,100,000
Over $9,100,000	$634,200 plus 11.4% of the excess
but not over $10,100,000	over $9,100,000
Over $10,100,000	$748,200 plus 12% of the excess
	over $10,100,000

(6) With respect to Connecticut taxable gifts, as defined in section 12–643, made by a donor during a calendar year commencing on or after January 1, 2018, but prior to January 1, 2019, including the aggregate amount of all Connecticut taxable gifts made by the donor during all calendar years commencing on or after January 1, 2005, the tax imposed by section 12–640 for the calendar year shall be at the rate set forth in the following schedule, with a credit allowed against such tax for any tax previously paid to this state pursuant to this subdivision or pursuant to subdivision (3), (4) or (5) of this subsection, provided such credit shall not exceed the amount of tax imposed by this section:

Amount of Taxable Gifts	Rate of Tax
Not over $2,600,000	None
Over $2,600,000	7.2% of the excess
but not over $3,600,000	over $2,600,000
Over $3,600,000	$72,000 plus 7.8% of the excess
but not over $4,100,000	over $3,600,000
Over $4,100,000	$111,000 plus 8.4% of the excess
but not over $5,100,000	over $4,100,000
Over $5,100,000	$195,000 plus 10% of the excess

but not over $6,100,000	over $5,100,000
Over $6,100,000	$295,000 plus 10.4% of the excess
but not over $7,100,000	over $6,100,000
Over $7,100,000	$399,900 plus 10.8% of the excess
but not over $8,100,000	over $7,100,000
Over $8,100,000	$507,000 plus 11.2% of the excess
but not over $9,100,000	over $8,100,000
Over $9,100,000	$619,000 plus 11.6% of the excess
but not over $10,100,000	over $9,100,000
Over $10,100,000	$735,000 plus 12% of the excess
	over $10,100,000

(7) With respect to Connecticut taxable gifts, as defined in section 12–643, made by a donor during a calendar year commencing on or after January 1, 2019, but prior to January 1, 2020, including the aggregate amount of all Connecticut taxable gifts made by the donor during all calendar years commencing on or after January 1, 2005, the tax imposed by section 12–640 for the calendar year shall be at the rate set forth in the following schedule, with a credit allowed against such tax for any tax previously paid to this state pursuant to this subdivision or pursuant to subdivision (3), (4), (5) or (6) of this subsection, provided such credit shall not exceed the amount of tax imposed by this section:

Amount of Taxable Gifts	Rate of Tax
Not over $3,600,000	None
Over $3,600,000	7.8% of the excess
but not over $4,100,000	over $3,600,000
Over $4,100,000	$39,000 plus 8.4% of the excess
but not over $5,100,000	over $4,100,000
Over $5,100,000	$123,000 plus 10% of the excess
but not over $6,100,000	over $5,100,000
Over $6,100,000	$223,000 plus 10.4% of the excess
but not over $7,100,000	over $6,100,000
Over $7,100,000	$327,000 plus 10.8% of the excess
but not over $8,100,000	over $7,100,000
Over $8,100,000	$435,000 plus 11.2% of the excess

but not over $9,100,000	over $8,100,000
Over $9,100,000	$547,000 plus 11.6% of the excess
but not over $10,100,000	over $9,100,000
Over $10,100,000	$663,000 plus 12% of the excess
	over $10,100,000

(8) With respect to Connecticut taxable gifts, as defined in section 12–643, made by a donor during a calendar year commencing on or after January 1, 2020, including the aggregate amount of all Connecticut taxable gifts made by the donor during all calendar years commencing on or after January 1, 2005, the tax imposed by section 12–640 for the calendar year shall be at the rate set forth in the following schedule, with a credit allowed against such tax for any tax previously paid to this state pursuant to this subdivision or pursuant to subdivision (3), (4), (5), (6) or (7) of this subsection, provided such credit shall not exceed the amount of tax imposed by this section:

