

TAX AND REVENUE CHANGES

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REVENUE SCHEDULES

General Fund (\$ - thousands)		
	FY 10 ¹	FY 11 ¹
	Estimates	Estimates
Taxes		
Personal Income	6,630,700	6,654,700
Sales and Use	3,166,700	3,095,400
Corporations	721,600	731,900
Public Service Corporations	272,300	278,300
Inheritance and Estate	208,700	102,000
Insurance Companies	202,700	216,800
Cigarettes	392,600	403,100
Real Estate Conveyance	94,500	117,500
Oil Companies	98,900	75,500
Alcoholic Beverages	48,000	48,500
Admissions, Dues and Cabaret	37,100	37,600
Miscellaneous	143,700	144,700
Total Taxes	12,017,500	11,906,000
Refunds of Taxes	(1,080,500)	(983,300)
R & D Credit Exchange	(9,400)	(10,500)
Taxes Less Refunds	10,927,600	10,912,200
Other Revenue		
Transfer Special Revenue	293,400	295,100
Indian Gaming Payments	384,100	391,700
Licenses, Permits and Fees	281,800	265,600
Sales of Commodities and Services	33,200	34,300
Rentals, Fines and Escheats	97,300	103,400
Investment Income	10,000	10,000
Miscellaneous	208,000	218,500
Refunds of Payments	(700)	(700)
Total Other Revenue	1,307,100	1,317,900
Other Sources		
Federal Grants	4,051,800	3,770,400
Transfer to the Resources of the General Fund	1,121,900	1,678,000
Transfer from Tobacco Settlement Fund	107,300	106,100
Transfer From (To) Other Funds	(143,300)	(187,800)
Total Other Sources	5,137,700	5,366,700

¹ The projected revenues are the estimates of the Finance, Revenue, and Bonding Committee adopted on October 2, 2009.

Total Revenue	17,372,400	17,596,800
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Special Transportation Fund		
(\$ - thousands)		
	FY 10 Estimate	FY 11 Estimate
Taxes		
Motor Fuels Tax	\$494,700	\$489,700
Petroleum Products Tax	141,900	165,300
Sales Tax - DMV Payments	54,800	53,800
Refunds of Taxes	(6,600)	(6,900)
Total - Taxes Less Refunds	684,800	701,900
Other Sources		
Motor Vehicle Receipts	224,500	228,200
Licences, Permits, and Fees	136,100	136,500
Interest Income	16,500	16,500
Transfer to Other Funds	(9,500)	(9,500)
Transfer From Other Funds	81,200	126,000
Refunds of Payments	(2,600)	(2,600)
Transfer to TSB Projects Account	(15,300)	(15,300)
Total Other Sources	430,900	479,800
Total Revenue	\$1,115,700	\$1,181,700

Mashantucket Pequot Fund		
(\$ - thousands)		
	FY 10 Estimate	FY 11 Estimate
Transfers From the General Fund	\$61,800	\$61,800
Total Revenue	\$61,800	\$61,800

Soldiers, Sailors, and Marines Fund		
(\$ - thousands)		
	FY 10 Estimate	FY 11 Estimate
Investment Income	\$3,000	\$3,000
Total Revenue	\$3,000	\$3,000

Regional Market Operations Fund		
(\$ - thousands)		
	FY 10 Estimate	FY 11 Estimate
Rentals & Investment Income	\$1,000	\$1,000
Total Revenue	\$1,000	\$1,000

Banking Fund		
(\$ - thousands)		
	FY 10 Estimate	FY 11 Estimate
Fees and Assessments	\$22,100	\$20,600
Total Revenue	\$22,100	\$20,600

Insurance Fund		
(\$ - thousands)		
	FY 10 Estimate	FY 11 Estimate
Assessments & Investment Income	\$25,700	\$26,700
Total Revenue	\$25,700	\$26,700

Consumer Counsel & Public Utility Control Fund		
(\$ - thousands)		
	FY 10 Estimate	FY 11 Estimate
Fees and Assessments	\$24,600	\$25,200
Total Revenue	\$24,600	\$25,200

