

Act Number	Session	Bill Number	Total Number of Committee Pages	Total Number of House Pages	Total Number of Senate Pages
PA 71-461		5990	4	1	2
<u>Committee Pages:</u> <ul style="list-style-type: none"> • <i>Finance</i> 218 • <i>Finance</i> 230 • <i>Finance</i> 236-237 				<u>House Pages:</u> <ul style="list-style-type: none"> • 3200 	<u>Senate Pages:</u> <ul style="list-style-type: none"> • 2607- 2608

H-114

**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
1971**

**VOL. 14
PART 7
3011-3376**

Thursday, May 20, 1971 6.

Calendar No. 1003, File No. 1086, Substitute for H.B. No. 7776, an Act concerning appeals from decisions and actions of the Real Estate Commission; Calendar No. 1005, File No. 1085, Substitute for H.B. No. 5990, an Act concerning corporation business tax consolidated return. Mr. Speaker, I move for passage of those items on the Consent Calendar.

MR. SPEAKER:

Is there any individual Member who objects to the passage of these Bills today on the Consent Calendar? If not, the question's on acceptance of the Joint Committees' favorable reports and passage of the Bills. All those in favor indicate by saying "aye". Opposed. The Bills are passed.

RONALD A. SARASIN:

Mr. Speaker, prior to moving the items for today's Consent Calendar, I would ask that two items on Page 2, which are one-starred from today, be removed from the Consent Calendar so that they will not be considered tomorrow. Calendar No. 1014, on Page 2, Substitute for H.B. No. 6127, an Act concerning practice of dentistry in clinics and schools of dentistry, File No. 1102; and Calendar No. 1028, Substitute for H.B. No. 5650, an Act concerning the membership of the State Board of Education and services for the Blind, File No. 1121. I would ask that they be removed.

MR. SPEAKER:

Your objection is noted. The individual items will be removed from the Consent Calendar and will appear on tomorrow's regular Calendar.

RONALD A. SARASIN:

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CONNECTICUT
GENERAL ASSEMBLY**

SENATE

**PROCEEDINGS
1971**

**VOL. 14
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2436-2873**

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THE CHAIR:

The question is on passage of the bill as amended. Will you remark further? Hearing none, all those in favor of the bill signify by saying aye. AYE. Opposed nay? The ayes have it, the bill as amended is passed.

THE CLERK:

Page 8, Cal. 866, File 1042, Favorable report of the joint standing committee on Insurance and Real Estate on Substitute H.B. 5541 An Act Concerning the Acquisition and Organization of Subsidiaries by Domestic Mutual Life Insurance Companies.

THE CHAIR:

Senator Dinielli.

SENATOR DINIELLI:

Mr. President, I move for acceptance of the bill and passage.

THE CHAIR:

Will you remark?

SENATOR DINIELLI:

Mr. President, this act puts into Statutory form the powers that are already held by the Mutual Life Insurance Companies. And merely a statement of they already are able to do now in other statutes.

THE CHAIR:

The question is on passage. Will you remark further? If not all those in favor of passage signify by saying aye. Opposed nay? The ayes have it. The bill is passed.

THE CLERK:

Page 9, Cal. 921, File 1083 Favorable report of the joint standing Committee on Finance. Substitute for H.B. 5990 An Act Concerning Corporation Business Tax Consolidated Return.

THE CHAIR:

Senator Rimer.

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SENATOR RIMER:

Mr. President, I move acceptance of the joint committee's favorable report and passage of the bill.

THE CHAIR:

Will you remark?

SENATOR RIMER:

Mr. President, this bill amends Sec. 12-217 of the General Statutes concerning the Corporation business tax. And it would provide a method of computing deductions on tax returns when the tax payer is affiliated with a group of corporations filing a U.S. Consolidated Income Tax return with the Internal Revenue Service.

THE CHAIR:

The question is on passage of the bill. Will you remark further? If not all those in favor of passage signify by saying aye. AYE. Opposed nay. The ayes have it. The bill is passed.

THE CLERK:

Cal. 922, File 487, Favorable report of the joint standing committee on Banks and Regulated Activities on Substitute H.B. 6167 An Act Providing One Appraiser of Real Estate for Savings Banks and Savings and Loan Associations.

THE CHAIR:

Senator Buckley.

SENATOR BUCKLEY:

Mr. President, I move acceptance and passage. The Clerk has an amendment.

THE CLERK:

Senator's Crafts amendment.

SENATOR CRAFT:

Mr. President, would the clerk read the amendment.

