

Legislative History for Connecticut Act

HB 6915 PA 327 1981

House 4647-4648 (2)

Senate 4631-4632, 4701-4702 (4)

Finance, Revenue + Bonding 2001-2003, 2005-
2006, 2018-2021 (9)

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CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS

1981

VOL. 24

PART 14

4490-4879

THE NOMINATION OF MRS. EMILY ALICE STANLEY-WILSON OF BETHANY,
TO BE A MEMBER OF THE GAMING POLICY BOARD,

DEPUTY SPEAKER FRANKEL:

The foregoing bills are tabled for the Calendar.

At this time the Chair will entertain announcements or
points of personal privilege. Are there any announcements or
points of personal privilege?

CLERK:

Calendar, Tuesday, May 12, 1981, Consent Calendar,

REP. JOHNSTON: (51st)

Mr. Speaker,

DEPUTY SPEAKER FRANKEL:

Rep. Kevin Johnston.

REP. JOHNSTON: (51st)

Mr. Speaker, I move for acceptance and passage of the
two bills listed on the Consent Calendar, specifically,
Calendar No. 494 and Calendar No. 500.

DEPUTY SPEAKER FRANKEL:

The motion is for acceptance and passage of those two
items on today's Consent Calendar, Calendar No. 494, File
HB 6915
No. 685, AN ACT CONCERNING AN EXEMPTION FROM SALES TAX FOR
HB 6982
SERVICES RELATED TO HUMAN HEALTH, Calendar No. 500, File No. 687,

AN ACT CONCERNING THE DEFINITION OF DISTRESSED MUNICIPALITY
IN THE URBAN JOBS PROGRAM.

All those in favor of the motion, please signify by
saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER FRANKEL:

Those opposed, nay.

The motion carries. Those items are passed.

CLERK:

Calendar page 30, Calendar No. 199, Substitute for
House Bill No. 7257, AN ACT CONCERNING THE SECURITY, PRIVACY
AND ERASURE OF CRIMINAL RECORDS, as amended by House Amendment
Schedule "A", and Senate Amendment, Schedules "A" and "B".
Favorable Report of the Committee on Judiciary.

REP. TULISANO: (29th)

Mr. Speaker,

DEPUTY SPEAKER FRANKEL:

Rep. Richard Tulisano,

REP. TULISANO: (29th)

Mr. Speaker, I move for acceptance of the Joint
Committee's Favorable Report and passage of the bill in

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GEN. ASSEMBLY
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4404-4702

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THE CHAIR:

Is there any objection to placing the matter on consent? Hearing none, it's so ordered.

THE CLERK:

Moving to page 4 of the calendar, calendar No. 604, File 685, Substitute for House Bill No. 6915. AN ACT CONCERNING AN EXEMPTION FROM SALES TAX FOR SERVICES RELATED TO HUMAN HEALTH with a Favorable Report of the Committee on Finance, Revenue and Bonding.

THE CHAIR:

Senator Beck.

SENATOR BECK:

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

THE CHAIR:

Will you remark, Senator?

SENATOR BECK:

Yes. The purpose of this bill is to provide for exemption after the fact for a program which involves sales tax for services related to human health. What is the situation now is that we are not taxing certain kinds of medication which are health related and that in order to see to it that this is implemented properly, we have to make this more explicit. We have done this and there might be a \$20,000.00 loss of revenue. However, we're not collecting the revenue now. It is not built into our revenue base and it was agreed by the committee that we should make this more explicit which

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we have done. The vote of the committee on this legislation was 30 voting yes and none negative, and I move that this be placed on consent.

THE CHAIR:

Is there any objection to placing the matter on consent? Hearing none, it's so ordered.

THE CLERK:

Calendar No. 605, File 687, Substitute for House Bill No. 6982. AN ACT CONCERNING THE DEFINITION OF DISTRESSED MUNICIPALITY IN THE URBAN JOBS PROGRAM with a Favorable Report of the Committee on Finance, Revenue and Bonding.

THE CHAIR:

Senator Beck.

SENATOR BECK:

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

THE CHAIR:

Will you remark, Senator?

SENATOR BECK:

Yes. The purpose of the legislation is to permit distressed municipalities to qualify in three areas where they have not, they have moved from a distressed to a level outside the program. We grandfathered them in so that they will be included and they are Plymouth, Winchester and Stamford with a total number of projects of forty-four. I move this be placed on consent.

