Legislative History for Connecticut Act

SB 89 (PA 90-148) See LeLa for original copy 1990

Senate 2108 - 2198 (91p)

House 8405 - 8606 (202p)

Finance, Revenue & Bonding 12-17, 36-40, 57-58, 65-68, 120-123, 135-136 (23p)

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a.m. or p.m., I am not quite certain. But we will be back.

THE CHAIR:

The Senate will stand at recess until 8:30.

(Gavel)

(Gavel)

The Senate will come to order. Senator O'Leary, are we ready to proceed.

SENATOR O'LEARY:

Yes, Mr. President. We would like to call Calendar 209 on page 32.

THE CLERK:

Turning to the Calendar. Calendar, page 32, Matters Returned from Committee. Calendar 209, File 360, Substitute for SB89. AN ACT CONCERNING CERTAIN STATE REVENUE AND GRANTS TO MUNICIPALITIES. Favorable Report of the Committee on Appropriations.

The Clerk is in possession of amendments.

THE CHAIR:

Senator O'Leary.

SENATOR O'LEARY:

Yes, Mr. President. Senator DiBella is on his way.

THE CHAIR:

The Senate will stand at ease. Senator, we have just called, on page 32, the second item. Calendar

209.

SENATOR DIBELLA:

Thank you, Mr. President. I move adoption of the Committee's Favorable Report, and urge passage of the bill.

THE CHAIR:

The Clerk has amendments.

THE CLERK:

LCO4848, designated Senate Amendment Schedule "A", offered by Senator DiBella of the 1st District.

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Thank you, Mr. President. I move adoption of the amendment and request permission to summarize.

THE CHAIR:

Without objection, you may proceed.

(Gavel)

May we have order please.

SENATOR DIBELLA:

4874.

THE CLERK:

Mr. President, I called LCO4848.

SENATOR DIBELLA:

Mr. President, through you, could that amendment be

withdrawn?

THE CHAIR:

The amendment is withdrawn.

SENATOR DIBELLA:

And call 4874.

THE CLERK:

I don't have 4874.

THE CHAIR:

The Senate will stand at ease.

THE CLERK:

LCO4874, designated Senate Amendment Schedule "B", offered by Senator DiBella of the 1st District.

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Thank you, Mr. President. I move adoption of the amendment and request permission to summarize.

THE CHAIR:

Without objection, you may proceed.

SENATOR DIBELLA:

Yes, Mr. President, this amendment to SB89, file 360, does several things. I will proceed to summarize the amendment, and then speak to the general bill.

First it reduces the transfer from the local

property tax relief fund by 600,000 dollars. Requires the recording of information regarding real estate transactions involving property located in the state. The requirement to submit to the Department of Revenue Services a 1099s, that is similarly submitted to the Federal Government. Which will result in fiscal 90/91, 500,000 dollars. In fiscal year 91/92 one million dollars.

It eliminates the corporate tax changes for companies filing combined returns, which would reduce the 89/90 budget by 10 million dollars. And in 90/91 by 20.

Excludes multiple dwelling units, which are more than 50% residential, and have three or more units from the additional tax impact associated with the optional residential property tax relief programs.

This would affect the commercial pool in a revaluation option offered by eliminating the multiple dwelling, residential properties from the 15% surcharge. Thereby having no impact on the commercial segment that contributes to the 15% surcharge on real estate.

Eliminates the proposed penalty for failure to file the inheritance tax for six months. Eliminates the sales and use tax change with respect to the leasing of

motor vehicles which results in an 18 million dollar loss in 90/91 and an 11 million dollar loss in 91/92.

Technical changes are made with respect to the telecommunications companies in the assessments to cover the expense of the DPUC. Because of the change from the gross receipt tax to the that of the sales tax last year, there is a direct billing to the telephone company based on the gross receipts taxes, but an individual bill sent to those companies excluding water, electric and other utilities.

Technical changes are made to clarify the amnesty program. Boroughs and cities not consolidated with the towns in which they are located, will receive a proportional share of the town's pilot on telecommunication property, which is based on a 47 mil times the personal property located in that community.

It narrows the definitions of consulting services and provides an exemption from the sales and use tax for certain articles in clothing by consignee.

The cap which limits the pilot on the state owned property to no more than 7.9% of the tax paid on real property is raised to 10% in fiscal year 91, 12 in FY 92, 14% in FY 93, and 15% in FY 94.

That results, Mr. President, in basically a total modification in fiscal year 1990/91, excuse me 1989/90

of some 85.5 million dollars. And in 90/91 98.8 million dollars.

That's the summation of an amendment to Senate Bill 89 that represents the foundation of the revenue package for fiscal year 90/91.

THE CHAIR:

Further remarks on Senate Amendment "B"? Senator McLaughlin.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. Lest anyone think we are going to lie down silently on this one, I think the appropriate thing might be to move through this. Get this on the table for starters and proceed from that point. We certainly would like a roll call vote if this is to be moved at this time.

THE CHAIR:

Roll call is noted. Clerk please make an announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber. Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is on a motion to

adopt Senate Amendment "B", LCO4874.

The machine is open please record your vote.

Senator Lovegrove, Senator Blumenthal.

The machine is closed. Clerk please tally the vote.

Result of the vote.

22 Yea

12 Nay

The amendment is adopted. (Gavel)

Further amendments?

SENATOR SMITH:

Mr. President?

THE CHAIR:

Senator Smith.

SENATOR SMITH:

Thank you, Mr. President. Mr. President, if the record would please note that Senator Lovegrove had to leave the Chamber because of illness.

THE CHAIR:

The record will so note.

SENATOR DIBELLA:

Was the revenue package that bad?

THE CHAIR:

Call the next amendment please.

THE CLERK:

LCO5005, designated Senate Amendment Schedule "C", offered by Senator Smith of the 8th District, et al.

SENATOR SMITH:

Thank you, Mr. President. I want to begin the debate this evening by moving through, or leading and moving through some concepts that I think many of us have seen before. I think they are worthy of offering again. Beyond that point in the debate, we in the caucus have a number of elements that we will offer that will speak specifically to parts of the so called, finance package. And following that, make some summary remarks.

To begin, the first element of our--

THE CHAIR:

Would you move for adoption?

SENATOR SMITH:

Yes, I am about to, Mr. President. The first element of our alternatives is LCO5005, and at this time I would like to move the amendment and if I may, take leave of the Chamber to summarize.

THE CHAIR:

Without objection, you may proceed.

SENATOR SMITH:

Over the past several years, we have had the opportunity on both sides of the aisle to have gone

through some very serious and unusual times in the osculations, the ebbs and flows of the state revenue.

I think we have all learned from our lessons. I have heard Senator DiBella on several occasions state I know I have state as well, that the business of forecasting this state revenue, a revenue system very much dependent upon consumption, corporate and individual, is a very difficult thing to predict. Indeed, I would suggest it is more art than it is science. We have all heard this before, but I think it is time for all of us to recognize that there is a need for a change. That there is a need for the gamesmanship that can be played, to be dealt with, and that we, in fact, in Connecticut. Despite the very difficult jeopardy that the planning element that this budget structure and finance structure is dependent upon, we can do better.

I would like to leave you all with the thought as to why an independent, economic forecasting panel, as suggested by this amendment is due. It has been my view, and this will be my last chance to debate a finance package on the Floor. But it has been my view that we in the Finance Committee, or the budget making committee, or the Chambers. When we first consider the finance package and the revenue estimates, are doing so

to project through a period, and let's take this year as an example. We did the revenue estimates on April 30th that will take us through June 30th of 1991.

That period of time, 14 months of which we with some precision, are trying to make our best guess at a sales tax driven by consumer consumption as much as anything else. Retail confidence. Real estate conveyance tax, very much vulnerable to interest rates that can change radically. A corporations tax, very much subject to corporation profits. All of these elements we are sitting and taking as prudent a judgement call as we can, on a view 16 months, or 14 months as in this case, ahead. It is an imprecise science at best.

We believe, and as a joint caucus offering, that it is time to establish some other entity in the process, so that we can be as precise as possible with the opportunity or option to make adjustments along the way.

I will note that in the case of the State of Louisiana, faced with the most difficult budget times over the last three years. They adopted such a panel. Granted it is much different. But they adopted a panel that has become a note worthy element in credit rating agencies reviews of the State of Louisiana on the way

to recovery. And this element, not an executive branch driven, nor legislative branch driven element. Brings about the idea of a dispassionate review of the finances over the quarterly process as suggested here in this 15 member panel.

This speaks to prudence. It also speaks to the jeopardy that we all find ourselves in. I think it is time that we adopt this. We offer this in the most responsible fashion. I don't think we are also impressionists to look ahead, but I will suggest that a new administration will readily adopt such a practice. I urge adoption. At the time that the vote is taken, I would ask that the vote be taken by roll call.

THE CHAIR:

Roll call vote is noted. Further remarks on Amendment Schedule "C"? Senator DiBella.

SENATOR DIBELLA:

Thank you, Mr. President. I oppose the amendment. Again, I think it is another layer that we are imposing. Most of this information if not all of it, is available by several different recording agencies. The Office of Fiscal Analysis utilizes those in their recommendations to the Legislature. It is a bi-partisan staff. It does not need another level of bureaucracy. And probably would question what type of

staffing would be necessary to support this additional revenue, or revenue projecting group. Ten people from the private sector. So many from, the majority leader, the minority leader.

Again, I think it is an added step that will require additional funding and the information that they will produce is available from the Office of Fiscal Analysis, OPM, and the Department of Revenue Services in trying to determine and prognosticate or predict the level of revenue that this state will receive, and to try with some degree of prediction, an accuracy to achieve as realistic as possible, a prediction of revenues.

THE CHAIR:

Further remarks on Senate Amendment "C". Clerk please make an announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Senate Amendment "C", LCO5005.

The machine is open, please record your vote.

Has everyone voted? The machine is closed. Clerk please tally the vote.

Result of the vote.

12 Yea

23 Nay

The amendment is defeated. (Gavel)

Next amendment please.

THE CLERK:

LCO4749, designated Senate Amendment Schedule "D", offered by Senator Smith of the 8th District, et al.

THE CHAIR:

Senator Mclaughlin.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. The next amendment regards the submission by the Office of Fiscal Analysis with a prepared fiscal note relating to any specific nonrecurring revenue source in the proposed budget.

I think above and beyond any of the other items that we offer today, this has more timely impact as it regards the way--

THE CHAIR:

May I suggest--

SENATOR MCLAUGHLIN:

I think I ought to move the amendment, don't you, Mr. President?

At this time, yes, the hour is late. I would like to move LCO4749 and I would like to make that motion to amend, and I would like to take leave of the Chamber to summarize.

THE CHAIR:

You may proceed.

SENATOR MCLAUGHLIN:

The practice of the use of nonrecurring revenue sources is tapped out. This is it folks. There is nothing left that isn't already nailed down.

We offer in this amendment, an opportunity for at least a scrutiny at the time we are to put nonrecurring revenues into a budget. We want those nonrecurring revenues to be known to all in the full light of day.

I have been, frankly, impressed at how far we have gone in the use of nonrecurring revenues. They are all tapped out and they are all gone. Let's talk about a few of them. This fiscal year, 1990, to balance this budget, one of those entrustments, one of those reasonable and important trust funds that we have set aside has been tapped again to balance this fiscal year. The Property Tax Relief Fund.

The budget reserve fund, I suspect, in fact, which is left. 102.2 million, ought to be used at a time like this. This is really an emergency. It is really

downpour. Perhaps self induced. Like flying the planes over and bringing the rain clouds on. The fact is this is the prudent time to use the rainy day fund, but it is gone. It is all gone. No more.

We can go all the way up to 10% by legislation we had passed last week, just think of that.

My concern about the use of nonrecurring funds, is that along with the practice of a lack of planning, comes big holes. The adjustments that we have to make in the future with those big holes allow us two choices. To find some other revenue source. We are tapped out of those too. Or make the tough choice of having falsely encouraged somebody with the budget,a nd and take back that which we promised them.

You remember that, promises made, promises kept. Well, I guess if you are not in the Governor's Office, and you don't have to be around to keep your promises, they can be broken by somebody else.

There is all sorts of promises that are going to be broken. We have gone a long way in the use of nonrecurring funds this year. But the damage has been done in past years. And I would only offer one question, as I offer this amendment in sincerity, to the proponent of the main bill as amended before us, through you, Mr. President, to Senator DiBella.

Senator DiBella, are you aware of the budgeted projected surplus for 1992 at this time?

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Mr. President, would the Senator please rephrase the question?

THE CHAIR:

Senator McLaughlin.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. We know the projected deficit for this year. We know the projected deficit for next year. That which are balancing. Presumably balancing the budget for with these revenues. What is the projected revenue, projected deficit or surplus for fiscal 1992?