Workers' Compensation Fund		
(\$ - thousands)		
	FY 10 Estimate	FY 11 Estimate
Fees, Assessments, & Investment Income	\$22,700	\$23,100
Total Revenue	\$22,700	\$23,100

Criminal Injuries Compensation Fund		
(\$ - thousands)		
	FY 10 Estimates	FY 11 Estimates
Fines & Investment Income	\$3,200	\$3,200
Use of Fund Balance		300
Total Revenue	\$3,200	\$3,500

REVENUE SUMMARY

Pursuant to §2-35 of the Connecticut General Statutes, the Finance, Revenue and Bonding Committee adopted FY 10 and FY 11 revenue estimates for the General Fund, the Special Transportation Fund, and eight other appropriated funds on 10/2/09 in support of the 2009 - 2011 biennial budget². A brief summary of the major revenue changes appears below and a detailed listing of all the changes appears on page 38.

General Fund - During the 2009 regular and special sessions the legislature enacted provisions that are anticipated to result in a net General Fund revenue gain of \$2,940.1 million in FY 10 and \$2,583.5 million in FY 11. The changes are a combination of: (1) net structurally recurring revenue (\$512.9 million in FY 10 and \$215.1 million in FY 11), and (2) non-recurring revenue, including one-time sources, (\$2,427.2 million in FY 10 and \$2,368.4 million in FY 11). The most significant of these changes are listed below. (Please refer to pages 38 - 43 for the fiscal impact associated with all of the changes made during the 2009 regular and special sessions.)

1. **Income Tax** - Increases the marginal tax rate from 5.0% to 6.5% on taxable income over \$1 million for Joint Filers, \$800,000 for Head of Household, and \$500,000 for Singles and Married Filing Separately, which is anticipated to result in a revenue gain of \$594.0 million in FY 10 and \$400.0 million in FY 11.
2. **Sales Tax** - Reduce the Sales and Use Tax from 6.0% to 5.5%, effective 1/01/10, which is anticipated to result in a revenue loss of \$129.5 million in FY 10 and \$268.0 million in FY 11.
3. **Corporation Business Tax** - Imposes a surcharge of 10% for income years 2009 through 2011 for businesses with over \$100 million in adjusted federal gross income, which is anticipated to result in a revenue gain of \$74.1 million in FY 10 and \$41.1 million in FY 11 and \$22.1 million in FY 12.
4. **Corporation Business Tax** - Eliminates Deduction against the Corporation Tax for Federal Domestic Production, which is anticipated to result in a revenue gain of \$27.5 million per year beginning in FY 10.
5. **Cigarette Tax** - Increases Cigarette Tax from \$2.00 to \$3.00 per pack, effective 10/01/09, which is anticipated to result in a revenue gain of \$99.3 million in FY 10 and \$117.6 million in FY 11.
6. **Insurance Companies Tax** - Modifies the Film Tax Credit to emphasize Connecticut based operations, which is anticipated to result in a revenue gain of \$10 million in FY 11.
7. **Real Estate Conveyance Tax** - Applies Real Estate Conveyance Tax to foreclosure transactions, effective 01/01/10, which is anticipated to result in a revenue gain of \$8.5 million in FY 10 and \$16.2 million in FY 11.

² The appropriations for the 2009 - 2011 biennial budget are primarily contained in PA 09-3 (JSS).

8. **Estate Tax** - Makes the following changes: (1) increases, from \$2 million to \$3.5 million, the threshold for the value of an estate or gift subject to the tax, (2) reduces marginal tax rates by 25%, and (3) eliminates the tax “cliff”. These changes are anticipated to result in a revenue loss of \$5.9 million in FY 10 and \$70.3 million in FY 11.
9. **Transfers to the Resources of the General Fund** - The budget includes a net total of \$1,121.7 million in FY 10 and \$1,678.0 million in FY 11 in transfers to the General Fund from other funds and accounts.³ The detail of these transfers appears below.