THE CHAIR:

Any objection to placing this matter on consent? Hearing none, it's so

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minutes ago.

THE CHAIR:

The motion before us is to place the bill as amended by "A" and "B" on the consent calendar. Is there any objection? If not, it's so ordered, I believe we're now in a posture to have the Clerk call the consent calendar.

THE CLERK:

Clerk is now prepared to call the consent calendar: On page 1, calendar 309. On page 2, calendar 443 and 574. On page 3, calendar 592, 594. On page 4, calendar 604, 605, 607, 613 and 614. On page 5, calendar 616, 618, 619 and 620. On page 6, calendar 624 and 625. On page 7, calendar 626, 629, 630. On page 8, calendar 631 and 632. On page 9, calendar 638 and 639 and I believe that concludes today's consent calendar.

HB6642
HB6758
HB7403
HB5567
HB7151
HB6915
HB6982
HB6095
HB6990
HB5695
HB6113, HB7356
HB6802, HB5616
HB7146, HB6764
HB7402
HB5719
HB7382
HB5091
HB5254
HB5923
HB5969

THE CHAIR:

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Before calling for the vote on the consent calendar, is there any question or anything you feel that's omitted or anyone that wants to, or any bill that you want to remove from the consent calendar. Senator Schneller.

SENATOR SCHNELLER:

No, Mr. President, but before everyone gets away, I appreciate everyone staying late this evening. I think tomorrow we'll come in at 1:30 and I would ask the Democratic caucus to meet promptly at 12:30.

THE CHAIR:

If there's no question on the consent calendar, the machine'll be open.

THE CLERK:

Roll call is in progress in the Senate. Roll call is in progress in the Senate.

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THE CHAIR:

Is Senator Baker still around? Senators Baker and Casey. Make an announcement for Baker and Casey.

THE CLERK:

Senator Baker and Senator Casey.

THE CHAIR:

Machine'll be closed and locked. The consent calendar, necessary for passage is 19. Those voting was 36. All 36 were yea. Nobody was a nay. I guess it was adopted. Senator Schneller, do you want to make a motion as to the time.

SENATOR SCHNELLER:

Yes, Mr. President. If there's no further business to come before the Chamber, I would move for adjournment at the Call of the Chair.

THE CHAIR:

The Senate will adjourn at the Call of the Chair.

THE SENATE WAS ADJOURNED AT 11:40 P.M.

JOINT
STANDING
COMMITTEE
HEARINGS.

FINANCE
REVENUE &
BONDING
PART 6
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MR. ANDERSON: (continued)

that the rent will be paid for a period of up to forty years. In addition, there's a second guarantee and that's mortgage insurance. Mortgage insurance is a process through which if the project goes into default for one reason or another, the Federal government simply pays the State the amount of its mortgage outstanding. All these projects have either one or the other and some projects have both.

REP. MARKHAM: Further questions by the Committee? Thank you, sir. John Tilson.

MR. JOHN TILSON: I am John Q. Tilson, of New Haven, Counsel for the Connecticut Association of Independent Schools, speaking in opposition to Bill 6915, which changes our tax law in connection with non-profit institutions. The Bill adds a new concept to the tax law in that it makes an exemption only for property primarily used for the purpose of the charitable organization. Now, for nearly a hundred years, we have had a provision in our statutes which provides that property must be used exclusively for charitable purposes to be exempt. And that has been interpreted by the courts over a period of a great many years, it's been slowly pricked out. We understand fairly well what that means, although there are still differences in what the court said and how various towns and charitable institutions treat the existing language.

But here we are now with only one day more in which your Committee can act and are suggesting a potentially extremely dangerous and potentially far reaching shift in our tax law. It's very difficult--the new concept is that it not only has to be exclusively, but primarily exclusively and it's somewhat of a contradiction in terms. I don't know--none of us who have studied the Bill really know what is the difference between primary and exclusive. We think that if you are serious about legislation of this kind, that far more time and study should be spent than has been available. We are very much concerned that this is a foot in the door to greatly expand taxation of non-profit institutions. We think in the long run that would be detrimental to the State and to the institutions and to the people we serve and we urge you, at this late date, not to make what, as I say, may be a potentially very damaging and

MR. TILSON: (continued)

extensive change in our tax laws. Thank you.

REP. MARKHAM: Questions of the Committee? Thank you sir, Alan Houghton.