SENATOR DIBELLA:

1992?

THE CHAIR:

Senator DiBella.

SENATOR MCLAUGHLIN:

The fiscal year 1991/92?

SENATOR DIBELLA:

I don't know if I can make that projection without know what the revenues would be for 1991/92.

THE CHAIR:

Senator McLaughlin.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. Let me reframe that question, Mr. President. Considering the fact that there would be no base changes in the current revenue structure, what would the projected deficit or surplus be for fiscal 1992?

SENATOR DIBELLA:

Again, that assumes that at the end of 90/91, that that we end up with no, dead even. There is no change in property, in the sales tax. No change in corporate taxes. If the question is being asked, how much is in this budget for nonrecurring expenses, somewhere in the area of 300 million dollars.

THE CHAIR:

Senator McLaughlin.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. Thank you for volunteering that, Senator.

I really do want to talk to that. I think that really is what is before us. If there is anything that we can learn from this exercise. If we could have learned from this in the past two years, we have invited a whole, a proportion of a dimension that which

is beyond which we have had to deal with in any of the past couple of years.

By reasonable projections, if base changes are not made, revenues for expenditures will have to close the gap of certainly in excess of 500 million. And I have heard of reasonable people suggest in excess of 800 million for fiscal 1992. One fine presence for Governor's Morrison, Governor's Rowland, or Governor's Weicker respectfully. Whoever gets so lucky.

THE CHAIR:

We left someone out.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. I didn't know that you were running.

THE CHAIR:

Oh no, not me. We have Senator Smith who is a fine candidate here.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. I have just been told by messenger that I am no longer ranking member of the Finance Committee. (Laughter)

Not that that ever got me anywhere anyway. I leave you with the thought to dwell on, that the reason that we have dug the hole that we have dug for our new Governor, whoever he will be. My suspicion is that the

issue could be much more pronounced by the passage of this amendment. I would urge passage and the time that we voted, I would ask that it be done by roll.

THE CHAIR:

Roll call is noted. Further remarks? Senator DiBella.

SENATOR DIBELLA:

Yes, Mr. President. Through you to the previous speaker. Would the Senator wish to enlighten the Circle and the rest of the State of Connecticut as to which revenue reductions he would make? Or excuse me, which revenue increases he would suggest, or which service reductions he would recommend to change the circumstances that prevail in this proposed revenue package?

THE CHAIR:

Senator McLaughlin, do you care to answer?

SENATOR MCLAUGHLIN:

No.

THE CHAIR:

Further remarks? Clerk please make an announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Senate Amendment Schedule "D", LCO4749.

The machine is open, please record your vote.

Senator McLaughlin.

Has everyone voted. The machine is closed. Clerk please tally the vote.

Result of the vote.

12 Yea

23 Nay

The amendment is defeated. (Gavel)

Call the next item.

THE CLERK:

LCO4750, designated Senate Amendment Schedule "E", offered by Senator Smith of the 8th District, et al.

THE CHAIR:

Senator Somma.

SENATOR SOMMA:

Yes, Mr. President. I would like to move adoption of the amendment, and ask permission to summarize, please?

THE CHAIR:

Without objection, you may proceed.

SENATOR SOMMA:

Yes, the amendment requires that the Office of Policy and Management in conjunction with DRS submit a tax expenditure inventory to the Finance Committee and in that inventory an estimate of loss of state revenue as a result of the exemptions applied with the respect to state tax law be submitted as well.

And the motivation behind that, Mr. President, is we currently have, I see Senator DiBella rising already. We currently have about 65--

THE CHAIR:

He is only asking for relief. You can proceed.

(Laughter)

SENATOR SOMMA:

We currently have 65 or so exemptions to the sales tax costing about 6.2 billion dollars to the state. And we also have about 15 state taxes with exemptions as well. And I think what we need, is comprehensive data that applies to all of those taxes. I know we have some information that is supplied by OFA regarding the sales tax exemptions. And I think this type of information to the Finance Committee would be most helpful. And I request a roll call Mr. President. Thank you.

THE CHAIR:

Roll call has been ordered. Senator DiBella.

SENATOR DIBELLA:

Thank you, Mr. President. In the spirit of bi-partisan cooperation, seeing that we are all part of this problem and this process. I think that is a good idea and I would support the amendment.

THE CHAIR:

That is why he got up early, Senator Somma. Further remarks? Senator O'Leary.

SENATOR O'LEARY:

Thank you, Mr. President. I concur with Senator DiBella. I think it would be interesting each year to see what the total exemptions are. 6.1 billion is a lot of money. And maybe some of the people who feel that they are over taxed in some way would be surprised to see that they may be the recipients of an exception. I know that I hear from businessmen from time to time, and maybe they are not familiar with things like double weighted throw backs, and some of these little benefits they are getting. And maybe they are not getting them. Maybe big business is getting them and little business isn't getting them.

So, it might prove very interesting to see all of this laid out in one concise form.

THE CHAIR:

Further remarks? Clerk please make an announcement for an immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber. Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Senate Amendment. (Gavel) May we have order please.

Question before the Chamber is a motion to adopt Senate Amendment "E", LCO4750.

The machine is open, please record your vote.

Has everyone voted? Senator Avallone, Senator Hale, Senator Spellman, Senator Powers.

Has everyone voted? The machine is closed. Clerk please tally the vote.

Result of the vote.

35 Yea

0 Nay

The amendment is adopted. (Gavel)

THE CLERK:

LCO4845, Designated Senate Amendment Schedule "F", offered by Senator Smith of the 8th District, et al.

THE CHAIR:

Senator Upson.

SENATOR UPSON:

Mr. President, I move adoption of the amendment, and I ask to have it waived. It's reading that is. And ask permission to summarize?

THE CHAIR:

Without objection, you may proceed.

SENATOR UPSON:

This is one of the death penalties the Democrats can vote for tonight, and Senator McLaughlin. This is definitely a penalty for dying.

It changes the succession tax to be paid instead of nine months, to six months. Definitely a penalty.

Mr. President, and I know that you practice law, and other people in this arena. It is hard enough to collect and assemble information to pay the succession tax in the State of Connecticut. The state tax return for the federal government is nine months. And it should be the same for the State of Connecticut.

I am going to ask for a roll call, Mr. President.

THE CHAIR:

Roll call is noted.

SENATOR UPSON:

However, six months is impossible to assemble the

information. First of all if there is a will contest, it may take a sufficient amount of time just to have an executor or an administrator appointed, before you can even assemble the estate to determine what is in it. And what is taxable.

As I said, the federal government allows nine months to prepare the succession tax return. There was, everyone is taking my papers here. Please. There was a penalty portion of 10% that has been taken off. Thank you, Senator DiBella.

But, however, there is still a provision that if you don't pay the tax within six months, and there will be a penalty of 15% interest. So, that is certainly not a penalty, but just interest the state will charge.

There is a problem, Mr. President, if a beneficiary disclaims after the six month period. Supposing a spouse decides that they don't want to collect or receive under the will, and they disclaim and it goes to the children. This could be the seventh, eighth, ninth month. And if that is true, then the children will have to pay a succession tax, and have to pay interest on top of it.

So most information is not available within the first six months. And in many cases claims against the estate can also slow down its probate and the actual

summation of information.

I think this really, this penalty, this death penalty is unfair. It only is going to bring revenues quickly this year only. And thereafter, in my opinion, a new Legislature, whoever that is, will change it back. It is too bad that it is going to hurt people in the State of Connecticut. I ask for this definite rejection. And I think this of all the proposals to, for a quick fix in the state budget. This one from Senator DiBella, is the most onerous and is a death penalty.

THE CHAIR:

Further remarks? Senator Freedman.

SENATOR FREEDMAN:

Thank you, Mr. President. I would like to associate my remarks, associate myself with the remarks of Senator Upson. Having handled some estates as an executrix, it has been very difficult to assemble the information within a nine month frame period. And now you will be working under six months in Connecticut, nine months under the federal. I think it is very confusing. We have already made some changes in the law here in this state that I hope at some point will be changed. But I think going now at this stage to the six month period will be very difficult for the people

who have to deal with the actual settling of the estate.

Most of that information is not easily obtained, especially when people, at least the ones that I have had to deal with, don't have everything here in this state, and it is not accessible and easily handled.

I hope that we will be able to get this amendment passed, thank you.

THE CHAIR:

Further remarks? Further remarks? Senator McLaughlin.

SENATOR MCLAUGHLIN:

Just some questions, Mr. President, through you to the proponent of the main bill as amended. I would ask through you, Mr. President, to Senator DiBella. By way of, I am not sure how I will define this. But in terms of state practice, state settlement practice. What is the normal amount of time by which states are finally, totally paid?

THE CHAIR:

Senator DiBella hasn't spoken on this. This amendment was offered by Senator Upson. Who is a lawyer and apparently has already related what the time period is.

I don't know that he should carry the burden, but

if you would like, and he would like to assume that, fine. But I think the proper individual would be Senator Upson.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. I think that is probably correct. And yet, I think there are some questions that could be asked. I could write them down for Senator Upson to ask.

THE CHAIR:

You may proceed. Senator Upson.

SENATOR UPSON:

Yes, Senator McLaughlin.

SENATOR MCLAUGHLIN:

I will yield to Senator Smith.

THE CHAIR:

Senator Smith.

SENATOR SMITH:

Thank you, Mr. President. And you know, I have the greatest respect for you and the position you hold in the Chambers. But on the other hand, the amendment addresses the amendment that was passed previously, that was offered up by Senator DiBella. We are reducing the amount of time from nine months to six months. And I think, if in fact, the questions being generated around this amendment are, in fact, related

to the current conditions, as opposed to those being presented by Senator DiBella. I would hope that he could answer the question, because as a matter of fact, it is proposals brought forth by the majority that are being discussed in this amendment.

THE CHAIR:

Senator, proper order would be, those, the person who is the proponent carries the burden. He is not even involved at this moment. However, he can volunteer if he would like. But if Senator McLaughlin feels more comfortable in asking Senator DiBella, it is perfectly alright.

However, the one who seems to be informed, and who is carry the burden and who is the proponent is Senator Upson. If Senator Upson wants to yield to Senator DiBella, this is a bi-partisan effort, I believe, on the part of Senator Upson.

SENATOR SMITH:

Mr. President, in all respect to you sir. I believe the question was directed from the ranking member of the Finance Committee, to the Chairman of the Committee. He may have more faith in the rationale behind the decision to proceed with the change in the law, with the rationale being explained by the proponent of the original amendment.

THE CHAIR:

And saying that you are not undermining the faith of Senator Upson, I hope?

SENATOR SMITH:

Oh, absolutely not. Although I would, I will cast out further comment. (Laughter)

THE CHAIR:

Alright. I think we can move this thing on, and if Senator DiBella wishes to respond, it is perfectly alright. Go ahead.

SENATOR DIBELLA:

Would the Senator please repeat the question. It is a multipart, multifast question, so I want to make sure I understand.

THE CHAIR:

We thought you understood it from the beginning, but go ahead, Senator McLaughlin.

SENATOR MCLAUGHLIN:

What I am going to get at eventually, will be a comment. And I think it is appropriate that we are certain that the main vehicle that has now been amended, that it contains language that deals with the succession tax, is well known to all of us, and the mechanics of how it works. And that is what I am getting at.

I would really like to know, and if the information is available, because the issue of the payment of 80%, the good faith effort to establish some value for the estate having been made, my question is trying to establish how precise that is. Because I believe precision on that payment is a key element.

I will repeat the question. How long does it take for, and I am not sure just what an average estate is. But let's just use the medium of all the states. How long does it take us to settle all estates? What period of time?

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Well, Mr. President. First I ask the question, for what period of time is he talking? I don't have an average if that is what he asking. I would respond to the question in the sense, that last year we changed the legislation that deals with this issue. The claim period from 190 to 150 days that claims can be brought against the estate. Which is five months. Which means that the vast majority of the information that is necessary to make that decision should be available.

Now, some states are much more complicated than others, and they perceive a period of maybe nine months

and ten months. But I think it should be made clear that there is no responsibility to close the estate out in that period of time. It just is a firm assessment that must be made in that period of time and a tax determined, or estimated within that period of time, and paid to the State of Connecticut. If the assessment process is off in favor of the state, there is an interest rate assessed after this 15%. If it is off in terms of the individual it is 9% is paid back to the individual.

What the average is, and what an average estate is, I don't think I can answer that, nor do I think anyone else can call what an average estate is.

THE CHAIR:

Senator McLaughlin.

SENATOR MCLAUGHLIN:

Thank you for enlightening me, Senator. Let me comment and forego any further questions.