Transfers from Other Funds (millions)			
Agency	Item	FY 10	FY 11
UCHC	Medical Malpractice Account	\$10.0	\$10.0
EEC	Citizens Election Fund	18.0	7.0
	Tobacco and Health Trust Fund	10.0	10.0
DPH	Biomedical Research Trust Fund	4.5	4.5
DPUC	Public/Education, Government Programming	2.0	2.0
JUD	Criminal Injuries Compensation Fund	2.3	1.3
DMHAS	Pre-trial Alcohol and Drug Account	0.5	0.5
VARIOUS	Community Investment Act (CIA)	0.5	-
DAG	Transfer to CIA for various DAG programs	(0.17)	-
DAG	Animal Population Control Account	0.5	-
DPUC	Siting Council	-	0.5
DCP	New Automobile Warranties Account	-	0.5
HE Units	Higher Education Reserves (allocated among units)	5.0	9.0
DOIT	Technical Services Revolving Fund	4.0	-
DSS	Traumatic Brain Injury and Prevention Services	(0.1)	-
	Sub-Total	\$57.0	\$45.3
	Transfer from Budget Reserve Fund	1,039.7	342.0
	Casino Promotional Play Settlement	25.0	-
	Securitization of Revenue	-	1,290.7
	Total	\$1,121.7	\$1,678.0

³ With the exception of the “Transfer to the CIA for various DAG programs” and the “Traumatic Brain Injury and Prevention Services” entries in the table above, which are transfers from the General Fund, all of the dollar figures in the table reference transfers to the General Fund.

10. Federal revenue anticipated from the American Recovery and Reinvestment Act of 2009 - On February 17, 2009 Congress passed the American Recovery and Reinvestment Act of 2009 (ARRA). Although the federal legislation was passed after the Governor issued her budget message, her recommended budget anticipated the receipt of federal revenue from both enhanced matching Medicaid funds and revenue from the Fiscal Stabilization Fund contained in ARRA. The Governor's recommended budget anticipated receiving these funds in FY 09, FY 10, and FY 11 and the legislature concurred with that recommendation. The Office of Fiscal Analysis has projected federal funds based upon our estimates of Medicaid expenditures for FY 09, FY 10, and FY 11 and projected levels of unemployment that impact the federal match rate. The table below reflects the anticipated ARRA funds included in the General Fund Revenue schedule adopted by the Finance, Revenue and Bonding Committee on 10/2/09.

American Recovery & Reinvestment Act of 2009	Projected FY 09	FY 10	FY 11	Total
Medicaid	\$368.4	\$603.3	\$320.6	\$1,290.3
Title IV-E	\$4.5	\$6.7	\$3.3	\$14.5
Fiscal Stabilization - Education (81.8%)		\$221.6	\$221.6	\$443.3
Fiscal Stabilization - Other Services (18.2%)		\$49.3	\$49.3	\$98.6
<i>Fiscal Stabilization - subtotal</i>		\$270.9	\$270.9	\$541.8
Total	\$372.9	\$878.9	\$594.8	\$1,846.6

TAX AND OTHER REVENUE CHANGES MADE BY 2009 LEGISLATION

Described below are tax and other revenue changes made during the 2009 regular session and June Special Session (JSS). Tax changes affecting the General Fund are shown first, followed by non-tax revenue changes to the fund. This is followed by revenue changes to other funds, including the Special Transportation Fund. Not included are miscellaneous penalties and fines, unless the revenue anticipated by the changes is anticipated to be significant. Each entry includes the public act number, a brief description, and the revenue impact. Items estimated to have a minimal or no fiscal impact are indicated by a (-) in the "Revenue Changes" column. Unless otherwise noted, the effective date for each entry is July 1, 2009.

	Revenue Changes	
Tax Changes	Fiscal Year	Changes Amount (in millions)
GENERAL FUND		
Income Tax		
<u>PA 09-03 (JSS)</u>		
Increases income taxes for those with taxable incomes over \$1 million for joint filers, \$800,000 for heads of households, and \$500,000 for single filers and married people filing separately beginning with the 2009 income year. It does so by adding a third, higher-income tax bracket and increasing the marginal tax rate for income in that bracket from 5.0% to 6.5%. It also increases the flat income tax rate for trusts and estates from 5.0% to 6.5%.	FY 10	594.0
	FY 11	400.0
<u>PA 09-03 (JSS)</u>		
Delays scheduled income tax reductions for single filers for three years. It does so by delaying scheduled increases in (1) their adjusted gross income (AGI) exempt from the tax and (2) income thresholds for phasing out their personal exemptions and credits.	FY 10	23.9
	FY 11	30.2
Sales & Use Tax		
<u>PA 09-03 (JSS)</u>		
Reduces the sales and use tax rates applicable to most taxable items and services from 6% to 5.5%, effective January 1, 2010.	FY 10	-129.5
	FY 11	-268.0
<u>PA 09-03 (JSS)</u>		
Requires the DRS Commissioner to include a use tax table on state income tax forms. The table must show the Connecticut use tax rate and the total taxes that would be due for various amounts spent.	FY 10	0.5
	FY 11	0.5
Corporation Tax		