~~Amount of Taxable Gifts~~	~~Rate of Tax~~
~~Not over the~~	~~None~~
~~federal basic exclusion amount,~~	
~~as defined in section 12–643~~	
~~Over the~~	~~10% of the excess over the~~
~~federal basic exclusion amount~~	~~federal basic exclusion amount~~
~~but not over $6,100,000~~	
~~Over $6,100,000~~	~~10.4% of the excess over the~~
~~but not over $7,100,000~~	~~federal basic exclusion amount~~
~~Over $7,100,000~~	~~10.8% of the excess over the~~
~~but not over $8,100,000~~	~~federal basic exclusion amount~~
~~Over $8,100,000~~	~~11.2% of the excess over the~~
~~but not over $9,100,000~~	~~federal basic exclusion amount~~
~~Over $9,100,000~~	~~11.6% of the excess over the~~
~~but not over $10,100,000~~	~~federal basic exclusion amount~~
~~Over $10,100,000~~	~~12% of the excess over the~~
	~~federal basic exclusion amount~~

Amount of Taxable Gifts	**Rate of Tax**

Not over $5,490,000	**None**
Over $5,490,000	**10% of the excess**
but not over $6,100,000	**over $5,490,000**
Over $6,100,000	**$61,000 plus 10.4% of the excess**
but not over $7,100,000	**over $6,100,000**
Over $7,100,000	**$165,000 plus 10.8% of the excess**
but not over $8,100,000	**over $7,100,000**
Over $8,100,000	**$273,000 plus 11.2% of the excess**
but not over $9,100,000	**over $8,100,000**
Over $9,100,000	**$385,000 plus 11.6% of the excess**
but not over $10,100,000	**over $9,100,000**
Over $10,100,000	**$501,000 plus 12% of the excess**
	over $10,100,000

Sec. 16. Subdivision (3) of subsection (b) of section 12–392 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

<< CT ST § 12–392 >>

(3) (A) A tax return shall be filed, in the case of every decedent who died prior to January 1, 2005, and at the time of death was (i) a resident of this state, or (ii) a nonresident of this state whose gross estate includes any real property situated in this state or tangible personal property having an actual situs in this state, whenever the personal representative of the estate is required by the laws of the United States to file a federal estate tax return.

(B) A tax return shall be filed, in the case of every decedent who dies on or after January 1, 2005, but prior to January 1, 2010, and at the time of death was (i) a resident of this state, or (ii) a nonresident of this state whose gross estate includes any real property situated in this state or tangible personal property having an actual situs in this state. If the decedent's Connecticut taxable estate is over two million dollars, such tax return shall be filed with the Commissioner of Revenue Services and a copy of such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated. If the decedent's Connecticut taxable estate is two million dollars or less, such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated, and no such return shall be filed with the Commissioner of Revenue Services. The judge of probate for the district in which such return is filed shall review each such return and shall issue a written opinion to the estate representative in each case in which the judge determines that the estate is not subject to tax under this chapter.

(C) A tax return shall be filed, in the case of every decedent who dies on or after January 1, 2010, but prior to January 1, 2011, and at the time of death was (i) a resident of this state, or (ii) a nonresident of this state whose gross estate includes any real property situated in this state or tangible personal property having an actual situs in this state. If the

decedent's Connecticut taxable estate is over three million five hundred thousand dollars, such tax return shall be filed with the Commissioner of Revenue Services and a copy of such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated. If the decedent's Connecticut taxable estate is three million five hundred thousand dollars or less, such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated, and no such return shall be filed with the Commissioner of Revenue Services. The judge of probate for the district in which such return is filed shall review each such return and shall issue a written opinion to the estate representative in each case in which the judge determines that the estate is not subject to tax under this chapter.