There are several elements in this process. The making of a claim is an important facet. But it has nothing to do with the good faith payment of 80%. the claim period is a period where there is a window for anyone that would make a claim to do so.

There are a couple of other elements in the succession tax, that I think are important. And why

the timeframe of six months is a penalty.

One, the evaluation and deduction of the estate is a critical part of the settlement of the estate. Many elements are not available in six months. And I believe I am repeating what Senator Upson said. But another major facet in this succession tax is the determination of the level of beneficiaries. And that being resolved, oftentimes, takes more than six months.

I just want to say, because I believe in our zeal to accelerate revenues into fiscal year 1991, we are penalizing what has been a tried and true system uniform with the federal standard, and that will for no longer than two years enure revenues to us, while at the same time, when it flattens itself out in fiscal 92, it will continue to be an intracisely collective tax.

I would urge adoption of the amendment.

THE CHAIR:

Further remarks? Clerk please make an announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber. Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Senate Amendment "F", LCO4845.

The machine is open, please record your vote.

Senator Blumenthal.

Has everyone voted. The machine is closed. Clerk please tally the vote.

Result of the vote.

12 Yea

23 Nay

The amendment is defeated. (Gavel)

THE CLERK:

LCO4291, designated Senate Amendment Schedule "G", offered by Senator Smith of the 8th District, et al.

THE CHAIR:

Senator Robertson.

SENATOR ROBERTSON:

Thank you, Mr. President. Mr. President, I would move adoption of the amendment sir. And I would ask leave of the Chamber so that I might summarize?

THE CHAIR:

Without objection, you may proceed.

SENATOR ROBERTSON:

Mr. President, there has been some manipulation of money in what is now referred to as the local property

tax relief fund. And this amendment addresses that manipulation. And though, you may question its appropriateness. I think that there needs to be a history of this money, and if you would allow, sir. I would like to ask Senator DiBella as to the history of this Property Tax Relief Fund?

THE CHAIR:

Senator DiBella.

SENATOR ROBERTSON:

Senator DiBella, if I might sir. Could you possibly explain to me and members of the Circle, what the maximum amount of money in this local property tax relief fund has been over the past three years?

SENATOR DIBELLA:

Mr. President, offhand, I don't have that number. But I think it is somewhere in the area of 240 million dollars it started at.

SENATOR ROBERTSON:

I believe it was 270 million dollars back in 1987. Senator DiBella, might you. Through you, Mr. President. Might you be aware as to what the balance is as of today?

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

I believe it is 210 million dollars, 212. Somewhere in that area.

THE CHAIR:

Senator Robertson.

SENATOR ROBERTSON:

Again, through you, Mr. President. Senator DiBella, do you have any idea as to the purpose of that money, and I move this as a question, Mr. President, if I might? As I recall, the Governor wished to use what was in a fund called the Municipal Infrastructure Trust Fund, which was about approximately 270 million dollars. The Governor preferred to use that money on a ten year program of 42 million dollars per year. As opposed to the trust fund's concept where the yield of investments of that trust fund, of which 3000 mortgages had been underwritten by that trust fund. There were three gicks, to the total of 40, 45 million dollars. That was going to have a yield of approximately 26 or 27 million dollars a year, which would have gone on infinitum. I believe in 1987, the majority party at that point wished to disband the Municipal Infrastructure Trust Fund, and go with a ten year program of 42 million dollars a year to the towns for local road repair.

Through you, Mr. President, to Senator DiBella, is

that basically a correct history?

SENATOR DIBELLA:

Yes.

SENATOR ROBERTSON:

Mr. President, what this amendment will do is it will stop the erosion of some of this money. This bill and the budget ultimately, will take what is currently the balance of this local property tax relief fund, which was supposed to be used at a tune of 42 million dollars per year over a ten year period, that balance of 206 million point 6, will be spent this way. 42 million dollars will be used in 1991 budget for this 42 million dollar payment. There will be this transfer of 52.1 million, and there will be another transfer to use for other grants, of 110.9 million dollars. All one shot money.

And of course the natural question that one must ask, is if you are using this 110.9 million dollars for one shot revenues to pay for 110.9 million dollars worth of expenses next year. I guess the question one must ask, and I won't embarrass anyone in the Circle to answer. The question is where will we come up with 110.9 million dollars in the 1992 budget? Are we telling the cities and towns of our state, that they can expect 110.9 million dollars less? Or more

appropriately, because I don't think that is the situation, what taxes will you raise, or are you intending to raise in the 1992 budget to make up for this one short fall of 110.9 million dollars? I think this is the epitome of fiscal irresponsibility to see a majority party dwindling away an irresponsibly spend 270 million dollars of one shot money over a three and a half year period is absolutely incredible.

I would urge the support of this amendment. Thank you.

THE CHAIR:

Senator did you request a roll call?

SENATOR ROBERTSON:

Might I request a roll call?

THE CHAIR:

Roll call is noted. Clerk please make an announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber. Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Senate Amendment "G", LC04291.

The machine is open, please record your vote.

Senator Harper, Senator O'Leary, Senator Avallone, Senator Hale, Senator Spellman, Senator Powers.

Has everyone voted? The machine is closed. Clerk please tally the vote.

Result of the vote.

12 Yea

23 Nay

The amendment is defeated. (Gavel)

THE CLERK:

LCO4734, designated Senate Amendment Schedule "H", offered by Senator Smith of the 8th District, et al.

THE CHAIR:

Senator McLaughlin.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. I would like to move the amendment and would like to seek leave of the Chamber to summarize?

THE CHAIR:

Without objection, you may proceed.

SENATOR MCLAUGHLIN:

I will move the amendment and affectively, what this will do is delete section 6, which is the section which allows the comptroller to use as revenue from corporation tax payments the revenue received from July

1 to August 15 that is still to come. To use it for this fiscal year. How does that one hit you?

I would like to move the amendment, but while doing so, I would like to just humbly ask. I am not an accountant, but I would like to ask through you, Mr. President, to Senator DiBella.

What are the mechanics of that process? How is, in the absence of this amendment, how would that work?

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Mr. President, the mechanics of what?

THE CHAIR:

You might explain what you are referring to, Senator. Because I think at this point he probably wishes to respond based upon what your request is. And so far, apparently it is not clear. Do you want to reframe the question?

SENATOR MCLAUGHLIN:

Thank you, Mr. President, I will. We are through this amendment taking tax receipts from July 1 to August 15th of 1990 and counting them for fiscal year 1990. How is that being done?

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

It is being done by not closing the period out. July 1, June 30th 1990 would be the close of the period. You are taking revenues that would be coming in after that period of time and you are carrying them back into that fiscal year.

THE CHAIR:

Senator McLaughlin.

SENATOR MCLAUGHLIN:

Thank you, Mr. President.

SENATOR DIBELLA:

Like sales tax that is accrued coming from the former year. You are accruing it backwards.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. Thank you. I just wanted to make sure we had that for the record. When the rules benefit us we change the accounting practices. That is what we are doing. We are going from a cash to a accrual basis to the receipt of tax payments to the corporation tax when it is convenient. When it works and enures some benefit to us.

This is really the worst of the bunch. This is dishonest. This is an accounting trick. But it is really not that tricky. It is pretty obvious. Anybody that can read the amendment. I would urge adoption of

the amendment.

THE CHAIR:

Further remarks? Do you wish a roll call? A roll call is requested. Clerk please make an announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber. Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Senate Amendment "H", LCO4734.

Senator Smith, Senator Avallone.

The machine is open, please record your vote.

Has everyone voted? The machine is closed. Clerk please tally the vote.

Result of the vote.

12 Yea

23 Nay

The amendment is defeated. (Gavel)

THE CLERK:

LCO4735, designated Senate Amendment Schedule "I", offered by Senator Smith of the 8th District, et al.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. I would ask Senator Somma to take this last one out, he was so successful. I'm only kidding.

I would like to move LC04735 and would like to seek leave of the Chamber to summarize?

THE CHAIR:

Without objection, you may proceed.

SENATOR MCLAUGHLIN:

This section would change the estimated payment for the collection of the corporation's tax. And it will keep it as is. It will not allow the tax due on the 15th day of June of the income year to be moved from 60 to 70%.

Let me explain what is going on here. Back in 1982, we changed the method of payment from a 60% on the six month of the income year, and we added a second payment, 80% estimated payment along with the balance due on the 12th month. Again in 1989 we made a change in the way that was paid.

In affect, we are changing it again. All we have done with each of these changes is accelerated the amount due. One might think, if you have a payment due, it might be fair to have 60%, 50% due half way through the year. With the balance due at the year end.

Well the question for the corporation's practicing businesses in Connecticut is over who gets the use of what funds and when. We have now by accelerating the payment of this fiscal year, done one more trick in trying to collect revenue for fiscal year on June 15th that we wouldn't have otherwise had for that fiscal year. But the permanent effect of this, is that we have accelerated payments and the state gets the use of the funds, hard earned, retained earnings from corporations that can hardly forego it under these circumstances. This is a really weak effort to raise revenue. Its permanent effects, put us in a noncompetitive position with tax administration practices all around us in competing with northeast industrial states.

I urge adoption of the amendment. At the time that the vote is taken, I would request a roll call.

THE CHAIR:

Roll call is noted. Further remarks? Clerk please make an announcement for an immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Senate Amendment "I", LCO4735.

The machine is open, please record your vote.

Senator Hale, Senator Przybysz.

Has everyone voted? The machine is closed. Clerk please tally the vote.

Result of the vote.

12 Yea

22 Nay

The amendment is defeated. (Gavel)

THE CLERK:

LCO4926, designated Senate Amendment Schedule "J", offered by Senator Benvenuto of the 36th District.

THE CHAIR:

Senator Benvenuto.

SENATOR BENVENUTO:

Yes, Mr. President. I move acceptance of the amendment. I move adoption of the amendment and ask permission to summarize and ask for a roll call?

THE CHAIR:

Roll call is noted.

SENATOR BENVENUTO:

This is a very simple amendment. It simply reduces the 8% business service tax that was passed last year.

As you know that business service tax I believe, covered 17 different categories. And I would like to compliment the Democrat leadership when they did propose that tax last year, for not including lawyers or attorneys. This tax was passed in the State of Florida approximately four years ago, and I believe it did include lawyers and attorneys and the news media. And because it included the category of attorneys and news media. There was a great cry for repeal of that legislation in Florida. And within six months it was repealed.

So now Connecticut has the great distinction of being the only state in the country of having an 8% business service tax. And if I can steal one of Jamie's words, I think it was a scintillating decision that the Democrat leadership had. Jamie? Where is he. I am moving for his job, be careful.

Mr. President, I would like to ask Senator DiBella one question in regards to the tax that we have with the business service tax.

It is my understanding that when we passed that tax last year, that the Commissioner of Revenue Service was going to come in with regulations by March 15th--

THE CHAIR:

(Gavel) Could we have order please. Senator

Benvenuto has a question. Do you want to reframe your question, sir?

SENATOR BENVENUTO:

Yes, as I understand it, the Commissioner of Revenue Service was supposed to come to the Regulation's Review Committee by March 15th of this year with regulations so that this tax may be implemented. Is that your understanding also?

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Yes, it is.

SENATOR BENVENUTO:

Okay. Through you, Mr. President, have those regulations been submitted to the Regulation's Review Committee?

SENATOR DIBELLA:

I believe the Department of Revenue Services has submitted a draft to the Regulation's.

There are draft available. They have requested a meeting with the Department of Revenue Services with Regs and Review. And that has been postponed until after the end of the session.

SENATOR BENVENUTO:

Through you, Mr. President. The tax has been in

affect now, is it approximately nine months, ten months, is that correct? Through you, Mr. President?

SENATOR DIBELLA:

July 1.

SENATOR BENVENUTO:

July 1, 1989. Thank you, very much.

It is incredible that we call upon the business community to pay a tax with no regulations. I have met with many groups, particularly public relations firms and consulting firms throughout the state, who no idea on what they should be paying a tax on. As a matter of fact, a member of the Commissioner's office appeared at one of those meetings, and he did not know the answer on what taxes were subjected, or what services were subjected for this tax.

And yet, we are calling upon the business community to pay a tax that is really outrageous. It is driving business out of state. And for that reason, I call upon this portion of the tax package to be repealed.

Just going over, I don't want to go over the 17 different items that are on the list, but one of the items is service of agents who sell tangible, personal property for others. That particular tax was explained. And if you happen to be in the consignment business, this is how that tax works. You have

purchased your fur coat for your wife. I will just use that for an example. And after two years she decides it is the wrong color. And now you bring it into a commission shop, and you are going to sell that for 1000 dollars. The sale is made and 8% is collected under this particular business service tax. That is not the end of the taxing for this particular item. The Commissioner of Revenue Service now wants a 8% tax on 1/3, usually the commission for consignment sales.

