

Act Number	Session	Bill Number	Total Number of Committee Pages	Total Number of House Pages	Total Number of Senate Pages
PA 71-683		8269	4	3	1
<u>Committee Pages:</u> <ul style="list-style-type: none"> • Finance 735 • Finance 744-745 • Finance 757 				<u>House Pages:</u> <ul style="list-style-type: none"> • 4770-4772 	<u>Senate Pages:</u> <ul style="list-style-type: none"> • 3242

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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
1971**

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4344-4830**

Thursday, June 3, 1971 203.

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Will you remark on the bill, as amended?

JAMES BINGHAM, 157th District:

Mr. Speaker, I have explained the bill and I urge its passage.

JOHN CARROZZELLA, 81st District:

Mr. Speaker, I rise in support of the bill. I think it demonstrates the fact that we, here in the legislature, will have some say relative to the rules of court and I think it is a step forward because it will modernize our procedure in the courts, it is a good bill and I urge its passage.

MR. SPEAKER:

Are there further remarks on the bill, as amended? If not, all those in favor indicate by saying aye, opposed? The bill is passed.

THE CLERK:

Calendar No. 1266, House Bill 8269, An Act Concerning the Minimum Corporation Business Tax, file 1424.

PETER W. GILLIES, 75th District:

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

MR. SPEAKER:

Will you remark?

PETER GILLIES, 75th District:

Mr. Speaker, this bill, while complicated, I assure the members has been carefully reviewed by the officials in the

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tax department and has their wholehearted approval. The bill is intended to clarify certain questions which were raised the first time in 1969 when a Connecticut corporation business tax was imposed upon public utilities. The corporation business tax is basically a tax imposed on net income under Section 12-214. However, Section 12-219 imposes a minimum tax which is based upon a corporation's capitalization, if the tax payable on that basis is greater than the tax imposed on net income. For most Connecticut corporations the tax based upon the corporation's net income is greater than the minimum tax and accordingly the net income tax is the tax payable. However, many public utilities because of their very high capital requirements relative to net income have been subject to the tax under Sec. 219 even though they have substantial income. For various reasons, including the requirements which must be met by many utilities under indentures and other agreements in order to obtain required financing. It is important to resolve the questions of whether the corporation business tax is intended to be in the nature of an income tax even when the corporation tax liability is computed under Section 12-219. I will not dwell further on the ramifications of this because I feel that I may have lost one or two in the House already but I would simply state that the matter has been carefully reviewed by the tax department. It does do what we intended it should do. It is a good bill. It

ought to pass.

MR. SPEAKER:

Further remarks on the bill? If not, all those in favor indicate by saying aye, opposed? The bill is passed.

THE CLERK:

Calendar No. 1269, Substitute for House Bill No. 8343, An Act Concerning Mandatory Refusal of Liquor Permits, file 1422.

SILVIO MASTRIANNI, 119th District:

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

MR. SPEAKER:

Will you remark?

SILVIO MASTRIANNI, 118th District:

Mr. Speaker, yes, sir, this bill is a bill which makes an inconvenience a convenience. By doing so, it mean an opening door in bowling alleys or a cocktail lounge. Mr. Speaker, I move the acceptance and passage of this bill, it is a good bill, it is well needed and I believe it could really serve a good purpose.

ALBERT CRETELLA, 99th District:

Mr. Speaker, as a member of the Liquor Committee, I rise in support of this bill. We gave careful consideration to various possibilities concerning this type of legislation, we think this is a good bill to satisfy the needs of the public

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SENATE

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the Majority and Minority leaders I move that we accept the joint committee Favorable reports. Acceptance and passage of the following bills:

On page two of the Calendar, Cal. 1105, File 1225, Substitute for H.B. 8672 An Act Repealing Provisions made Unnecessary by State Building Code.

On Page 3 of the Calendar, Cal. 1158, File 1651 Substitute for S.B. 463 An Act Concerning Participation by Savings Banks in the Provision of Housing for Connecticut Residents.

On page 4, Cal. 1188, File 1337 Substitute for H.B. 6333 An Act Concerning Payroll Deductions of Insurance Premiums by Public Service Companies.

Same page Cal. 1194, File 1403 H.B. 9253 An Act Validating As Timely the Notice Given by Helen Romanewicz and to That extent Granting Her Permission to Prosecute to Final Effect a Suit Against the Town of Colchester and the Borough of Colchester.