(D) A tax return shall be filed, in the case of every decedent who dies on or after January 1, 2011, but prior to January 1, 2018, and at the time of death was (i) a resident of this state, or (ii) a nonresident of this state whose gross estate includes any real property situated in this state or tangible personal property having an actual situs in this state. If the decedent's Connecticut taxable estate is over two million dollars, such tax return shall be filed with the Commissioner of Revenue Services and a copy of such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated. If the decedent's Connecticut taxable estate is two million dollars or less, such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated, and no such return shall be filed with the Commissioner of Revenue Services. The judge of probate for the district in which such return is filed shall review each such return and shall issue a written opinion to the estate representative in each case in which the judge determines that the estate is not subject to tax under this chapter.

(E) A tax return shall be filed, in the case of every decedent who dies on or after January 1, 2018, but prior to January 1, 2019, and at the time of death was (i) a resident of this state, or (ii) a nonresident of this state whose gross estate includes any real property situated in this state or tangible personal property having an actual situs in this state. If the decedent's Connecticut taxable estate is over two million six hundred thousand dollars, such tax return shall be filed with the Commissioner of Revenue Services and a copy of such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated. If the decedent's Connecticut taxable estate is two million six hundred thousand dollars or less, such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated, and no such return shall be filed with the Commissioner of Revenue Services. The judge of probate for the district in which such return is filed shall review each such return and shall issue a written opinion to the estate representative in each case in which the judge determines that the estate is not subject to tax under this chapter.

(F) A tax return shall be filed, in the case of every decedent who dies on or after January 1, 2019, but prior to January 1, 2020, and at the time of death was (i) a resident of this state, or (ii) a nonresident of this state whose gross estate includes any real property situated in this state or tangible personal property having an actual situs in this state. If the decedent's Connecticut taxable estate is over three million six hundred thousand dollars, such tax return shall be filed with the Commissioner of Revenue Services and a copy of such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated. If the decedent's Connecticut taxable estate is three million six hundred thousand dollars or less, such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal

property is situated, and no such return shall be filed with the Commissioner of Revenue Services. The judge of probate for the district in which such return is filed shall review each such return and shall issue a written opinion to the estate representative in each case in which the judge determines that the estate is not subject to tax under this chapter.

(G) A tax return shall be filed, in the case of every decedent who dies on or after January 1, 2020, and at the time of death was (i) a resident of this state, or (ii) a nonresident of this state whose gross estate includes any real property situated in this state or tangible personal property having an actual situs in this state. If the decedent's Connecticut taxable estate is over ~~the federal basic exclusion amount~~ **five million four hundred ninety thousand dollars**, such tax return shall be filed with the Commissioner of Revenue Services and a copy of such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated. If the decedent's Connecticut taxable estate is equal to or less than ~~the federal basic exclusion amount~~ **five million four hundred ninety thousand dollars**, such return shall be filed with the court of probate for the district within which the decedent resided at the date of his or her death or, if the decedent died a nonresident of this state, the court of probate for the district within which such real property or tangible personal property is situated, and no such return shall be filed with the Commissioner of Revenue Services. The judge of probate for the district in which such return is filed shall review each such return and shall issue a written opinion to the estate representative in each case in which the judge determines that the estate is not subject to tax under this chapter.

Sec. 17. Subsection (c) of section 12–391 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

<< CT ST § 12–391 >>

(c) For purposes of this section and section 12–392:

(1) (A) "Connecticut taxable estate" means, with respect to the estates of decedents dying on or after January 1, 2005, but prior to January 1, 2010, (i) the gross estate less allowable deductions, as determined under Chapter 112 of the Internal Revenue Code, [1] plus (ii) the aggregate amount of all Connecticut taxable gifts, as defined in section 12–643, made by the decedent for all calendar years beginning on or after January 1, 2005, but prior to January 1, 2010. The deduction for state death taxes paid under Section 2058 of said code shall be disregarded.