So now we have double taxation. And when this happens, excuse me. When you have this kind of a situation, unfortunately a person in that particular business is driven out of Connecticut.

And that is what is going to happen. People in Fairfield County are going to locate their businesses in Port Chester and White Plains. People in New London are going to locate their business in Rhode Island. And people I am sure near Hartford, are going to locate their businesses in Springfield, Mass if they happen to be in the consignment business.

There is no reason and no incentive for anyone to be in business in Connecticut.

Getting to the consulting and public relation's business, and advertising business. And it is too bad we didn't include advertising media in this particular

law, because I am sure we would have had such an outcry from the media, that this law would have been repealed in six months also, just like it was in Florida.

But in that particular business, one can operate their company out of anywhere in the world actually, and still run an advertising and public relations business. They do not have to locate in Connecticut. And for that very reason, I think it is tax that is going to be devastating in the public relations and consulting business.

When, I believe, Mr. Nicholson who is the Commissioner of Revenue Service, I think he is an attorney. Who attended a meeting at GTE in Stamford, where the Fairfield County Public Relation's Association met, he stated that it was going to be almost impossible to tell what portion of a billing would be subjected to this tax. If you happen to be in the public relations business, and advertising business. You now have to charge 8% to all your customers except the media service. And how do you designate what charges go to the media service, and what go to other businesses. It is almost impossible to do.

This tax is not workable. This tax will not work. And what you are going to create if it is going to be

compelled on people in business, is an underground economy. And that is what is going to happen.

As a matter of fact, your local dry cleaner now has to pay 8% tax, sales tax. And I am sure that you are going to create an underground economy with people who deal with cash business every day. This tax is not going to produce more money for the State of Connecticut. It is going to send our economy underground. And when you do that you actually end up with less revenue.

I just ask for the passage of this amendment, and urge that all the members vote on this good, bi-partisan amendment. Thank you.

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Mr. President. A few questions, through the Chair to the proponent of the amendment.

Could you give us the fiscal impact on the state for the recision of this legislation?

THE CHAIR:

Senator Benvenuto.

SENATOR BENVENUTO:

Through you, Mr. President. We asked for a fiscal note. Unfortunately, one has not arrived. As a matter

of fact, I put this amendment in about three weeks ago, and it just arrived an hour or two ago. So, I am sorry, as part of the bureaucracy that is located right here in the Capitol that is not working.

THE CHAIR:

Do you have it?

SENATOR BENVENUTO:

I do not have a fiscal note, although we requested one.

THE CHAIR:

Did you say it arrived an hour ago?

SENATOR BENVENUTO:

I'm saying the amendment arrived an hour ago. The fiscal note did not come with it. I put in a request for this amendment at least three weeks ago, and maybe longer.

SENATOR DIBELLA:

Mr. President?

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Again, the issue of consignment, if the proponent was aware of the fact that in the amendment to Senate 89, that we voted on 15 minutes ago, is the issue of consignment on certain portions of clothing, artworks

and things of that nature, and crafts and things of that nature. That would exempt and further clarify the issue of consignment of these types of artworks, clothing, some footwear types of things.

So, if you did vote against it, you are voting against clarification of that specific piece of legislation that you were very critical of on the Floor.

The second issue, I would ask to propose an amendment and stand up and articulate that amendment and recommend that the members of this Circle accept the amendment without knowing what the fiscal note is, is in my assessment, not a very fiscally responsible position to take. As Senator Robertson talked about fiscally responsibility and Senator McLaughlin have talked in the past.

And for your edification, the whole issue of personal service taxes is an issue that many other states are beginning to move to. Specifically New York. That talks about raising 500,000 million dollars. The bulk of the new revenues would come from existing sales taxes for the first time on services like custom computer programming, management consulting, public relations and claiming services, etc.

So that we are not the only state that has turned to that area of public service, of sales tax on specific services. It is an expanding part of our economy. And I think, the more responsible position would be to know what the fiscal impact would be, and then if it is 70 to 80 million dollars, which with this amendment it could well be. To propose or recommend that an alternative revenue source be established to provide the revenue that this would not provide to the State of Connecticut, and/or a combination of service reductions and revenue increases. I would assume that to be the most responsible way of dealing with the issue.

I would oppose the amendment, Mr. President. I think the amendment does not speak to what you do with respect to a gap of possibly 80 million dollars. And doesn't even speak to the fact that we know what the fiscal impact is.

I would oppose the amendment and recommend that this body votes against it.

THE CHAIR:

Further remarks? Senator Benvenuto.

SENATOR BENVENUTO:

Hopefully, answer the question. Maybe I can ask Senator DiBella one question in regards to the business

service tax that was passed last year. What was the estimated amount of revenue that was expected from the business service tax? Through you, Mr. President.

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Mr. President, I have great recall. But to be very frank, if you want the estimated amount of revenue, I don't have in my possession at this time. However, last year I believe it was 75 million dollars.

THE CHAIR:

Senator Benvenuto.

SENATOR BENVENUTO:

Mr. President, then I assume the fiscal of one was to arrive at anytime now, would be for 75 million dollars. And I think it is very responsible to ask for a reduction of 75 million dollars in this tax, and also to cut 75 million dollars in spending elsewhere when we get the package here on Friday. I think it is very, very important that people in Connecticut are allowed to stay in business. And this tax is driving people out of business. That is the problem with it. That is why 49 other states have not passed a business service tax. And the one state that did repealed it.

Senator DiBella talks about New York maybe

proposing this tax. Well they have not passed this tax. They might propose it, but they might never pass it. There are other states that have proposed this tax, and they have not passed it. Connecticut and I might add, Washington D.C., if you want to be in a class all by yourself, having business service tax.

And I don't think it is something that we can be proud of. I don't think it is anything we can be proud of when a youngster comes to your house to shovel your driveway, he is now subjected to a business service tax. When a high school kid mows your lawn, he is subjected to a business service tax. I think it is outrageous. As a matter of fact, it is even unworkable. It is not doable. I don't know how the tax Commissioner is going to hire enough people to police this business service tax.

And not only that, it is going to have an adverse effect on revenues. It is not going to increase our revenues. You know, when you reach a certain point, and I guess I am talking about supply side economics. And maybe I am talking about Arthur Laffert, with the Laffert's there. We have gone beyond the Laffert Fair. We have taxed people to the point where they are going to learn how to circumvent. And that is what they are doing. That's why are tax revenues are down. People

are not paying the taxes that they should be paying, because they feel that the State of Connecticut is not entitled to those taxes. We have overtaxed. And when you go beyond a point, people are not happy to pay taxes. They look how to beat the deal. And that is what they are doing right now. And when they beat the deal, you don't collect more taxes, you collect less taxes. And that is why we have a shortfall again this year.

People know how to beat the deal. We have taught them how to beat the deal by overtaxing them. Thank you.

THE CHAIR:

Further remarks? Clerk please make an announcement for immediate roll call.

Senator Smith.

SENATOR SMITH:

Thank you, Mr. President. I stand to support Senator Benvenuto. I would like for the record to note that this amendment that has no fiscal note, was submitted on April 18th at 1:00 p.m. Instead of criticize the fact that the fiscal note was not here is to criticize the very process by which we all have to operate. And I think it should bring some concern to the members of this Circle, that we have a Senator who

submits an amendment on April 18th at 1:00 p.m., and 11:00 p.m. on May 2nd, that fiscal note has not been prepared.

You might ask yourselves, what is going on in this process. It appears we have expanded the Senate. You ask a Senator a question, and delays are held until some Commissioner whispers the answer in his ear. I think it is time that the Commissioners stayed out of this process. I think it is time when a Senator comes to the Floor of the State Senate with a proposal, that that person understand the subject matter. And when Senator Benvenuto who has been traveling all over the State of Connecticut talking about the business service tax, has gotten sound information and sound support from the business people in the State of Connecticut, then the people in this Chamber should listen to him.

We are driving business out of the State of Connecticut. We are talking about a 75 million dollar fiscal note, Mr. President. What is the fiscal note going to be when we no longer have business here? What is the business note going to be when we have more unemployed because of our tax practices? What is the fiscal note going to be in 91 and 92 when the next governor has got to take a position? What is the fiscal note going to be, when perhaps, heaven knows if

a Connecticut party governor is here, and there isn't a commissioner that is going to stand up for a Republican or a Democrat to whisper the answer in their ear?

We may all have to know what our jobs are about. I am very annoyed, Mr. President, for what I have seen in this Chamber tonight. When a Senator who has put forth an amendment on April 18th and has not gotten it back from the nonpartisan people that are supposed to be supporting us. And to have that criticism come down that he doesn't know the fiscal note. The issue raises we have regulation in place when tax policy proceeds? The answer is no.

I don't know how many of you have received the kind of letters that I have received from businesspeople. They are concerned, they are confused and they are ready to leave the state, because we have a tax policy, a tax commission, and tax regulations that are not in order.

I think we all should reflect on that, and think about where the State of Connecticut is headed, as we try to move into the 90's and deal with all the problems it is facing. The last thing we need to do is drive one more business out of the state, because of poor fiscal planning and poor fiscal policy.

Thank you, Mr. President. I support this

amendment.

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Thank you, Mr. President. Not to prolong the debate, but I think this demands a response. Because the statement with respect to availability of information and knowledge is a process that this Circle should have access to. To walk into this Body with unlimited information to be controlled or to be in possession of on this desk, is a totally irresponsible position for the Minority Leader to take.

If a commissioner or anyone else can provide information that can be passed onto this Body, it becomes the responsibility of every committee chairman and member of this Circle to provide that information. And I will continue to provide the information. Its accuracy should be the concern of everybody in this Body. Not who provides it, but how accurate it is.

Because we make decisions on accurate information. If a commissioner is necessary, it is necessary for a commissioner to be here, the issue should be, are we being provided with appropriate and accurate information.

With respect to the question of a fiscal note not

being here. I cannot answer for that. But I would be very clear to this Body, that I would not propose an amendment if I didn't know what the fiscal impact was. And if I didn't receive that, you can bet I would go to the nonpartisan office of fiscal analysis to find out where it was. I wouldn't wait until 11:00 on the night that the amendment was being presented to be critical of the staff, when we had almost two weeks to enquire where it was.

THE CHAIR:

Further remarks? Senator Smith, I wish we would go beyond the question of the fiscal--

SENATOR SMITH:

Mr. President.

THE CHAIR:

Just a moment please. And let's confine ourselves to Senate Amendment "J". Because we have heard all that. There is a remedy, and apparently it wasn't pursued. Let's talk about the amendment. If there is further discussion, I think, on the amendment, I think it is worthy.

SENATOR SMITH:

Mr. President, I will speak as a Senator in this Chamber.

THE CHAIR:

I beg your pardon?

SENATOR SMITH:

I will speak as a Senator in this Chamber, and I will try to live by the rules that you establish.

THE CHAIR:

That is not my rules, it is by the rules that this Body establishes. You may proceed.

SENATOR SMITH:

We have noticed that.

THE CHAIR:

We've notice a lot of things. You still run for your office and God bless you. But let's not get nasty, proceed.

SENATOR SMITH:

Mr. President, that is not called for. Mr. President, I will proceed.

THE CHAIR:

Proceed, it is your privilege, but don't get nasty.

SENATOR SMITH:

Thank you, sir. The amendment before us is one that we all are very aware from discussing it with people throughout the State of Connecticut. We understand precisely what is going on in the Chamber tonight. We understand that we are setting forth a budget on the revenue side that is not truly balanced.

Senator Benvenuto has pointed out another factor with his amendment, which would indicate to all of us if we care to be concerned about the future. As to the direct impact that this tax policy that has been adopted has had on the State of Connecticut.

Somewhere is 75 million dollar price tag has appeared. Whether that is for the public record or whether it is the assertion of the Chairman of the Finance Committee that that, in fact, is the revenue impact of this particular amendment.

On Friday when we take up the budget, I guess we can address precisely how we would fill the budget gap, if in fact, we were able to eliminate this unfortunate tax on business services. But unfortunately, it appears that we are not going to consider that impact, or the ability of the people in this Chamber, in this General Assembly, to meet the commitments that we have all supported over the last several years.

As a matter of fact, when you look at the revenues in total, we are going to find that we not only will not be able to meet the commitments in the future, it is very unlikely that we will be able to meet the commitments established in this budget itself.

Members of the Circle, I would urge you to strongly

set aside your partisan differences and support this amendment. It will be a positive economic factor for the people of the State of Connecticut. It will send a clear message to the business community that we are concerned about expanding economic opportunity for all the people in the State of Connecticut. And it could very well turn the tide for all of us. Thank you.

THE CHAIR:

Further remarks on the amendment? Senator Benvenuto.