MR. ALAN HOUGHTON: My name is Alan Houghton. I'm Executive Director of the Connecticut Association of Independent Schools and also President of the Connecticut Council on American Private Education known as CONCAP. CAIS represents 83 schools, principally schools that are not church related. CONCAP represents 300 schools most of which are church related. I speak in opposition to Committee Bill 6915 and second the comments of Attorney Tilson just made.

The issue of exclusivity raised in the Bill is both extremely complex and controversial. Our long history of our member schools in the State will bear out a responsible attitude toward the public trust given us in our tax exempt status. This trust has been both proven and remains unchanged. Thank you.

REP. MARKHAM: Are there any questions? Representative Kezer,

REP. KEZER: Representative Kezer, 22nd district. In all this mass of paperwork that's coming across our desks, I haven't had a chance to review this one too closely either, but is this saying that, for instance, an organization like the YMCA or something like this and all the camp facilities and for whatever reason, one summer, was not going to use that facility for that program and decided to rent it out to a private group that was going to run a full profit camp say for gymnastics or whatever that would be, that that would then be subject to the tax for that purpose?

MR. HOUGHTON: This is our understanding, Representative, within a minimum, I think, amount of about a quarter of a million dollars.

REP. KEZER: A quarter of a million dollars would have to apply to what you'd rent the property--or the value of the property?

MR. HOUGHTON: The value of the property, yes.

SEN. DI BELLA: Are there any further questions? Thank you very much. Next, Mr. Charles Toss? Okay. Charlene Bergstrom? On Bill 5579.

MS. CHARLENE BERGSTROM: Good morning. I'm Charlene Bergstrom Executive Secretary of the Connecticut Marine Trade Association and I'm here to speak in favor of Section 3 of 5579. Sections 1 and 2 really don't affect CMTA or its customers one way or another, but Section 3 does. At the present time, if a corporation dissolves, and owns a motor vehicle, and that motor vehicle is transferred to the ownership of the corporate principle, if the corporation has paid the sales and use tax on it when they purchased it, and if the IRS does not feel this transfer to be taxable in any way, the State Sales Tax Department does not assess a tax on it either. However, in these same circumstances, if you dissolve a corporation and transfer a boat, that is a taxable transaction on the fair market value of the boat.

If 430 which is also before your Committee is passed which would remove the personal property tax on boats and substitute increased registration fee to be paid towns, if that goes through, there are five to twenty five thousand boats out there who will want to be dissolving their corporations and putting it in their own names because they are usually in their own names just for the purposes of one way or another avoiding the personal property tax. Also, because the avoidance of the personal property tax lead to via out of state delivery, no sales tax being collected, although an awful lot of those boaters as the State Sales Tax Department is now finding, did return to the State, thereby incurring a use tax and Commissioner Dubno and his assistant are making an allout effort to collect those taxes to the State. Now that a lot of these people realize that out of state corporate ownership for Federal registration in and of themselves give no special tax benefit, a lot of them are coming in either after a tax bill, in anticipation of one, or simply because they now understand their liability of paying the tax and would like to dissolve their corporations, but it

- REP. GELST: That's another question. If one of those boats already escaped paying a sales tax when they bought the boat, now you're saying by passing the second Bill, they're going to say look, we're going to take away the taxes owed, but we're going to ask you to come back and you won't have to pay the sales tax for transfer of the boat; is that what this says?
- MS. BERGSTROM: The only way he would not have to pay on a transfer is if he had paid the sales or the use tax on the corporately owned boat.
- SEN. DI BELLA: Any further questions? Thank you very much, William Wholean.
- MR. WILLIAM WHOLEAN: Good morning, Mr. Smoko and members of the Finance Committee. I'm William J. Wholean, Executive Director of the Connecticut Catholic Conference which represents the four Catholic Dioceses of the State. I should say at the outset, we have suddenly become puzzled. Senator Johnson just called to our attention that 6915 that we're talking about, is apparently not the same one you're talking about. You have a different Bill, we think, and we aren't sure where we are. I don't want to burden you with my statement if you're not considering the same Bill we're talking about.
- SEN. DI BELLA: 6915?
- MR. WHOLEAN: The one that's in the Bulletin is AN ACT PROVIDING FOR TAXATION OF CERTAIN REAL PROPERTY OWNED BY CHARITABLE RELIGIOUS OR EDUCATIONAL ORGANIZATIONS.
- SEN. DI BELLA: That's what we have here, TO PROVIDE FOR TAXATION OF CERTAIN REAL PROPERTY OWNED BY ANY CHARITABLE, RELIGIOUS OR EDUCATIONAL ORGANIZATION, EXCLUSIVE OF PROPERTY DIRECTLY ASSOCIATED WITH THE PRIMARY PURPOSE OF SUCH ORGANIZATION.
- MR. WHOLEAN: Well, this is the one we're ready to discuss and let me go ahead with my statement.
- This morning, I urge you to reject 6915. We object to the