(B) "Connecticut taxable estate" means, with respect to the estates of decedents dying on or after January 1, 2010, but prior to January 1, 2015, (i) the gross estate less allowable deductions, as determined under Chapter 11 of the Internal Revenue Code, plus (ii) the aggregate amount of all Connecticut taxable gifts, as defined in section 12–643, made by the decedent for all calendar years beginning on or after January 1, 2005. The deduction for state death taxes paid under Section 2058 of said code shall be disregarded.

(C) "Connecticut taxable estate" means, with respect to the estates of decedents dying on or after January 1, 2015, (i) the gross estate less allowable deductions, as determined under Chapter 11 of the Internal Revenue Code, plus (ii) the aggregate amount of all Connecticut taxable gifts, as defined in section 12–643, made by the decedent for all calendar years beginning on or after January 1, 2005, other than Connecticut taxable gifts that are includable in the gross estate for federal estate tax purposes of the decedent, plus (iii) the amount of any tax paid to this state pursuant to section 12–642 by the decedent or the decedent's estate on any gift made by the decedent or the decedent's spouse during the three-year period preceding the date of the decedent's death. The deduction for state death taxes paid under Section 2058 of the Internal Revenue Code shall be disregarded.

(2) "Internal Revenue Code" means the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States, as amended from time to time, except in the event of repeal of the federal estate tax,

then all references to the Internal Revenue Code in this section shall mean the Internal Revenue Code as in force on the day prior to the effective date of such repeal.

(3) "Gross estate" means the gross estate, for federal estate tax purposes.

~~(4) "Federal basic exclusion amount" means the dollar amount published annually by the Internal Revenue Service at which a decedent would be required to file a federal estate tax return based on the value of the decedent's gross estate and federally taxable gifts.~~

[1] 26 U.S.C.A. § 2001 et seq.

Sec. 18. Section 12–643 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage):

<< CT ST § 12–643 >>

(1) "Taxable gifts" means the transfers by gift which are included in taxable gifts for federal gift tax purposes under Section 2503 and Sections 2511 to 2514, inclusive, and Sections 2516 to 2519, inclusive, of the Internal Revenue Code of 1986, [1] or any subsequent corresponding internal revenue code of the United States, as amended from time to time, less the deductions allowed in Sections 2522 to 2524, inclusive, of said Internal Revenue Code, [2] except in the event of repeal of the federal gift tax, then all references to the Internal Revenue Code [3] in this section shall mean the Internal Revenue Code as in force on the day prior to the effective date of such repeal.

(2) In the administration of the tax under this chapter, the Commissioner of Revenue Services shall apply the provisions of Sections 2701 to 2704, inclusive, of said Internal Revenue Code. [4] The words "secretary or his delegate" as used in the aforementioned sections of the Internal Revenue Code means the Commissioner of Revenue Services.

(3) "Connecticut taxable gifts" means taxable gifts made during a calendar year commencing on or after January 1, 2005, that are, (A) for residents of this state, taxable gifts, wherever located, but excepting gifts of real estate or tangible personal property located outside this state, and (B) for nonresidents of this state, gifts of real estate or tangible personal property located within this state.

~~(4) "Federal basic exclusion amount" means the dollar amount published annually by the Internal Revenue Service over which a donor would owe federal gift tax based on the value of the donor's lifetime federally taxable gifts.~~

[1] 26 U.S.C.A. §§ 2503, 2511 to 2514, inclusive, and 2516 to 2519, inclusive.

[2] 26 U.S.C.A. §§ 2522 to 2524, inclusive.

[3] 26 U.S.C.A. § 1 et seq.

[4] 26 U.S.C.A. §§ 2701 to 2704, inclusive.

Sec. 19. Subsection (a) of section 12–704 of the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage and applicable to taxable years commencing on or after January 1, 2019):

<< CT ST § 12–704 >>

(a) (1) Any resident or part-year resident of this state shall be allowed a credit against the tax otherwise due under this chapter in the amount of any income tax imposed on such resident or part-year resident for the taxable year by another state of the United States or a political subdivision thereof or the District of Columbia on income derived from sources therein and which is also subject to tax under this chapter.