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to the towns but if it did, the revenue cost would amount to about \$11.6 million per year according to the report of the 1967 tax study. Bill 5818, this bill was put in by the Tax Department at the suggestion of the state auditors but we ask that it be withdrawn because of possible interstate commerce implication. Bill 5817, there is some revenue loss involved here---how much is not known. Bill 5824, subsection 50 of Section 12-31 of the 1969 Supplement to the general statutes provides that the phase out of the local property tax on manufacturers' inventories be suspended for the valuation of 1969 and picks up again for the valuation of 1970. But section 12-24a of the 1969 Supplement provides for reimbursement to the towns only through 1971. So Bill 5824 is needed to continue the reimbursement to the towns in 1972 and 1973 for taxes exempted in 1971 and 1972. Bill 5984, this bill contains a sleeper that does not appear in either the title or the statement of purpose. If you will look at page 2 of the bill, ten lines down, you will note that it reduces the tax rate from 8 percent to 7 percent as well as eliminating the minimum bast tax-- Revenue Cost \$20 million annually -- at a minimum. Bill 5986, This bill would also cost some state revenue but difficult to determine. Bill 5988, is a statement of purpose bill to provide carry over of losses in determing corporation taxes but we cannot pass upon it without a complete bill. Bill 5990, the Tax Department has another bill be you today (Bill 6484) which if enacted would cure the complaint which is the basis of this bill and also help us to avoid tax evasion. Bill 6853, the Tax Department asked for this bill to clarify for tax purposes what constitutes a multi-state corporation so as to permit the Connecticut corporation to allocate part of its business out of state. It is an attempt at uniformity with other states. Bill 7708, a close reading of Section 1 would impose the tax at 8 percent for "each income year" (line 42 on page 2) and the effective date is stated as July 1, 1971. Since the corporation tax rate according to the present law has already returned to the 5 1/4 percent rate, I think the effective date should be changed to read "This act shall take effect from its passage and shall apply to income years or periods beginning on or after January 1, 1971" -- otherwise, you will have a 5 1/4 percent rate between January 1, and July 1. Bill 742, this bill seeks to do the same as Bill 5354 but it fails to name a rate in the body of the bill, although the statement of purpose says 1 percent. If 1 percent is correct, then the revenue cost will be the same as for Bill 5354--\$5.3 million annually. Bill 1184, here I would merely like to invite your attention to an obvious typing error on page 2--in section 3 about 14 lines down where a phrase has apparently been repeated. Thank you for the opportunity to present the Department's views on this proposed legislation.

Sen. Rimer, 26th Dist: Mr. Tarrant I may have missed your comment on S.B. 431 having to do with the franchise tax of stock corporations.

Mr. Tarrant: We decided not to say anything on that for a change. It is administered by the Sec. of State, we have nothing to do with it.

Sen. Rimer: Thank you sir..

corporation law for purposes of flexibility and so on. However, our efforts are frustrated by this franchise tax which introduces a factor which we on the Corporation Law Committee cannot control by trying to improve the corporation law. So, I just hope you will give your very serious consideration to a favorable vote upon this bill. Thank you.

Ken Deko, speaking on behalf of the Connecticut Business and Industry Association: You have heard and will hear some of the supporting comments of what I am going to say. I would like to very briefly, direct my attention to several bills we are in support of. H.B. 5311, which would provide a one percent tax credit for new manufacturing in research development facilities in Connecticut. This bill as you heard would cost about 5 million dollars a year in revenue loss. That would be very short termed. I am sure the long range consequences would be a revenue gain for the state. H.B. 5815, this would accelerate the manufacturers inventory tax relief to 20 percent a year as you now know that.....will be 100 percent exemption in 1976. This bill would get that off the books in 1973. We took a poll of our members, about a month ago, and the inventory tax is one of the most burdensome taxes on all our members. It forces manufacturers to maintain very light inventories and great delay in production problems because of that. H.B. 5817 we support 100 percent deduction for interest paid by corporations. Right now that is 70 percent and the tax force recommended a full deduction right now and we agree with that. H.B. 5984, this will repeal the minimum tax base. The minimum tax base is a great detriment for larger corporations. Corporations which are losing money or just about making it. For new corporations which it takes several years to make a profit, this tax is enough to put many of them under. Again you heard a figure on this, I think it is from 15 to 20 million in revenue loss. But, it would not be that high. Because many corporations would which would not come under the minimum tax base would then come under the corporation business tax. H.B. 5986, eliminates debt from the minimum tax base I could say that loss there would be substantial, we do not have the exact figures. Again, many of these companies would come under the corporation business tax. H.B. 5988, this is one of the bills provide carry-back and carry-overs of net operating losses and capital losses. The federal government and 30 other states allow this. But, Connecticut does not. This would be us in conformity with states which we compete with and the federal government. H.B. 5990, this would permit, again, and bring us into conformity with the Federal Government, permit a deduction from gross income where the tax payer is a member of affiliated group of corporations filing a consolidated return for federal purposes. This would allow deductions for dividends received from affiliates, not now allowed in Connecticut. S.B. 431, this would provide lower graduations in franchise tax and we heartily support it. That is one of the reasons perhaps why many corporations incorporate in Delaware, not Connecticut. We are opposed to H.B. 6853, which would allocate income to Connecticut where other states do not have income tax, franchise taxes etc. This you might say is one of the few attractions for business to come to