SENATOR BENVENUTO:

Mr. President, I might add that the fiscal note has just arrived. The amendment arrived two hours ago, and the fiscal note has just arrived. It is 68 million dollars.

THE CHAIR:

Thank God.

SENATOR BENVENUTO:

Now, I did not ask for the fiscal not, the fiscal note was asked by Senator DiBella. You really blame this side of the aisle, or Senator Smith or myself for not having the fiscal note, is really, is really not in order. Because we had nothing to do with this fiscal note that was asked for two weeks ago. But here it is, it has arrived two weeks later, and I have been asking

for the fiscal note every day this week, and most of last week.

THE CHAIR:

Senator, I don't quarrel with that. Our preoccupation ought not be the fiscal note. Because I believe you have a remedy. For me to permit the fiscal note issue truly goes beyond the purview of the amendment.

SENATOR BENVENUTO:

To go beyond the fiscal note. I would just like to add that this tax is imposed upon the small business person in Connecticut. This tax does not affect in any great way, any of the large businesses that belong, CBI or SACIA. This business tax applies to the every day small businessman that you are in contact with. And this particular group of people employ 80% of the people of Connecticut that are employed. We are putting this tax on 80% of the people of this state, when we imply this business tax. And because of that, we can see the net results. You can drive down any street in Connecticut, and find homes for sale that you never expected to be up for sale. You find people that are really stressing in their business. Bankruptcy like you never had before, because this business tax is driving the small businessman out of business.

He is trying to figure out how to cope with this particular tax, because he cannot run his business without a profit. When we see, and we had an example of that during the last holidays. We had inspectors go to New Hampshire and Vermont, to check on people that were making purchases of liquor out-of-state. The reason why they were out-of-state, I assume the Commissioner of Revenue Services didn't figure that out. Is because we have overtaxed them in Connecticut. And they go out-of-state to make their purchases for jewelry, fur coats. They go out-of-state to make purchases for just about every item that you can think of. Cameras, camcorders. You name it. And I wouldn't doubt at all whether members right here in this room have not done the same thing.

Because if you are going to pay a higher price in Connecticut, you are not going to make your purchases here in Connecticut. You are going to go out-of-state. Because your dollar, and your budget for your family, only stretches so far. And when you are overtaxed, you have to compensate. And you learn how to circumvent.

When we talk bout a tax that affect 80% of the people in Connecticut, and is driving the small businessman out of business, I think we have to take a positive action. And that action is to repeal this

tax. Let's not wait until the last two businesses to leave Connecticut. And we ask the last two businesses to turn the lights out. Thank you.

SENATOR DIBELLA:

A point of information.

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Yes, through you, to Senator Benvenuto. I don't receive the amendments Senator. I don't receive the fiscal note. It was your amendment. I am not saying about this one. I am just saying that the fiscal note goes to the proponent of the amendment. The proponent of the amendment when they get it, can release it. It is not released to either the Chairman of the Committee or anybody else. That is something that I learned this week.

THE CHAIR:

Senator Freedman.

SENATOR FREEDMAN.

Yes. Thank you, Mr. President. Just a question through you, to the proponent of the amendment.

Would this amendment alleviate or take off the tax on architectural services and the components thereof?

SENATOR BENVENUTO:

The answer is yes, Mr. President.

SENATOR FREEDMAN:

Thank you. I would then support the amendment wholeheartedly.

THE CHAIR:

Further remarks? Clerk please make an announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

Immediate roll call has been ordered in the Senate, will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Senate Amendment "J", LCO4926.

The machine is open, please record your vote.

Senator Hale, Senator Spellman, Senator Blumenthal, Senator Gunther

Has everyone voted? The machine is closed. Clerk please tally the vote.

Result of the vote.

12 Yea

23 Nay

The amendment is defeated.

THE CLERK:

Mr. President, it is my understanding that the remaining amendments filed are not to be called.

THE CHAIR:

We are now on the bill as amended by Senate Amendment Schedule "B" and "E". Senator Smith. Senator DiBella. Senator DiBella.

SENATOR SMITH:

Mr. President?

THE CHAIR:

Senator Smith.

SENATOR SMITH:

Could we standby for just a second please?

THE CHAIR:

The Senate will stand at ease.

SENATOR SMITH:

Mr. President?

THE CHAIR:

Senator Smith.

SENATOR SMITH:

I am going to yield to Senator Mclaughlin at this point.

THE CHAIR:

Senator McLaughlin.

SENATOR MCLAUGHLIN:

Thank you, Mr. President. I think this is the

appropriate time to recollect back, I was a Freshman about eight, nine years ago. I remember sitting next to a veteran legislator next to me, and he had been in the minority for twenty years. And he looked at me, and we were in the midst of one of these great finance debates. And he said to me, "Mac, we've got them on the run. And they are chasing us over the hills." And that is a bit of the way I feel.

This, my last go on the so called tax package. This one is different though. This one doesn't feel like a tax does it? No, it really doesn't feel like a tax. It doesn't have all the romance of something we could as a minority sink our teeth into and really go for. It just lacks some substance.

In fact, I think that is the biggest criticism I have and I will make some criticisms before we are done. But let's be perfectly straight. These revenues are taxes by any other name. And let's try a few. Forward funding, transfer, accrual, penalization, acceleration. Hey, those are taxes troops. We are taxing different constituent groups with what we are doing throughout this fiscal year to balance it. And in particular next fiscal year.

These are taxes. We are raising revenues. I want to focus on one thing in a great particular way. And I

am hopefully going to get an answer on this from the distinguished Senator from the 1st District. And I believe it is of critical importance to lesson for all of us on the floor.

I did a little bit of math back in April on the Finance Committee's last day. Or it was about the last day. I know we finished our business this year before the JF date. And unlike the ignominious finish of last year when we left a lot on the table.

But, I had asked a question recollecting on my eight year olds nieces math lesson, she could do the math, and I figured I could do the math. And I figured everybody else in the Committee could do the math. And I said, well let's see. We are raising revenues and they equal X. We have a rainy day fund and we are drawing down on that, and that equals, and in fact, it still equals 102.2 million dollars. And the projected deficit at the time, of course, you know that changes quite a bit. It was either 194 million, or 226. It is now 246, but that depends on who your source is and who is on first.

But the fact is, that figure left us with a balance. Now, let me go to my sheets now with the update through the fist of May. And the issue here is whether or not we are balancing the current fiscal

year's budget. It may not be known to all here. We are not under a constitutional charge to balance this budget. Constitutional charge does not exist. But I will remind everyone, we are under a very compelling moral obligation to balance this budget.

I regard it as an absolute obligation. I need not remind you of the recent downgrade of the State of Connecticut. And that was before we chose not to balance this current fiscal budget. That was before we had to go into the short term market for cash flow purposes.

We are not balancing this budget. We are not balancing this budget by the figures I have some 58 million dollars being covered by revenue of 59 million dollars sometime after July 1, next fiscal year.

I have a question through you, Mr. President, to the proponent of what is left. The main vehicle as amended once, and that is looking at the arithmetic, notwithstanding the revenue that is showing for fiscal 91 of 59 million. When the clock ticks at midnight on June 30th of this fiscal year, what is the balance for fiscal year 1990? Through you, Mr. President.

SENATOR DIBELLA:

What point and time? June 30th?

SENATOR MCLAUGHLIN:

Through you, Mr. President. About this hour on June 30th, or sometime prior to midnight.

SENATOR DIBELLA:

The closing balance of 89/90, will be a negative 58.6 million dollars.

SENATOR MCLAUGHLIN:

Through you, Mr. President. Oh not through you, Mr. President. I will finish my remarks on this subject at least.

It was well known to all of us that the math that we are talking about, this showed that there was some gap at which we could no longer extract revenues this fiscal year. And in which the draw down on the rainy day fund, left about, let me step back in time. Not too far.

On January 16th the Governor of the State of Connecticut announced to all of his Commissioners, Commissioners, I want a 2% cut across the board. But we know that Commissioner Aronson has had one tough go of it, the DIM. And we saw a big portion of the deficiency being in the Department of Income Maintenance. But the fact is as we got later and later in the fiscal year, the latitude, the deal with the fiscal year deficit that was clearly staring us in the face, became narrower and narrower. Some of the

accounting changes that we have done draw down on the property tax relief fund. Some of the other tinkerings have created the best we could do late in the fiscal year. But we have, indeed, failed the people of State of Connecticut. And we have a 58 million dollar deficit that has been acknowledged on this floor. Was very forthrightedly acknowledged in the Finance Committee by both Chairman when I asked the question.

We have failed a basic, moral obligation to the people of the State of Connecticut.

I regard that as a very serious charge. I believe it is one that we will pay, in fact, a penalty for before all is said and done. I really regret that.

I want to be positive. I want to make a comment. It may be my last chance. I am a member of the Thomas Commission. Like a lot of people around this Circle, I was really questioning whether or not that was a bone. Whether or not that was a waste of our time. I must tell you, I don't miss my meetings. I must tell you that it is one of the enterprising parts of what I do as a legislator right now that is most interesting in the work I do right now.

I am on three subcommittees. We are in the Department of Transportation right now. I will tell you that the Thomas Commission is our last best hope.

But it is not alone, and don't let anyone on this floor tell you that the Thomas Commission alone is the Holy Grail. It is not alone, the thing that will change the circumstances that have us here today. It is the hope, that and the will of an executive branch that will take office in January that will have the will to deal with Thomas Commission recommendations. That will have the will and the courage and the fortitude to deal with things that we have neglected. That have brought us to this passage.

In fact, I think my final remarks have to focus on the culpability and the negligence and the absence of action in spite of parent problems over the last three years that have shown me that only by way of the arrogance and the negligence and the getting fat that the inaction that has occurred that has dealt with the spending side of the budget, that has brought us to this state, has the state of the State's economy nearly in paralysis. Has the State of Connecticut, from the businesses point of view, from the homeowners point of view in jeopardy. The whole shooting match is in jeopardy.

We are getting through. We are getting through this fiscal year. We are not even making it. And we are just getting through the next fiscal year.

Let's be frank about it. Let's be open about it. The gig is up. A lot of people, and a lot of people on the deck of this ship are going to change. And the formations are going to change. Let's be open about that. Throw it up in the air. Who cares? That is what I feel. That is what I sense. I don't see real responsible action out here. Just getting through.

Anybody feel any pride in this? Boy, for me this is a funny way to go out. Because I really feel that we could have done a more creditable job. There was more we could have done on the spending side. And I will end on a note. I have had my head spinning since January of last year. What we haven't done with the state of the State's Budget in resolving the chronic systemic problems that drive this budget in the period of 18 months is appalling.

We are back here again, tinkering. There is just no tinkering left. There is barely a sound out of the bell of the tinkering we are doing. And I am afraid somebody has got to pay the piper. The time comes due next year. New slate coming into office. My God, I hope they have the will. I hope we are all on board to support them. Because we are going to have to see some big changes.

Thank you, I will yield to Senator Smith.

THE CHAIR:

Senator Smith.

SENATOR SMITH:

Thank you, Mr. President. At this time, I would like to yield to Senator Freedman.

THE CHAIR:

Senator Freedman.

SENATOR FREEDMAN:

Thank you, Senator Smith. I do have some questions. Through you, Mr. President, to Senator DiBella.

I am concerned on the collection of the capital gains tax on the sale of a home from an out-of-state residence. Are there regulations or any agreements from other states that already collect capital gains, so that a person selling this property will not be doubly taxed?

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Mr. President, the issue, the question restated.

SENATOR FREEDMAN:

Through you, Mr. President. On the sale of real estate by a person who is a nonresident in the State of Connecticut, but lives in a state where they also have

to pay a capital gain tax. Are there any reciprocal agreements or credit setups that would alleviate a person paying double capital gains tax?

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

With respect to reciprocal agreements, I can't speak to that. I can speak to the function of the tax. What state you are talking about. The information I can secure for you I am sure. My understanding is the tax will be assessed on the out-of-state residence that have a capital gain in the State of Connecticut.

Now, if you can ask me if they live in Florida, whether the capital gain is applicable there or what other state, I can't answer that question.

SENATOR FREEDMAN:

Senator, through you, Mr. President. Senator DiBella, and this is more of a comment than a question. I would have thought that before we developed legislation like this that we would have looked at all the states to find out who collects the capital gain tax. We would have prevented somebody from becoming doubly taxed. Because we have not taken that precaution for this amendment, which is now part of the bill.

THE CHAIR:

Was that a question?

SENATOR FREEDMAN:

Well, it was not a question, it was a statement. But he seems to have an answer to something.

THE CHAIR:

Let's go on to the next question.

SENATOR DIBELLA:

I will respond to the question.

THE CHAIR:

Please proceed.