On Page 5, Cal. 1205, File 1715, Substitute for S.B. 41 An Act Concerning Conviction and Sentencing of Girls in Manifest Danger of Falling Into Habits of Vice.

Cal. 1215, File 739, H.B. 7302 An Act Concerning Fire Protection Service at the Southeastern Branch of the University of Connecticut.

Cal. 1216, File 1434 H.B. 7755 An Act Concerning Limitation of Reserve Fund for Fire Districts.

Cal. 1220, File 1424 H.B. 8269 An Concerning the Minimum Corporation Business Tax.

Page 6, Cal. 1227, File 1426 H.B. 8947 An Act Concerning Deferred Terms Regarding Zoning Officials.

Cal. 1243, File 1493 Substitute for H.B. 5408 An Act Concerning the Adoption of a Uniform Model State Administration Procedure Act.

Page 7, Cal. 1244, File 1486 Substitute for H.B. 5609 An Act Concerning the Assessment of Benefits by Sewer Authorities.

**JOINT
STANDING
COMMITTEE
HEARINGS**

FINANCE

**PART 3
727-1114**

1971

Bill 5823. Is a Tax Department bill for housekeeping purposes. The statement of purpose explains in detail the need for it.

Bill 5994. This is necessary in order to include in the revenue base for bond purposes the reimbursement received by the towns on the merchants inventory exemption.

Bill 8269. We don't know what it means, but it does not seem to change any of the revenue-affecting provisions, so we have no objection other than that it will upset long-established procedures in the administration of the corporation tax. Thank you.

Rep. Spain: Mr. Tarrant there was a case in the law journal a couple of weeks ago on leased property which was found not to be taxable. Is there in your judgement something which we should do to remedy that situation or are you familiar with that?

Mr. Tarrant: You refer back to the bill that was put in by the highway department.

Rep. Spain: No, no, this had something to do with the taxing of computer equipment I think. It was leased by an out-of-state company and...

Mr. Tarrant: was held in this state not to be taxable. I am sorry Representative Spain I have not read that case, and I don't know the facts involved, and I would rather not answer it.

Rep. Spain: Alright, thank you.

Robert J. Hale, First Assistant Tax Commissioner, in that capacity I am in charge of inheritance taxes. This committee gave me an opportunity on March 4, to speak very fully and completely on each of the succession tax bills, which are being heard today. Consequently I will not bore you by repeating myself, I am here mainly for the purpose of recording for the record that the Tax Commissioner favors SB 362, which would tax life insurance above 100 thousand dollars, and with respect to that I ask the committee to submit this very short statement. We are opposed to three bills which are listed at the end of today's schedule. They do not have numbers, I spoke on those completely also. One of them would eliminate a certain portion of the right to tax transfers intended to take effect on death. I have a very brief memo on that. Everything I have said on that I have already said. One of them would change the taxability of powers of appointment. We are opposed to that, I have a very brief memo on that. One of them would repeal the surtax. The first of these three bills would decrease the revenue, one of them particularly very substantially which is the one pertaining to gifts intended to take effect on death. The third bill would repeal the surtax. It would decrease the revenue from the inheritance tax by 30%, the Commissioner therefore, is opposed to the three bills which are unlisted by number, and very strongly in favor of the bill which would tax the

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sort or another, I suggest leaving the present situation as is.

Rep. Spain: When a railroad abandons a line or abandons a station, does the town or the state have any rights to those properties ahead of any body who wants to come along and buy them.

Mr. Kannell: No, there is no claim as such, but, I want to emphasize this, we now have control of over 100 miles of right-of-way, under the New York, New Haven computation program. Weover 100 miles within Connecticut. We are working out arrangements with the Connecticut Light and Power.....Companies, to take over some 40 miles of rights-of-way that these Power companies have bought from the railroad, they would (inaudible)....subject to the requirement that the(inaudible).....in addition we we are now negotiating with the railroad to buy all....of rights-of-way, I am negotiating now to buy right-of-way from Manchester to Vernon and from Vernon to and it is our policy as money is available to buy all of the rights-of-way.....to be held for future use. These arteries are invaluable. Cannot be replaced.

Rep. Spain: Who would be buying them?

Mr. Kannell: The state of Connecticut.

Rep. Spain: What do they buy them at market price?

Mr. Kannell: At the lowest price we can get, and I think this is really distress price.

Robert Hardiman, Hartford Attorney appearing for Northeast Utilities.