(2) In the case of a resident, the credit provided under this section shall not exceed the proportion of the tax otherwise due under this chapter that the amount of the taxpayer's Connecticut adjusted gross income derived from or connected with sources in the other taxing jurisdiction bears to such taxpayer's Connecticut adjusted gross income under this chapter. The provisions of this section shall also apply to resident trusts and estates and, wherever reference is made in this section to residents of this state, such reference shall be construed to include resident trusts and estates.

(3) In the case of a part-year resident, the credit provided under this section shall not exceed the proportion of the tax otherwise due during the period of residency under this chapter that the amount of the taxpayer's Connecticut adjusted gross income derived from or connected with sources in the other jurisdiction during the period of residency bears to such taxpayer's Connecticut adjusted gross income during the period of residency under this chapter. The provisions of this section shall also apply to part-year resident trusts and, wherever reference is made in this section to part-year residents of this state, such reference shall be construed to include part-year resident trusts.

(4) The allowance of the credit provided under this section shall not reduce the tax otherwise due under this chapter to an amount less than what would have been due if the income subject to taxation by such other jurisdiction were excluded from Connecticut adjusted gross income.

(5) For purposes of this subsection, a tax on wages that is paid to another state of the United States or a political subdivision thereof or the District of Columbia by an employer on behalf of an employee and for which a credit is allowed by such other jurisdiction shall be considered an income tax and a comparable credit may be claimed by the resident or part-year resident, subject to the limitations set forth in this subsection, in the form and manner prescribed by the commissioner.

Sec. 20. Subdivision (2) of subsection (b) of section 12–711 of the 2018 supplement to the general statutes is repealed and the following is substituted in lieu thereof (Effective from passage and applicable to taxable years commencing on or after January 1, 2019):

<< CT ST § 12–711 >>

(2) (A) Before, on and after December 29, 2015, income from a business, trade, profession or occupation carried on in this state includes, but is not limited to, compensation paid to a nonresident natural person for rendering personal services as an employee in this state. For taxable years commencing on or after January 1, 2016, compensation for personal services rendered in this state by such nonresident employee who is present in this state for not more than fifteen days during a taxable year shall not constitute income derived from sources within this state. If a nonresident employee is present in this state for more than fifteen days during a taxable year, all compensation the employee receives for the rendering of all personal services in this state during the taxable year shall constitute income derived from sources within this state during the taxable year.

(B) For purposes of determining whether a nonresident employee is “present in this state” under subparagraph (A) of this subdivision, presence in this state for any part of a day constitutes being present in this state for that entire day unless such presence is solely for the purpose of transit through this state. The provisions of this subparagraph shall not apply to subsection (c) of this section or to any other provision of law unless expressly provided.

(C) For purposes of determining the compensation derived from or connected with sources within this state, a nonresident natural person shall include income from days worked outside this state for such person's convenience if such person's state of domicile uses a similar test.

~~(C)~~ **(D)** The provisions of this subdivision shall not apply to sources of income from a business, trade, profession, or occupation carried on in this state other than compensation for personal services rendered by a nonresident employee, and shall not apply to sources of income derived by an athlete, entertainer or performing artist, including, but not limited to, a member of an athletic team.

<< Note: CT ST § 11–4a >>

Sec. 21. (Effective from passage) The Commissioner of Economic and Community Development shall conduct a study to identify best practices for marketing the benefits of qualified opportunity zones, as defined in 26 USC 1400Z–1, to increase investment in distressed census tracts and municipalities. Not later than January 1, 2019, the commissioner shall submit the results of such study, in accordance with the provisions of section 11–4a of the general statutes, to the joint standing committees of the General Assembly having cognizance of matters relating to commerce, finance, revenue and bonding and municipalities.

Approved May 31, 2018.