MR. WHOLEAN: (continued)

Bill on two grounds; one it appears to be a foot in the door tactic to lead to the eventual abolishment of the tax exemptions granted under Section 12-81 of the General Statutes. And two, it is vague, particularly with regard to the phrase, primary purpose, probably to the point of being unconstitutional.

Who can determine what property is "used for primary purposes or administration of such school", etc.? Even the United States Supreme Court has rejected both taxing and aiding religious institutions on the grounds that any government involvement necessary to implementing such taxation or aid is unconstitutional. This is the type of Bill which will do nothing but create trouble for all parties.

If passed, it will surely be subject to a challenge which will cost many and benefit no one. If you have any questions, I should be glad to answer them.

SEN. DI BELLA: Are there any questions from the Committee? Thank you. John Lamb, Deputy Director of Housing.

MR. JOHN LAMB: Senator DiBella and members of the Committee, my name is John Lamb. I'm Deputy Director of the Housing Bureau, Department of Housing and I'm here to represent the Department in support of House Bill 7113, concerning the technical Amendment to the Bond Authorization Act for Moderate rental housing.

This Amendment would, without increasing the authorization, permit the State to re-use the already authorized bonds for moderate rental housing construction by way of limiting-- by way of use of the difference between the bonds presently outstanding and the current authorization. That is those bonds have been paid off to the tune of about \$29 million so that \$29 million could be used for building additional housing. Just by way of information, since 1978, the legislature has authorized an additional \$11 million of bonds for this moderate income program, to raise it \$230 million and with those funds, the Department has, after approval by the State Bond Commission, financed six

MR. FERGUSON: (continued)

it, it got a lot of results. So I won't take anymore of your time, but all we're asking for is the ability to compete on a free and equal basis and that's all. Thank you very much.

REP. STOLBERG: Thank you very much. Mr. Flynn, followed by Margaret Tedone.

MR. WILLIAM FLYNN: Representative Stolberg, members of the Committee, I'm here to speak in opposition to HB 6915. My name is William Flynn, Associate Vice President, Public Affairs for the University of Bridgeport.

Very briefly, let me point out what we do already as an institution and I'm sure this could be said of many other private institutions in the State. The one thing, we do pay taxes to the City of Bridgeport to the tune of almost \$50,000 for property that we clearly define as being non-educational in its character. Additionally, all the street lighting that is in our eight acre campus which is an urban campus, is completely paid for by the University of Bridgeport in its installation, in its maintenance and all aspects of that. We collect all of our own refuse and pay the city \$1500 a month for the disposition of that. . Again, even though we are an urban campus, situated on the streets of the City of Bridgeport, the City of Bridgeport uses our recreation facilities such as our recreation center, our gym, for their own programs. We provide this at no charge to the City.

We have a Dental Hygiene School, as you know, at our institution and in that particular case, we provide free dental clinic throughout the entire city for the public school system as well as for senior citizens on various welfare programs throughout the City.

Our interns, we provide interns for the Health Department of the City at no cost to them. We had a recent meeting of the people in the southend of the City of Bridgeport with their share of town-gown complaints, if you will, about our facility, but one thing they did comment, that they were delighted and grateful for the fact that we have a security police force that patrolled the south end

MR. FLYNN: (continued)

of the City as part of our operation; that this gives them a great sense of security. I'd point out that this particular security force, while dedicated to the University, costs us \$215,000 a year to operate.

Second point, I would agree with Attorney Tilson that there is a great deal of language in this Bill which would cause us to wonder how things are to be defined. Would our recreation center be subject to tax because we have alumni and others using that facility who pay a higher price so that our students may have the benefit of that facility? Is our theater complex something that should be taxable? Indeed, should our dorms be taxable as such?