HB8269

I would like to speak in favor of 8269. This certainly is a non-controversial bill and it does represent a bit of housekeeping, it makes no change in the tax revenue in the State of Connecticut whatsoever. But, because the language is somewhat obscure perhaps if I took a couple of moments to tell you of the needs of the this legislation it would be helpful to you. The public service companies and indeed other companies in the state, are limited in the amount of borrowing. By tests applied to net income that is to say that interest charges must be covered by net income by so many factors a typical bonding requirement. Now, generally speaking net income is defined as income exclusive of deductions there from for taxes which are measured by income, or in short form income taxes. It so happens that the utilities of this state do, since a recent act of legislature, pay a corporate income tax. However, in view of the fact that net income of the utility has been substantially lower in recent years and because they are such highly capitalized organizations the largest electric utilities of this state, now pay the minimum tax which is the capitalization tax, 4 mills on their entire capital. So, that they aren't paying a tax measured by income technically speaking, they are paying the 4 mills on their entire capital. Now the question comes up is whether or not this tax, this tax on capitalization should included or excluded in measuring their income for bonding purposes. This bill would simply clarify what is respectable legal opinion, that it should be treated as a tax

measured by income to the extent that the minimum tax, to the extent of that portion of the minimum tax which would be derived by applying the income tax rates to their income. I know this is rather complicated and I am sorry that I find it difficult to make it simple, but, this bill would merely recharacterize that portion of the minimum tax so that it would be treated as income tax in a measurement of an industry's coverage of their interest charges, by their net income.

Rep. Violette: Do you have any idea sir, how much this would probably cost the state in dollars?

Mr. Hardigan: Not one penny.

Rep. Violette: This is just a housekeeping measure....

Mr. Hardigan: It is just a housekeeping measure. I believe Jack Tarrant testified that it would not cost the state a penny. It is really giving another name to a familiar tax without changing anything.

Rep. Violette: Thank you very much sir.

James A. Urner, I am here representing the state of Connecticut Association of Life Underwriters. Before you is Bill 362 which has as its purpose the removing of the exemption of the life insurance proceeds, after the first one hundred thousand dollars. I would submit to you that the state association is very much aware number 1. of the state's financial problems, for some reasons we have a feeling that we are getting insult to injury and salt in the wounds when the Legislature has tried to tax insurance companies. There is a bill now before you for banking and relating organizations and I believe the insurance commissioner and the banking commissioner are in the same offices, the Governor's bill now comes up with a 7% sales tax proposed on the taxation of life insurance premiums, and now Bill 362. It is the feeling of the organization that first of all the revenues gained from such a tax would not be perhaps as substantial as were submitted here this morning. I believe the number Mr. Hale used was maybe upwards to 12 million dollars in revenue. For that to occur it would have to be over 240 million dollars of life insurance owned, in excess of the 100 thousand dollars, of persons that died in the state of Connecticut. Since the population of the state of Connecticut is only 3 million people that means that somewhere in the area of 10% of the population would have to die a year with amounts in excess of 100 million dollars, in order to come up with the 12 million dollar figure. That is not a direct quote I just think that is the number I remember. Mr. Hale also pointed out that the life insurance owned by a professional man is one of the things were the revenue would come from. I submit that is true. The professional man who earns substantial amounts of money and can afford to buy his life insurance leaves virtually that one piece of property to his family to survive at a stand of living that they are accustomed. This would increase the burden on the families who receive substantial amounts of life

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Connecticut Department of Transportation and we have two bills 260 AN ACT CONCERNING THE EXEMPTION FROM THE USE TAX we support this bill, it would permit the Department of Transportation to seek from the Tax Department a certificate of exemption in those areas where we are forced to reimburse private companies for taxes that they pay. At the present time taxes paid the state reimburses, and the net result is that the only thing that happens is the state pays the cost of the administration. In those areas we feel that it would be the advantage of the state to be able to wish away certificate of exemption like we use for sale tax, and thus at least save the cost of administration. We also have HB 6354, AN ACT CONCERNING STATE AID FOR TOWNS, HIGHWAYS the department opposes this bill, on the grounds that it is contrary to the administration budget, and would reduce the funds available for transportation purposes. Thank you.

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6354

John Chutos, Counsel for the United Illuminating Company, Mr Robert Hardigan spoke earlier on 8269. it is a complicated bill on minimum tax, I would simply like to register the support of my company for that bill, for the reason stated by Mr. Hardigan. Thank you.

8269

Rep. Violette: Thank you sir, any other citizens wish to speak on any particular bills. Bear none, I now delcare this public meeting adjourned. 12:15