SENATOR DIBELLA:

The basic issue is in most states where the property is located, that state has the first opportunity to tax. The general procedure is and again, if you are specific with respect to the state, we will make your response to it is that a credit is given to the state. Somewhere to the sales and use tax. The credit would be extended in the state, where if there was a capital gain assessed against the individual on the capital gains tax in that specific state.

SENATOR FREEDMAN:

Mr. President, the States of Rhode Island, Massachusetts, New York and New Jersey, which sort of

surround us, do we have these agreements? Through you, to Senator DiBella.

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Yes, they do.

SENATOR FREEDMAN:

Thank you.

THE CHAIR:

Further remarks? Senator Robertson.

SENATOR ROBERTSON:

Thank you, Mr. President. Mr. President, and members of the Circle. In a text Politics Among Nations, which is the standard text now, I still believe it is the standard text in most political science courses, whether it be American Government or International Relations. Professor Hans Morganthal's premise in the book is that everything within politics can be evaluated on one or two items. One item is the pursuit of power and the other item is the maintenance of power.

And though I didn't begin reading that book until my Junior year in school, having been a math major up to that point. I didn't really wish to believe it. Because it is so cold. The pursuit or the maintenance

of power. This is my 14th budgetary year from the Ella Grasso re-election budget to today. And though one can intellectually determine that maybe Professor Morganthal was correct. There is that little thing, at least inside of me that level of idealism that wants to believe, no. Politics and interaction of politics is really for the benefit of people, not for the pursuits or the maintenance of power.

Now, if we were to follow Professor Morganthal's theory, I guess I could understand why the majority party in their efforts to maintain power would not wish to raise taxes in an election year. And I guess I could also understand if I accepted in total Professor Morganthal's theory, that in the majority party's desire to maintain its power, they wouldn't wish to hurt any people that they perceive as their constituency by reducing spending. I guess I could understand the majority party not wishing to suggest like every other company in this state to date, and unfortunately all those company's which will follow and you will all see shortly. And that is when times are tight, they layoff people. They cut salaries. But for some reason I can understand if Professor Morganthal is correct, and your desire to maintain power, you wouldn't wish to do that.

But still there is that little thing inside me, aren't we really here to do the people's business? Aren't we really here to do what is right. You know, I don't say this as a Republican. I guess I say this as an idealistic individual who sought to run. Sought election and have sought to serve because I wanted to be here to do what was right. I think it was the very first amendment that the Republican's offered about the estimates, and Senator DiBella in his debate against that amendment said, we can't create another layer of bureaucracy. We have enough. And my immediate response was, geez, if what we have is enough, then they are really the cause of us being in this damn mess. So maybe what we should do is get rid of all of that bureaucracy. Maybe what we should do is have an independent body come in and not only do revenue estimates. But have the guts to do the budget that we and the bureaucracy have not had to do.

So what we are passing today in the pursuit of maintaining power, in the pursuit of pulling the wool over the eyes of the State of Connecticut, is the revenue package that will eventually balance the appropriation package. And you will go before the public and say we did it without raising taxes. But what you are not telling them in your pursuit of

maintenance of power, is that what you have done is shortly after the election, you are leading the states to the most massive tax increase in its history. Larger than last year. And you are creating economic devastation in a state that I believe we all love.

So unfortunately, I guess Professor Morganthal was right. And the only items that are of concern is the pursuit of or maintenance of power. It is sad day for me, maybe some of that idealism will be removed. It is a sad day for the people of Connecticut.

THE CHAIR:

Further remarks? Senator Smith.

SENATOR SMITH:

Thank you, Mr. President. Mr. President, members of the Circle, the Minority Party attempted this evening to try to create some order out of what some of us consider to be economic and fiscal chaos that this state is headed in. In our LCO5005, it tempted to create a better component for predicting the state's economic and financial condition. One outside of the political process.

In LCO4749, we attempted to show that it is critical to all of us that when nonrecurring revenues are used that everyone, both members of this Circle and the public are fully aware of the fiscal impact in

ensuing years.

And thanks to the fine work of Senator Somma, we were able to convince everyone that a tax expenditure inventory that looks specifically at the cost of exemptions should be a component of what we are all doing in the budgetary process.

In LCO4845, we tried to resolve some of the concerns that we had in the succession tax. The concerns that I think have some very practical implications for those that are involved in the administration of probate.

In LCO4291, we talked about the shifting of 52 million dollars from the local tax relief fund in order to balance the current fiscal year. At a time when we hear the Majority Party lay claim to the fact that there is no tax increase included in their budget plan. Well there may not be a tax increase to state government, but there is certainly implications for the future for local government. In as much as we are consuming longterm commitments in terms of the property tax relief fund and other funds that I believe they counted on for their longer term plans.

In LCO4734, we talked about the shift of revenues from one fiscal year to the other in order to cover up the current deficit operating conditions in the State

of Connecticut.

In LCO4735, we talked once again about the impact on the business community with our tax policy in the smoke and mirrors approach to the revenue side of the budget.

And finally, in LCO4926, Senator Benvenuto talked about the tax on business services, which through testimony that we received as we traveled throughout the state with the Business Opportunities Committee as well as direct testimony that many of us received from constituents whether in New Hartford, Connecticut, or New Fairfield or Greenwich. The business community is concerned about this business tax and its impact and their ability to compete successfully in not only a national but an international market.

Mr. President, and members of this Circle, what we have created with this revenue plan is really a false promise for the people of this state. We have created a negative drain on both the state's business climate as well as shifting a substantial burden to localities at the same time that we hear comments about their aggressive nature of the property tax.

Mr. President, and members of this Circle. I don't know who is going to be the Governor of the State of Connecticut in 1991. I do know one thing, that the

legacy of ten years of the current Governor is going to be marred by what we are doing here today, and it is going to be marred by the fact that the State of Connecticut is not on sound fiscal ground, that Governor O'Neill's legacy may very well be that he has allowed the next Governor to inherit a pile of rocks. Thank you, Mr. President.

THE CHAIR:

Further remarks. Senator DiBella.

SENATOR DIBELLA:

Thank you, Mr. President. I will be brief. I think we have discussed this bill, SB89, in length with respect to the amendment. The amendment is a large portion of what the bill represents. The issue of amendments probably represents 150-170 million dollars in reductions, not to be offset by any other revenue sources. It should be very interesting to see what the Minority's representations will be in the Appropriations document that gets to us later on this week or the beginning of next week, to close the holes or to reduce the levels of service necessary to run the State of Connecticut.

It's very interesting to listen to the mathematician in our Circle, in his feeling that we have morally failed to meet a balanced budget. To

understand the operation and the movement of a document as large as this budget, some 7 billion plus dollars, we are out of balance most of the time in the process of operating this government with respect to the receipt of revenues and the expenditure of dollars.

The Finance Committee has pointed out that based on projections of revenues and expenditures done by the Treasurer's Office, the fiscal year '90-'91 will find out budget in some points in time 6, 7, 800 million dollars out of balance. That has been accommodated in a request for an additional 35 million dollars to carry the cashflow needs of this state. Very similar to any business that operates, the ability to operate is the ability to operate on a cash flow scenario. It provides the ability to pay your bills and to borrow money to meet those when revenues don't come in at the same pace.

Anyone that understands the process of budgeting will realise that we are very seldom ever, except in extraordinary cash plentiful years where we have great surpluses, actually in balance. On June 30, 1990, we will not be in balance. On July 1st, we will be in balance with the transfer of specific revenues from different accounts.

The document before you is a balanced budget or

that will present a balanced budget. With the passage of SB89 as amended, SB5156, SB154 and other Appropriations bills that reflect cuts. It is a budget that will, a revenue package that will meet the appropriations needs of the State of Connecticut, to provide the services necessary to run this state. It is a proposal before this General Assembly and before the people of the State of Connecticut which is a responsible approach to the provision of services to the people of this state.

It is a realistic revenue anticipation. And I can remember a year ago standing on this very floor, amongst the critics in the Minority, when I stood on this floor and proposed a 3% growth in revenues to meet the revenue needs to balance a budget to provide for the expenditures of revenues in this state. I was criticized and castigated for being too conservative, for not understanding what the real revenue anticipations were, that we as Democrats were amassing a tremendous surplus that would carry us through an election year.

In September, I heard cries, and I heard proposals from that same group calling for tax reductions, because the surplus would be so prodigious that we are taking money out of the taxpayers' pockets, that would

be used as a major surplus. In October, there was silence. In November, there was a projection of the deficit. The process is not precise. The knowledge that we know, the statistical information, the past experience, the look into the crystal ball of what the economy will be is not a precise science.

And regardless of the number of people and experts at what one brings to the table, you will get almost as many opinions. At some point in time, people must make decisions, decisions based on the past, decisions based on what anticipated future economic situations will be. And that is what this document recommends and represents.

It will balance. It will represent an expenditure or a revenue base of some $7,116,870,000. Our actions tonight on SB89 will provide us with the first leg of this process. I would recommend the adoption of the bill, SB89, and as I stated, I feel it represents a reasonable estimate of revenues, an ability to operate the State of Connecticut-- the revenues necessary to operate the State of Connecticut over fiscal year '90-'91.

THE CHAIR:

Further remarks? Senator Smith.

SENATOR SMITH:

Thank you, Mr. President. So that we can close this with at least a little bit of levity and good relationships, I would like to remind the good Senator from the 1st District that it was not the Senate Leadership on the Republican side that talked about a surplus in September. And it was not the Senate Leadership that advised the Connecticut Expenditures Council at about this same time period that there was a surplus.

I would also like to point out to him that representatives of both those organizations are advising one of the gubernatorial candidates. (Laughter) But I do think we have had some good debate here this evening, and certainly the Chamber should be encouraged by the fact that we can have disagreements and we can proceed to try and solve the problems for the people of the State of Connecticut.

And I would like to thank the members of the Majority Party for basically putting up with our challenges to your thoughts and ideas and your direction. Your emission statement is somewhat different from ours, and I hope that what we have been able to articulate this evening is precisely what those differences are. Thank you, Mr. President.

THE CHAIR:

Further remarks? Clerk, please make announcement for immediate roll call.

THE CLERK:

Immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber. Immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

THE CHAIR:

The question before the Chamber is a motion to adopt Calendar 209, Substitute for SB89, File 360, as amended by Senate Amendments "B" and "E". The machine is open. Please record your vote.

Has everyone voted? The machine is closed. Clerk, please tally the vote.

The result of the vote:

23 Yea

12 Nay

The bill is adopted.

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Mr. President, thank you. As a point of information, there will be a Senate Finance Committee one half hour before the opening of the House session tomorrow. Don't ask me when the House session is going

H-577

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GEN. ASSEMBLY
HOUSE

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House Bill 6027 as amended by House Amendments "A", "C", "D" and "E".

Total number voting	151
Necessary for passage	76
Those voting yea	150
Those voting nay	1
Those absent and not voting	0

SPEAKER BALDUCCI:

The bill as amended is passed.

CLERK:

Page 23, Calendar 402, House Bill 6028, AN ACT CONCERNING BAIL DECISIONS AND CONDITIONS OF RELEASE. Favorable Report of the Committee on Appropriations.

SPEAKER BALDUCCI:

Representative Frankel.

REP. FRANKEL: (121st)

Mr. Speaker, I move this item be recommitted.

SPEAKER BALDUCCI:

The question is on recommittal. Is there objection? Seeing none, it is recommitted.

CLERK:

Page 11, Calendar 569, Substitute for Senate Bill 89, AN ACT CONCERNING CERTAIN STATE REVENUE AND GRANTS TO MUNICIPALITIES, as amended by Senate Amendments "B" and "E". Favorable Report of the Committee on

Appropriations.

REP. CIBES: (39th)

Mr. Speaker.

SPEAKER BALDUCCI:

The distinguished Chairman of the Finance Committee, William Cibes of the 39th.

REP. CIBES: (39th)

Thank you, Mr. Speaker. I move acceptance of the Joint Committee's Favorable Report and passage of the bill in concurrence with the Senate.

SPEAKER BALDUCCI:

The question is on passage. Will you remark?

REP. CIBES: (39th)

Thank you, Mr. Speaker. This bill provides for revenue enhancement necessary to balance the budget for the next fiscal year and to pay for the deficit which we expect in the remainder of this fiscal year.

That latter amount is $58 million. The amount of revenue generated for next year will be slightly in excess of that amount and thus the budget will balance.

There is not in this bill, a substantial amount of surplus, despite the rhetoric of members of the other side in the last debate on the appropriations side of the budget, nor is there to be expected any substantial shortfall I believe, in fiscal year 90-91.