And finally, and this is, I think, the most pertinent point of all that I draw to your attention, Dan Lufkin, when he was Commissioner of the State of Connecticut of the Environmental arena, wrote a book following his commissionership. I don't remember much about the book except the title and I thought the title was very impressive. The title was "No place to hide". And I would point out to you that when you--if you were to pass this type of Bill and if we were therefore to have to pay enormous taxes to the City of Bridgeport, as a result, we have no place to hide that money. We are a non-profit institution and what we have to pay goes as a charge to the students. We are tuition driven. We have no big funds available to us. Yes, we have fund raising activities, but we are tuition driven institution, which means 90 percent of our income is generated basically through tuitions so obviously, if you pass this kind of Bill, then those charges would be passed on to the student. In our case, three quarters of those students come from the State of Connecticut.

In short, it would exacerbate what is already a problem as far as we're concerned another public policy question and that is the tuition gap between the private sector of higher education and the public sector of higher education. That is unless you're willing to take this Bill and add part--I guess it's section 1281, part 2, and allow the State to collect similar taxes from the public institutions

MR. FLYNN: (continued)

in Danbury or in Storrs or wherever. If you did that, then perhaps that would make them some of the wealthiest communities in the State as well. So, simply stated, the language is unclear and we think it would serve no public benefit to pass such a Bill.

REP. ZARNOWSKI: Thank you Mr. Flynn. Are there any questions? Thank you.

MR. FLYNN: Thank you very much.

REP. ZARNOWSKI: Margaret V. Tedone.

MS. MARGARET V. TEDONE: Members of the Committee, Representative Stolberg, my name is Margaret Tedone and I represent the Connecticut Conference of Independent Colleges as its acting President. I am here to oppose and to comment very briefly, on Committee Bill 6915, AN ACT PROVIDING FOR TAXATION ON REAL PROPERTY OWNED BY CHARITABLE RELIGIOUS, OR EDUCATIONAL ORGANIZATIONS. We find the Bill confusing and ambiguous. It seems to carve out certain campus facilities such as dormitories, dining halls, athletic facilities and others as not related to the primary purpose of the educational program, of the college or the university and therefore, tax it. Meanwhile, in addition to the recitation you have just heard, you could have heard the same recitation from 17 of our other colleges, all of whom pay taxes to the--on various pieces of property in their communities.

The Bill does not really provide a definition of primary purpose, nor does it say who will make this determination. And who can say that living in a dormitory or eating in a dining hall or playing on a basketball team in a gymnasium is not a most necessary part of the overall educational experience? However, as we deal with the real purpose of the legislation which is to remove at least partially, the tax exempt status of non-profit educational institutions, we must consider that the undelying concept of tax exemption is well established in this State. Connecticut's policy on tax exemption centers on the proven fact that the organization or institution so favored with tax exemption benefits

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MS. TEDONE: (continued)

the public or relieves the State of a burden it would otherwise assume. In this respect, Connecticut's 18 independent colleges and universities offer opportunities for education each year to an estimated enrollment of 60,000 full and part time students. Were it not for these institutions, the great majority of these students would have to be educated in the State universities and colleges at minimum cost to the taxpayers of between 50 to \$65 million.

We believe our colleges and universities fulfill their purpose for receiving tax exemption. Because they are of benefit to the public and that their in-kind services to the communities may justifiably be valued at \$1 million yearly. Very quickly, I could enumerate many areas of in-kind services. All our universities and colleges have workshops and lecture series, open their libraries to the communities, offer special scholarships to city employees, work with neighborhood associations, encourage faculty participation in the community. They are sometimes the only cultural center in the area and this is especially important now where we find a decline of money for the arts and music. Our institutions who offer these cultural programs will be doing a service more than ever before.

In addition to being a benefit to the public, the institutions I represent are contributing members of the economy. We employ 15,000 persons for a total annual payroll of \$257 million a year. The purchase of institutional goods, materials and services account for \$1 billion a year. Spending by students, parents and visitors to local communities amount to \$97 million a year. For all these various reasons, I have just enumerated, and those you have heard, we oppose Bill 6915 because it is primarily an attempt to remove the tax exempt status legally and properly granted to Connecticut's 18 independent colleges and universities.

REP. ZARNOWSKI: Thank you very much. Any questions from members of the Committee? We've come to the end of our speaker's list. Is there anyone else wishing to address the Committee at this time? I see no one. I will declare the public hearing adjourned. It is 10:50. The Democratic members of the Finance Committee will be caucusing in Room 419 at 11:00.