



STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES

SN 2011(6)

25 Sigourney Street Ste 2  
Hartford CT 06106-5032

SPECIAL NOTICE

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Summary of Tax Provisions Contained in 2011 Conn. Pub. Acts 6

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**Purpose:** The purpose of this Special Notice is to provide taxpayers with a general overview of the tax provisions contained in 2011 Conn. Pub. Acts 6 and Emergency Certified Bill No. 6652. **Important Note:** Although 2011 Conn. Pub. Acts 6 was signed into law on May 4, 2011, Emergency Certified Bill No. 6652 is pending the Governor's signature.

The summary is broken down by the following tax types: Income Tax, Sales and Use Taxes and the Admissions Tax, Corporation Business Tax and Tax Credits, Excise Taxes and Miscellaneous Taxes. Please be advised that the Department will issue separate publications for each of these tax types that will address in more detail the provisions summarized below.

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**Effective Date:** As noted below

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**Statutory Authority:** 2011 Conn. Pub. Acts 6.

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**Income Tax:** The following income tax changes are effective as of January 1, 2011:

Tax Brackets and Rates: The number of income tax brackets was increased from three to six with the top marginal income tax rate increased to 6.7%. The new income tax rates are 3%; 5%; 5.5%; 6.0%; 6.5% and 6.7%.

Property Tax Credit: The income tax credit for property taxes paid to a Connecticut political subdivision was reduced from \$500 to \$300.

New Withholding Tables: In light of the tax rate increases, the General Assembly also passed a provision requiring that the Department issue new income tax withholding tables that take into account these changes. The new withholding tables will spread any tax increases over the remainder of

calendar year 2011 thereby allowing taxpayers to "catch-up" with increases that were effective back to January 1. The revised withholding tables are available on the Department's website at [www.ct.gov/DRS](http://www.ct.gov/DRS).

Estimated Tax Payments: Starting with the estimated payment due September 15, 2011, taxpayers making estimated income tax payments for taxable year 2011 are required to adjust their estimated income tax payments to take into account the change in the applicable tax rate for the 2011 taxable year.

Connecticut Earned Income Tax Credit: Resident taxpayers are eligible to claim an earned income credit against the Connecticut income tax due for the taxable year (Connecticut Earned Income Tax Credit). The amount of the Connecticut Earned Income Tax Credit is 30% of the earned income tax credit claimed and allowed on the federal income tax return for the same taxable year.

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**Sales and Use Taxes:**

Tax Rates: The following tax rates are in effect as of July 1, 2011:

- The general sales and use tax rate increases from 6% to 6.35%;
- The room occupancy tax increases from 12% to 15%;
- The tax on the rental or leasing of a passenger motor vehicle for a period of 30 consecutive calendar days or less increases from 6% to 9.35%;
- A tax rate of 7% applies to the following: the sale for more than \$50,000 of most motor vehicles, the sale for more than \$100,000 of a vessel, the sale for more than \$5,000 of jewelry (whether real or imitation), the sale for more than \$1,000 of an article of clothing or footwear intended to be worn on or about the human body, a handbag, luggage, umbrella, wallet or watch.

New Taxable Services: Effective July 1, 2011, sales of the following services are taxable:

- Services rendered in the voluntary evaluation, prevention, treatment, containment or removal of hazardous waste or other contaminants of air, water or soil;
- Valet parking provided at any airport;
- Yoga instruction provided at a yoga studio;
- Motor vehicle storage services;
- Packing and crating services;
- Motor vehicle towing and road services;
- Intrastate transportation services provided by livery services, with certain exceptions, including nonemergency medical transportation provided under the Medicaid program, certain paratransit services and dial-a-ride services;
- Pet grooming, pet boarding services, and pet obedience services;
- Services in connection with a cosmetic medical procedure;
- Manicure services, pedicure services and all other nail services; and
- Spa services.

Exemptions Repealed: Effective July 1, 2011, the following exemptions are repealed:

- Clothing and footwear under \$50;
- Nonprescription drugs and medicines, and smoking cessation products; and
- Cloth or fabric for noncommercial sewing, and yarn for noncommercial use.

Remote Affiliates: Expands Connecticut law to provide that an out-of-state retailer will have nexus with Connecticut based on certain arrangements with remote affiliates located in Connecticut.

Exemption for equipment installed in motor vehicles for persons with physical disabilities: This exemption was expanded to apply to the portion of the sales price attributable to such equipment when a motor vehicle is resold.

**Admissions Tax:** Admissions charges for events at the following venues are taxable, effective for admissions charges on and after January 1, 2012:

- Hartford Civic Center;
- New Haven Coliseum;
- New Britain Beehive Stadium;
- New Britain Stadium;
- New Britain Veterans Memorial Stadium;

- Bridgeport Harbor Yard Stadium;
- Stafford Motor Speedway;
- Lime Rock Park;
- Thompson Speedway;
- Waterford Speedbowl;
- facilities owned or managed by the Tennis Foundation of Connecticut or any successor organization;
- William A. O'Neill Convocation Center;
- Connecticut Exposition Center;
- Nature's Art;
- Connecticut Convention Center;
- Dodd Stadium;
- Arena at Harbor Yard; and
- Games of the New Britain Rock Cats, New Haven Ravens or the Waterbury Spirit.