We are adhering to the revenue estimates proposed by the Office of Fiscal Analysis, a non-partisan body which has provided good revenue estimates this year as well as in the past. Last year as you recall, we believed that the economy would go into a slight downturn and we ultimately ended up in estimating revenues slightly below that of OFA.

This year we believe, after a careful review, that they are on the money, and we are accepting the revenue estimates.

There is contained in this package, no new taxes for the State of Connecticut during this fiscal year. There is one enhancement which applies to out-of-state residents who sell real property within the State of Connecticut, and from that section of the bill, about --

SPEAKER BALDUCCI:

(Gavel) Please. We ask the members. We know it's Saturday afternoon. We are moving forth with a bill that will have a great deal of impact on the State. We would appreciate it very much if you would give your attention to Representative Cibes.

If you must chatter or carry on conversations, please do so outside of the Chamber. Representative Cibes.

REP. CIBES: (39th)

Thank you, Mr. Speaker. There is a provision in this bill which provides for collection of capital gains to be paid by out-of-state residents who sell real property in the State of Connecticut. We expect to raise via that provision, about $4 million in this fiscal year and about $10 million in the next fiscal year.

There are also some provisions for increased penalties and interest, but other than that, these are in the true sense of the term, revenue enhancement, and not taxes. And certainly no new taxes on Connecticut residents themselves.

The bill provides for a transfer from the local property tax relief fund in the course of this fiscal year nearly $52 million. It provides for the, it provides for, in the underlying file copy, 50% of the private college and hospital tax exempt pilot payment to be made at the level of 50% rather than the previously existing 40% level.

It provides for some other provisions which have been deleted in the Senate amendment which has been adopted.

It provides for forward funding of the Department of Public Utilities Control and the Insurance

Department.

It provides for the accrual of corporation tax due and payable in this year, but which is not actually paid until August the 15th of the next fiscal year. It provides for an increase in the second estimated payment of corporate tax in 1991 at the level of 70% as opposed to 60%.

It provides for a payment of the inheritance tax due within 6 months of death, as opposed to 9 months.

It provides for using the remainder of the telecommunications hold harmless grant in the amount of $1.2 million in this fiscal year.

And it provides for a tax amnesty program.

I would urge adoption of this bill as amended, and for that purpose, I have, the Clerk has an amendment, Senate Amendment Schedule "B", which he is in possession of, LCO4874. I would ask that he please call and that I have permission to summarize.

SPEAKER BALDUCCI:

The Clerk please call LCO4874 previously designated Senate "B".

CLERK:

LCO4874, previously designated Senate "B" offered by Senator DiBella.

SPEAKER BALDUCCI:

The question is on summarization. Is there objection? Representative Cibes.

REP. CIBES: (39th)

Thank you, Mr. Speaker. If all members will pick up their copies of this amendment, we'll go through it very rapidly, I hope, to indicate to you where the changes occur.

The line 16 through 22 of the amendment provides for an increase in allocation to the State properties pilot.

It also provides for a reduction in the amount of transfer from the local property tax relief fund in this fiscal year.

It provides for, in the next section, it provides for better reporting requirements on the out-of-state capital gains by requiring that real estate agents and real estate reporting persons transmit information to the State Department of Revenue Service.

Lines 40 and following, provide for a revision of the tax credit tax surcharge, property tax relief program that we instituted last year in the revenue package, a revision which by the way will need to be further amended on another vehicle in order to accord with the needs of the commercial properties in the City of Hartford.

There is also a revision in the inheritance tax provision. There is the, in section, in the new section 22, starting on line 82, a revision in the sale for resale provision as applied to services, which will hopefully make it clearer and hopefully more favorable to taxpayers in the, with respect to the sale for resale provision with respect to services. That's in the new sections 22 and 23.

Beginning on, as I indicated on line 82, and then on section 23, continuing as well. Particularly that last language starts on line 241.

There is a revision in the funding provision for the telecommunications assessment for the DPUC to comport with another bill which had come through other committees, and that has now been incorporated in this bill.

In the next section, dealing, starting on line 287 of the amendment, through 293, clarifies the allocation of the property tax relief fund, I believe this year, and then sections, new sections 29 deals with the tax amnesty program. New section 30 provides for an allocation of the taxes otherwise due towns on the telecommunications personal property to be allocated to cities and boroughs.

Section 31 commencing on line 429 provides for a

revision of our major sales tax revisions, particularly with respect to management consulting, which on line 483 which does the following: It clarifies the existing tax on business consulting services to limit those services to the furnishing of operating advice and assistance pertaining to the management of businesses.

Management consulting services would pertain to the general operations and functions of businesses. It would not include providing specialized consulting services such as marketing, investment advice, investment banking, engineering, insurance, auditing and accounting. Some of those other services are already subject to the service tax and would continue to be subject to the service sales tax but insofar as they had previously been included in the concept of consulting, and there is some doubt about that, they would not by the addition of the word management, would be clearly excluded from service sales tax.

Starting in lines 510, there is a further exclusion from the current sales tax providing that services of the sale, services of the agent of any person for the sale of tangible personal property would exclude the services of a consignee selling works of art or articles of clothing or footwear, basically, and then

continuing with a more specialized definition of that.

Section 32 provides for an uncapping, or a capping at a new level, I'm sorry, a capping at the new level of State properties pilot payment.

And the new section 33 revamps the effective dates of the sections and includes the new sections in the amendment.

I would move adoption of the amendment, Sir.

SPEAKER BALDUCCI:

The question is on adoption. Will you remark?

REP. CIBES: (39th)

Thank you, Mr. Speaker. I think I've gone through the details of this in sufficient specificity that I would not need to give further explanation of that. Thank you, Sir.

SPEAKER BALDUCCI:

Will you remark further on the amendment? Representative Farr of the 19th.

REP. FARR: (19th)

Mr. Speaker, through you. I wonder if the proponent could just share the fiscal note with the Chamber. The fiscal impact, the net total fiscal impact on this.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, I will in just a second, when I determine where my copy of the fiscal note is.

The net fiscal impact of the amendment will be, from the file copy, decrease the revenues for fiscal year 89-90 by $10.6 million. From the file copy, decrease the expected revenue for fiscal year 91 by $38.2 million and to the extent that we know for fiscal year 91-92 decrease the expected revenue to $31.7 million.

In addition, the sale for resale provision has been set by fiscal analysis to be indeterminate or uncertain.

SPEAKER BALDUCCI:

Will you remark further on the amendment. Will you remark? Representative Maddox of the 66th.

REP. MADDOX: (66th)

Thank you, Mr. Speaker. Just a couple questions if I may to Representative Cibes. Line 511 on for a few lines. I'm attempting to try to understand exactly what is going on there. It seems to me that you are expanding the sales tax, what is and what is not taxable. Could you just briefly explain that section, or what the intent is of it?

REP. CIBES: (39th)

Yes. Through you, Mr. Speaker, yes. The actual

effect of this language is to restrict the application of the sales tax. That is, it would be as indicated, in subsection u, the sales tax would continue to be applied to the services of the agent of any person in relationship to the sale of any item of tangible personal property, exclusive of, which is to then reduce the application of the service to sales tax by excluding the following persons: The services of a consignee selling works of art or the services of consignee selling articles of clothing or footwear intended to be worn on or about the human body other than special clothing or footwear and jewelry, handbags, luggage, umbrellas, wallets, watches and similar items carried on or about the human body but not worn on the body.

So there is a diminution of the application of this services of the sale of an agent of tangible personal property.

In response to those individuals, particularly consignees of artworks and pottery, and crafts, and the sale of second hand clothing which has been of some concern to those agents in the past, the resultant fiscal impact would be to diminish the revenues of the State by about $400,000, according to the fiscal note.

REP. MADDOX: (66th)

Thank you, Mr. Speaker. At this time that's the only question I had on this.

SPEAKER BALDUCCI:

Will you remark further? Representative Tiffany of the 36th.

REP. TIFFANY: (36th)

Thank you, Mr. Speaker. I'm intrigued by that same particular section and I am curious. It says special clothing or footwear primarily designed for athletic activity. And I'm kind of wondering whether that's going to be the cowboy boots that John and I wear, or whether that's only going to be the sneakers that the Celtics wear. Only athletic team participation, is it golf shoes for the Speaker, just what do you mean by athletic activity, Mr. Speaker.

REP. CIBES: (39th)

Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

The language is intended to exclude from the service sales tax, the resale of clothing, or services of a consignee selling clothing, particularly secondhand shops, except for these particular items and in short, they would continue, the services of that

person would continue to be taxable with respect to the sale of these purchases.

Furthermore, this of course, this continuation does not affect the fact that those, that whether or not those items are taxable under the regular sales tax. That is in a separate section. This only deals with the services of an agent for the sale of tangible personal property.

Now to answer, to put that, now that I've put that into context, I would say that this means that continuing to be taxed is the services of a consignee when athletic activity, sneakers, cleats of, football cleats and those other specialized activity, used in athletics, and that would continue to be taxed.

Also, I would think it also refers to protective clothing which is sometimes worn by mail athletes and some female athletes, particularly to protect sensitive areas of the body.

REP. TIFFANY: (36th)

Thank you, but through you, Mr. Speaker, I guess what I'm trying to determine here, at least for legislative intent, whether this athletic activity is going to be restricted only to group sports or organized sports, or whether it would be individual sports activity as well.

And I use the example, I think it's a reasonable one, whether golf shoes or cowboy boots or something that an individual would use, versus sneakers, well, of course sneakers could be both individual and team sports, well, football cleats, you're more apt to play football on a team than as an individual, I would guess.

I'm trying to determine whether this is any athletic activity, or only organized sports.

REP. CIBES: (39th)

Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, it would mean that the services provided by a consignee in selling primarily to say, for the second time, would continue to be taxed and it would be applicable to whether or not that is, the resale is, that second time sale, or that the consignee sale is for group activities or individual activities.

REP. TIFFANY: (36th)

I still don't understand it, but thank you very much for your attempts.

SPEAKER BALDUCCI:

Will you remark further? Representative O'Neill of the 69th.

REP. O'NEILL: (69th)

Thank you, Mr. Speaker. In that same section as I was reading it over, I would like to ask a question of Representative Cibes.

Is there any kind of explanation or definition, through you, Mr. Speaker, of the, you protective use, the phrase protective use?

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, I believe this will have to be defined by the Commissioner in special note and a special directive.

REP. O'NEILL: (69th)

Through you, Mr. Speaker. Is there any legislative intent that we might want to convey to the commissioner as to what we mean by protective use, through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, the best that I can offer in terms of defining this is to include that clothing

or footwear which protects against injury or protects sensitive areas of the body.

SPEAKER BALDUCCI:

Representative O'Neill.

REP. O'NEILL: (69th)

Okay, through you, Mr. Speaker, then perhaps this is the question I should be asking. What we're talking about then is when we say protective use, it's protective in connection with athletic activities. Is that it? We're talking about protection when involved or engaged in athletic activities? Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, could he repeat that question, Sir?

REP. O'NEILL: (69th)

When the phrase protective use is used here, is it intended to be in connection with athletic activities designed primarily for athletic activity or protective use, protective use in effect, modifying, or modified by athletic activity? Or is it related only to athletic activities?

REP. CIBES: (39th)

Through you, Mr. Speaker. Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

The language tracks the language relating to the sales tax exemption on clothing under $75 and I would say that the protected use is intended to apply to the same kinds of activities as will involve protection against, in manufacturing as well as in athletics.

SPEAKER BALDUCCI:

Will you remark further? Representative Emmons of the 101st.

REP. EMMONS: (101st)

Thank you. Mr. Speaker, through you, a question to Representative Cibes.

SPEAKER BALDUCCI:

Proceed, Madam.

REP. EMMONS: (101st)

Thank you. Representative Cibes, I'm trying to put together lines 25 through, I'm sorry, 251 to 263, and how it goes into the file and how the file goes to the statutes.

But in essence, could you just tell me what is being done, or what is the intent of the new language relative to telephone company?

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, let me pick up my copy of the file and I can hopefully be enlightening.

SPEAKER BALDUCCI:

Representative Emmons.

Representative Cibes have you responded to Representative Emmons?

REP. CIBES: (39th)

Not yet, Mr. Speaker. I am still trying to track this language.

Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Last year for the, let me put this into context. Those companies that were assessed for the purposes of funding the DPUC, were formerly, before the passage of the revenue act last year, included for purposes of assessment on the basis of their gross receipts tax or gross earnings tax from telecommunications services.

As you know, in the revenue act that we passed last year, we eliminated the gross receipts tax on telecommunications companies and subjected them to the

sales tax instead. By virtue of that, we excluded them from funding the DPUC, and what this language does here is to say that in addition to the public service companies which have certain levels of gross revenues from telecommunications services, that we will include those who had such revenues from telecommunications services applicable to the sale tax, and they will henceforth be funding of the DPUC as well.