Revenue Changes

	Fiscal Year	Changes Amount (in millions)
<u>PA 09-03 (JSS)</u>		
Imposes a Corporation Tax Surcharge of 10% for income years 2009-2011 for businesses with over \$100 million in adjusted federal gross income.	FY 10	74.1
	FY 11	41.1
<u>PA 09-03 (JSS)</u>		
Extends the period for which a company may carry forward unused credits for donating open space land from 15 to 25 years.	FY 10	-
	FY 11	-
<u>PA 09-03 (JSS)</u>		
Doubles, from \$250,000 to \$500,000, the maximum preference tax for groups of companies filing combined corporation tax returns.	FY 10	9.0
	FY 11	9.0
<u>PA 09-03 (JSS)</u>		
Prevents companies and individuals from using the federal tax deduction for income from qualified domestic production activities when determining their taxable income for the state's corporation and income taxes.	FY 10	27.5
	FY 11	27.5
<u>PA 09-03 (JSS)</u>		
Establishes "economic nexus" as the basis for determining whether an out-of-state business is subject to the Connecticut corporation tax, if it is a C corporation, or whether nonresident partners or members of a partnership or S corporation are subject to Connecticut income tax on income from the business.	FY 10	-
	FY 11	10.0
Gift and Estate Tax		
<u>PA 09-03 (JSS)</u>		
Increases, from \$2 million to \$3.5 million, the threshold for the value of an estate or gift subject to the estate and gift tax; reduces marginal tax rates by 25%; and eliminates the tax "cliff," effective January 1, 2010.	FY 10	-5.9
	FY 11	-70.3
<u>PA 09-03(JSS)</u>		
Requires the Gift and Estate Tax to be due within six months of death instead of nine months.	FY 10	44.0
	FY 11	-

Insurance Companies Tax

Revenue Changes

	Fiscal Year	Changes Amount (in millions)
<u>PA 09-03 (JSS)</u> Modifies the Film Tax Credit to emphasize Connecticut based operations.	FY 10 FY 11	- 10.0
Cigarette Tax		
<u>PA 09-03 (JSS)</u> Increases the cigarette tax from \$2.00 to \$3.00 per pack (the revenue estimate includes additional sales tax revenue as a result of the tax increase), effective 10/01/09.	FY 10 FY 11	99.3 117.6
<u>PA 09-03 (JSS)</u> Increases the tobacco products tax from 20% to 27.5% of the wholesale price and the tax on snuff tobacco from 40 cents to 55 cents per ounce, effective October 1, 2009.	FY 10 FY 11	1.6 2.0
Real Estate Conveyance Tax		
<u>PA 09-03 (JSS)</u> Applies the real estate conveyance tax to property that is foreclosed by sale through a court-order. Current law exempts such properties from the tax.	FY 10 FY 11	8.5 16.2
Oil Companies		
<u>PA 09-03 (JSS)</u> Eliminates the annual transfer to the Underground Storage Tank Account as a result of the consolidation of various DEP funds and accounts into the General Fund.	FY 10 FY 11	12.0 12.0
<u>PA 09-03 (JSS)</u> Eliminates the annual transfer to the Emergency Spill Response Account as a result of the consolidation of various DEP funds and accounts into the General Fund.	FY 10 FY 11	12.5 12.5
Various Taxes		
<u>PA 09-03 (JSS)</u> Requires the DRS commissioner to establish a tax settlement initiative program for anyone who owes state taxes (other than motor carrier road tax), interest, or penalties for certain taxable periods.	FY 10 FY 11	75.0 -15.0