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### Corporation Business Tax:

Surtax: A surtax of 20% will apply for income years beginning on or after January 1, 2012 and before January 1, 2014.

Incentive to create new jobs: Allows a taxpayer to use tax credits to offset more than 70 per cent of its corporation business tax liability if the business meets certain job creation criteria.

### Tax Credits:

Film Production Credit: Restricts the amount of film production tax credit that certain eligible production companies may assign and increases the percentage of principal photography days that an eligible production company must conduct in Connecticut.

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### Excise Taxes:

Cigarette Tax - Rate increase: The cigarette tax rate will increase from \$3.00 to \$3.40 per pack on July 1, 2011.

Tobacco Products Tax - Rate increases: Effective July 1, 2011, the tax on all tobacco products (other than tobacco snuff products) will increase from 27.5 percent to 50 percent of the wholesale sales price of such products. In the case of cigars, the tax will be 50 percent of the wholesale sales price, not to exceed 50 cents per cigar.

Effective July 1, 2011, the tax on tobacco snuff products will increase from \$0.55 per ounce to \$1.00 per ounce of snuff.

Effective July 1, 2011, the tax on cigars will be 50 percent of the wholesale sales price, not to exceed 50 cents per cigar.

Alcoholic Beverage Tax - Rate increases: Effective July 1, 2011, the various alcoholic beverages tax rates will increase by 20%.

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### **Miscellaneous Taxes:**

Real Estate Conveyance Tax - Rate increases: For deeds, instruments or writings that are currently subject to the state real estate conveyance tax at a rate of 0.5%, the rate is increased to 0.75% effective July 1, 2011.

For deeds, instruments or writings that are currently subject to the state real estate conveyance tax at a rate of 1.0%, the rate is increased to 1.25% effective July 1, 2011.

Estate Tax: For estates of decedents dying on or after January 1, 2011, an estate is subject to the Connecticut estate tax if the amount of the Connecticut taxable estate exceeds \$2 million.

Gift Tax: For Connecticut taxable gifts made by a donor during a calendar year commencing on or after January 1, 2011, including the aggregate amount of Connecticut taxable gifts made by the donor during all calendar years commencing on or after January 1, 2005, the Connecticut gift tax will be imposed if the amount of Connecticut taxable gifts exceeds \$2 million (with a credit allowed against such tax for Connecticut gift tax previously paid for Connecticut taxable gifts made on or after January 1, 2005, but prior to January 1, 2011).

New Electric Generation Tax: Effective for calendar quarters commencing July 1, 2011, there is a new electric generation tax that is imposed on every entity that is providing electric generation services and uploading electricity generated at a facility in Connecticut to the regional bulk power grid. The tax is equal to \$0.0025 multiplied by the net kilowatt hours of electricity that are generated and uploaded. The tax does not apply to electricity generated and uploaded exclusively through the use of fuel cells, solar, wind, water, or biomass. **Note:** This tax is scheduled to sunset on July 1, 2013.

New Hospitals Tax: Effective for calendar quarters commencing July 1, 2011, there is a new tax imposed on a hospital's "net patient revenue."

New Residential Day User Fee – ICF-MR: Effective for calendar quarters commencing July 1, 2011, there is a new "residential day user fee" on each intermediate care facility for the mentally retarded in this state.

Nursing Home User Fee: Effective for calendar quarters commencing on or after October 1, 2011, the fee is based on the sum of each nursing home's anticipated nursing home net revenue multiplied by a percentage set by the Department of Social Services, which percentage will not exceed the maximum allowed under federal law.

**Effect on Other Documents:** None effected.

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

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

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

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

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**Forms and Publications:** Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) to download and print Connecticut tax forms and publications.

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### **Paperless Filing/Payment Methods (fast, easy, free, and confidential):**

Business and individual taxpayers can use the **Taxpayer Service Center (TSC)** at [www.ct.gov/TSC](http://www.ct.gov/TSC) to file a variety of tax returns, update account information, and make payments online.

**File Electronically:** You can choose first-time filer information and filing assistance or log directly into the **TSC** to file returns and pay taxes.

**Pay Electronically:** You can pay taxes for tax returns that cannot be filed through the **TSC**. Log in

and select the *Make Payment Only* option. Designate a payment date up to the due date of the tax and mail a paper return to complete the filing process.

**DRS E-Alerts Service:** Get connected to the latest news from DRS. Receive notification by email of changes to legislation, policies, and procedures.

**DRS E-Alerts** provide information for employer's withholding tax, News – Press Releases, and Top 100 Delinquency List. Visit the DRS website at [www.ct.gov/DRS](http://www.ct.gov/DRS) and select *e-alerts* from the left navigation bar.

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