Rep. Clynes: Sir, then you are not under the unincorporated business tax at any times in the past?

Mr. Bryant: There are some farms that are incorporated of course,

Rep. Clynes: You were not under it in the last bill,,two years ago.

Mr. Bryant: I don't believe so.

David Clark, President of the Naugatuck Valley Industrial Council, I would like to express our support of H.B. 5354, S.B. 742, H.B. 5815, H.B. 5984, H.B. 5986, 5988, 5990 and S.B. 431. The reasons for supporting this bills, have been expressed fully by previous speakers however, I would like to emphasize the importance to the Naugatuck Valley of the acceleration of the tax on inventory's and the provision of one percent tax credit for new facilities, equipment, machinery etc. Our area is an area where heavy industry is especially important and are the largest employers of labor in the area. I think of machinery, equipment, company and Ansonia, Derby, the brass mills in Waterbury, and the companies up in the Torrington area. So, I urge your favorable consideration of these bills. Thank you.

Rep. Comstock: I wish you would oppose my bill too, so I would have a 100 percent record.

Mr. Clark: Very well, Mr. Comstock, I am happy to do so.

Dana Gowen, Tax Manager for the Torrington Co... I would just like to go on record as saying that my company is especially in favor of several of the bills that are discussed this morning. For example 5817, which is the one about the deduction of interest. We have been waiting in Connecticut as you all know, for several years to get 100 percent deduction, and it would seem that this would be a good time to achieve the purpose of getting it because the federal government offers it as a matter of course. Most other states do. Some of these bills that we are interested in simply they bring the state of Connecticut business tax law into line with the federal government's internal revenue code, and of course, many of the states laws. Another bill of this nature is 5990 which has to do with consolidated returns and the ability to have the same privileges when you file consolidated for federal purposes in the State of Connecticut, as you do when you file federally. This would be important and would again bring out a state law into line with federal law. Bill 5988, which has to do with carry-overs and carry-backs, as many people have mentioned its unusual that our state does not permit this particular privilege and its acceptable and a federally and in most states. There are two bills on the minimum tax base, I would be in favor of either one of them. I think myself the minimum tax base should be eliminated entirely which is bill no. 5904.

However, if that would not be possible 5986, which at least removes the debt from the minimum a base would be a help. Thank you.

Rep. Clynes: Any questions?

Robert Simpson, Director of Public Affairs, Winchester Group Olin Corporation, New Haven. As Chairman of the greater New Haven Chambers State Affairs Committee our statement today derives from a policy manual which has been developed by the Committees, and which deals with a broad range of public issues which have a bearing upon the competitive position of our state, and those things which might adversely effect our economic environment in the state. In line with that general policy position we urge a favorable report on many of the bills which are being considered by your committee today. As you know most states do not tax property tax on inventory's a tax which is considered one of the most inequitable existing. The manufacturers inventory tax of course now, scheduled for gradual reduction, the 1969 Assembly also approved the removal of the tax on wholesale and retail inventory's but unfortunately in different versions by the House and the Senate. We urge your favorable consideration of the bills now before you, which would provide for accelerated removal of these taxes. We further your approval of one of the bills which allow a tax credit against the corporate business tax for new equipment, machinery or capital improvements. This would add to Connecticut's law and an incentive for investments comparable to those of surrounding states. Also, in line with the philosophy of developing a tax environment competitive with other states, we urge the approval of the varied changes in the corporate business tax, which have been commented upon in detail by Representatives of the Connecticut Business and Industry Association. Thank you.

Rep. Clynes: Are there any questions? If not is there anyone else that wishes to speak before this committee this morning? If not I will declare this public hearing closed at this time.

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