Transfer Special RevenuePA 09-03 (JSS)

Tax and Revenue Changes - 41
Revenue Changes

	Fiscal Year	Changes Amount (in millions)
Increases the transfer from the General Fund to the Chronic Gamblers Account.	FY 10	-0.4
	FY 11	-0.4

Indian Gaming Payments

PA 09-03 (JSS)

Ratifies the agreement between the State of Connecticut and the Mashantucket Pequot and Mohegan Tribes concerning promotional slot machine play and is anticipated to result in revenue gain of \$3.0 million per year beginning in FY 10.	FY 10	3.0
	FY 11	3.0

Licenses, Permits, and Fees

PA 09-03 (JSS)

Increases the fees for filing with the Superior Court in certain cases.	FY 10	4.8
	FY 11	6.4

PA 09-03 (JSS)

Raises numerous fees by: (1) increasing fees to at least \$15, (2) doubling fees under \$150, (3) increasing fees between \$150 and \$1,000 by 25%, and (4) increasing fees greater than \$1,000 by \$250.	FY 10	52.1
	FY 11	45.1

PA 09-03 (JSS)

Increases various Department of Environmental Protection (DEP) fees. It eliminates various DEP funds and accounts, and transfers the revenue from these funds and accounts to the General Fund.	FY 10	39.5
	FY 11	42.8

PA 09-03 (JSS)

All of the commercial recording fees will be deposited into the General Fund due to administrative expenses for the Commercial Recording Division budgeted from the General Fund. Previously, only a portion of the revenue generated from recording fees was deposited into the General Fund.	FY 10	11.8
	FY 11	11.6

Rentals, Fines, and Escheats

PA 09-03 (JSS)

The annual transfer to the Citizens' Election Fund (CEF) is reduced by \$2.3 million per year to reflect that administrative expenses will be paid from the General Fund instead of the CEF.	FY 10	2.3
	FY 11	2.3

Revenue Changes

	Fiscal Year	Changes Amount (in millions)
Miscellaneous Revenue		
<u>PA 09-03 (JSS)</u>		
Requires the State Treasurer and the OPM Secretary jointly to establish a plan to sell state assets to raise up to \$15.0 million for FY 10 and up to \$45.0 million for FY 11.	FY 10	15.0
	FY 11	45.0
Transfers to the Resources of the General Fund		
<u>PA 09-03 (JSS)</u>		
Transfers to the General Fund from various funds & accounts. (see page 36 for a detailed listing)	FY 10	57.0
	FY 11	45.3
<u>PA 09-03 (JSS)</u>		
Transfers \$1,039.7 million in FY 10 and \$342.0 million in FY 11 from the Budget Reserve Fund to the General Fund.	FY 10	1,039.7
	FY 11	342.0
<u>PA 09-03 (JSS)</u>		
Ratifies the agreement between the State of Connecticut and the Mashantucket Pequot and Mohegan Tribes concerning promotional slot machine play and is expected to result in a one-time General Fund revenue gain of \$25.0 million in FY 10.	FY 10	25.0
	FY 11	-
<u>PA 09-03 (JSS)</u>		
Requires the State Treasurer and the Office of Policy and Management secretary to jointly develop a financing plan to raise up to \$1,290.7 million in net General Fund revenue in FY 11.	FY 10	-
	FY 11	\$1,290.7
Transfers to Other Funds		
<u>PA 09-03 (JSS)</u>		
Reduces the General Fund transfer to the Mashantucket Pequot and Mohegan Fund from \$86.3 million to \$61.8 million in FY 10 and FY 11.	FY 10	25.4
	FY 11	25.4
<u>PA 09-03 (JSS) & PA 09-08</u>		
Requires the comptroller to transfer \$81.2 million in FY 10 and \$126.0 million in FY 11 from the General Fund to the Special Transportation Fund.	FY 10	-81.2
	FY 11	-126.0

SPECIAL TRANSPORTATION FUND

PA 09-03 (JSS)

Requires the comptroller to transfer \$81.2 million in FY 10 and \$126.0 million in FY 11 from the General Fund to the Special Transportation Fund.

Fiscal
Year

Changes
Amount
(in millions)

FY 10	81.2
FY 11	126.0