SPEAKER BALDUCCI:

Representative Emmons, you still have the floor.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. Through you, however, it would appear, Representative Cibes, you have to have more than $100,000 of gross revenue that is taxable?

REP. CIBES: (39th)

Through you, Mr. Speaker, that would not be correct. What this new language attempts to do is to set out that those companies which had less than $100,000 of gross revenue, those companies which had less than $100,000 of gross revenues from telecommunications service --

Through you, Mr. Speaker. Through you, Mr. Speaker, the answer is that you're correct, Representative Emmons. You may strike my previous response and that is to say, if they had less than $100,000 in revenues

from telecommunications companies they would be exempt.

SPEAKER BALDUCCI:

Representative Emmons.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. I'll probably have to put it all together, because some of it deems to be contradictory. But, through you, Mr. Speaker, it seemed to me we had passed a bill earlier this session as to the assessment of telecommunication companies and I guess what I'm asking, does this supercede that or does it fit into it, or how does it jibe?

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker. We indeed sent a bill similar to this through the Public Utilities Committee and we also saw it in the Finance Committee. It then reappeared on the House Calendar and because of drawing this particular amendment to this bill and the passage of that by the Senate, we determined that that bill was no longer necessary and therefore it was recommitted.

So indeed, we have seen at various times, language like this, but it is no longer with us, except in this bill.

REP. EMMONS: (101st)

Well, I would just make a comment. I wish it was still with us and it wasn't in this bill. Because to go from this amendment to the file, to the statute, makes it very difficult.

And I'm just hoping that it's been drafted correctly.

REP. CIBES: (39th)

Through you, Mr. Speaker. Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

The answer is that it was placed in this bill for the purpose of insuring that it was correctly stated, so I, too, hope that it is correctly drafted. We are assured by LCO that it is.

SPEAKER BALDUCCI:

Representative Emmons.

REP. EMMONS: (101st)

Gee, I thought I had insurance like that last year. Mr. Speaker, through you, in looking at the fiscal note and maybe I'm not finding it very quickly, but how much revenue is going to be raised or what is going to be the actual amount that they will be paying under this formula?

REP. CIBES: (39th)

Through you, Mr. Speaker. Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

The fiscal analysis on the underlying file copy indicates that the total amount of funding of the DPUC and the Insurance Department, from these particular sections, the underlying sections which are amended, will be in fiscal 89-90, $3.8 million.

We believe that the amount paid by telecommunications companies is about 20% of that amount.

REP. EMMONS: (101st)

Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Will you remark further? Will you remark? Representative Jones of the 141st.

REP. JONES: (141st)

Thank you, Mr. Speaker, this is just a minor little point. A question through you, to Representative Cibes. In the amendment on line 479, and again on 481, 479 reads a housing facility for low and moderate income. Does that include very low as well as low and moderate income housing? The same point on 481. Through you, Mr. Speaker.

REP. CIBES: (39th)

Through you, Mr. Speaker, this is existing language as exists in the statute now. We did not change it by this amendment. My interpretation is that it would include, that low includes very low in this section of the statutes. I believe you're referring to another bill that we had been considering.

REP. JONES: (141st)

Right.

REP. CIBES: (39th)

My interpretation is that for the purposes of this statute, very low is included in the category of low income.

REP. JONES: (141st)

Thank you, Mr. Speaker. I think that's an important clarification.

SPEAKER BALDUCCI:

Will you remark further? Representative Rell of the 107th.

REP. RELL: (107th)

Through you, Mr. Speaker, a question to Representative Cibes. On the provision where we're increasing the pilot from 47 to 50%, what is the fiscal note on that, on just that section? Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, the fiscal note at the end of the statute indicates, the end of the bill or the file copy indicates, and that is in the underlying file copy. The private pilot would increase the cost to the State by $9.5 million.

REP. RELL: (107th)

Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Will you remark further? Representative Casey of the 118th.

REP. CASEY: (118th)

Through you, Mr. Speaker, a question to the proponent.

SPEAKER BALDUCCI:

Proceed, Sir.

REP. CASEY: (118th)

Representative Cibes, being a father with three little leaguers, the question as it pertains to what is or isn't going to be taxed in sporting goods is very important. Many of you are going to have to go out and meet your constituents.

A clarification hasn't been really satisfied so far

in terms of your presentation. Are you saying that baseball gloves, athletic supporters, baseball shoes will be taxed.

REP. CIBES: (39th)

Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, we are not changing the taxable provisions relating to the sales of goods. And the sale of goods continues to be defined in what is subject under the sale of goods and is subject to the clothing tax is defined in regulations of the Department.

Specifically, and I would quote from section 12-426-30 of the regulations, sub a, subsection 47 of section 12-412 of the Connecticut and general statutes, exempts from sales and uses taxes, the sale and the storage, consumption or other use of articles of clothing and footwear where the sales price thereof is less than $75.

Subsection 47 does not exempt from sales and use taxes the sale and the storage, consumption or other use of clothing and footwear primarily designed for athletic activity or protective use and not normally

worn other than for such athletic activity or protective use, and jewelry, handbags, wallets, watches, luggage and umbrellas, so that those items continue to be taxed and this amendment does not change that, when they are sold for the first time.

This particular amendment changes only the service tax of consignees, but it continues to say that the services of consignees are to remain taxed when they are selling these items when they are also taxed.

REP. CASEY: (118th)

Through you, Mr. Speaker. Then the team sponsors' new shirts for the little league team would be taxed. The uniforms that the kids wear would be taxed. That's what would be covered if the sporting goods store provides those service for the little league.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, those are currently taxable sales and the service would also continue to be taxable under this amendment.

REP. CASEY: (118th)

Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Will you remark further? Representative O'Neill

for the second time.

REP. O'NEILL: (69th)

Thank you, Mr. Speaker. Just a brief question relating to line 35 of the amendment. Through you, a question to the proponent.

It refers to statements made under subsection b of said section of the Internal Revenue Code 6045 with respect to real estate transactions. Through you, Mr. Speaker, could the proponent of the amendment indicate what the nature of those sections are?

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, what is referred to is the filing of what is known as Form 1099-S.

REP. O'NEILL: (69th)

Through you, Mr. Speaker, I just want to be sure about this because in the file copy it talked about a 1099-S and in this, it refers to returns that are required under subsection a of 6045 and then it also requires a statement under subsection b and I just want to be sure that we are requiring the same 1099-S if that's exactly what we're talking about.

Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, the underlying file copy requires the actual person who sells the property file a 1099-S form. This particular amendment requires a real estate reporting person to file that 1099-S form, and yes, we are in that respect referring to the same form, the 1099-S.

REP. O'NEILL: (69th)

Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Will you remark further on the amendment? Will you remark? Representative Jaekle.

REP. JAEKLE: (122nd)

Thank you, Mr. Speaker. Mr. Speaker, I guess I'll say the one big improvement this amendment makes to the file that I see it is that it does eliminate what the Finance Committee had approved and that was the new sales tax on motor vehicle leases.

I had opposed that when I heard about it. Everybody would have to agree that clearly would be a new tax and I started to get very nervous when I heard that that concept was possibly going to be imposed on or extended to personal property as well, such as rentals of equipment and computer leases and the like.

I'm very glad that the Senate in its wisdom chose to eliminate from the file by the passage of Senate "A" the proposed new tax in the revenue enhancer bill from the Finance Committee.

Just a couple of quick questions and then a general statement as well. Through you, Mr. Speaker, to the proponent. The provisions between line 25 and onto the second page, on the real estate reporting, I know there was a file provision. We've now gone mirroring, really, IRS reporting requirements.

I heard some questions about the details of it. I guess I want to know what this provides to the Department of Revenue Services that the conveyance tax form doesn't already provide? Through you, Mr. Speaker, to the proponent.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

The answer is that 1099-S provides for an exact tracking of what is filed with the federal government and also permits a correct address of the person at the

time of sale to be filed with the Department of Revenue Services as included on Form 1099-S.

SPEAKER BALDUCCI:

Representative Jaekle.

REP. JAEKLE: (122nd)

Through you, Mr. Speaker. Does 1099-S contain anything dollars and cents wise other than the actual gross sales price of the real estate? Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, except for the identifying information of the person who sells the property, name address and so forth, and I don't believe it includes the social security number. It does include the social security number of that person. Other than that, it only includes the gross selling price, I believe.

REP. JAEKLE: (122nd)

Thank you. I will certainly comment that every time property is sold in the State of Connecticut, a conveyance tax form has to be filed, taxes paid through the town clerks to the Department of Revenue Services which disclose the gross sales price of real estate and

until a few years ago, had the social security number and the correct address.

In essence, we're now going to be processing two pieces of paper. I did note it yesterday, we were talking about trying to hold down paperwork in DMV and elsewhere, and now we're going to be doubling the amount of paperwork that the Department of Revenue Services receives, anyways, in connection with the sale of real estate where clearly one form could contain and virtually does contain, all of the information that the 1099-S has.

We got rid of the social security requirement on the conveyance tax form. We could have kept it there and I think it would have been better than inventing a dual reporting system to do the same thing, the gross sales price and the name and the address of the seller to the Department of Revenue Services to monitor, and I understand what it's for, the reporting of the capital gains, that Connecticut taxpayers and now out-of-state residents are going to be subject to as well.

I didn't hear much of an explanation of lines 53 to 55 of the file copy. I heard some. The effect on what I believe is the residential property tax relief program from 1989, Public Act, or at least amended by it, where we are now making a difference. I gather some

different treatment, on multiple dwelling structures that have at least 50% residential use. Three units or more.

I'm gathering that the purpose of this is to allow, I'm going to try to say it as neutrally as possible, without being argumentative on property tax shifting, but I gather the effect of this would be to allow a reduced property tax, at least on a portion of the property that is residential, through the shifting from commercial property in the residential property tax relief program. Is that the net effect of, I'm not sure which way we're doing, because it had to do with accepting and it had to, with putting everything together.

Are we in effect going to be reducing the property taxes for those towns participating in the residential property tax relief program for those multiple use dwellings that have more than 50% residential in use? Through you, Mr. Speaker.

REP. CIBES: (39th)

Through you, Mr. Speaker, what this language does is make it possible for the application of the surcharge on those dwelling, on those multiple dwelling structures, to be eliminated, so that there is no surcharge on those properties as stated here.

It does not affect the credit side of that surcharge tax credit program.

SPEAKER BALDUCCI:

Representative Jaekle.

REP. JAEKLE: (122nd)

Through you, I gather that's an entire surcharge elimination as opposed to a proportional reduction in the surcharge so that the commercial use of the building would not be subject to the surcharge as long as more than 50% was residential use, is that correct?

REP. CIBES: (39th)

Through you, Mr. Speaker, the language here does in fact provide that that is correct.

REP. JAEKLE: (122nd)

Thank you. Actually there are other questions on the amendment, but as I started out initially, I think the greatest benefit to the amendment and one that makes it worth supporting, if that's a surprise, I'm supporting the amendment basically because it eliminates a proposed new tax on leased motor vehicles, or at least what some would have argued was an acceleration of the collection of the sales tax on leased motor vehicles. That clearly would have been a new tax.

But there are other portions of the bill I do not

support but it gets tough at the end of the year to follow all the money and generally to follow the money, I gather that if this amendment passes, the net effect is to have $98.8 million of additional revenue next year and $85.5 during this current year, I seem to recall that the revenue estimates attached to the budget said that there would be $120 million in new revenue next year through the revenue enhancer bill. I believe the proponent had referred to this particular bill, Senate Bill 899, and my question through you, Mr. Speaker, to the proponent, is with the passage of Senate "A", I assume it does pass, the reduction in the new revenue for next year only down to $98.9 million, does that mean the total revenue enhancers will now come in less than the $120 million the revenue estimates attached to the budget called for?

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, the, as the revenue estimates adopted the other day, at the time of the adoption of the revenue estimates the other day, I believe we anticipated that Senate Bill 89, together with other revenue and changes as estimated by OFA would produce $120.5 million.

The change in this amendment would be to, because of the increased stringency of the reporting requirements on capital gains, would result in a $500,000 net revenue gain to the State per the fiscal note and the narrowing of the definition of consulting services and the exclusion of the sales tax in certain services of consignees, together would product a net revenue loss of $700,000, so that at this point the enhancements package would product $120.3 million.

So that the difference is $200,000.

REP. JAEKLE: (122nd)

If I could, Mr. Speaker, I have a fiscal note on this bill as amended, by Senate "B" and "A", and it's rather lengthy, but on the second page it talks about the impact of the bill as amended, and it would bring in in the fiscal year 90-91, $98.8 million of new revenue to the State of Connecticut.

I appreciated the changes that I heard about elsewhere, but I guess I just want to know whether the distinguished Chairman of the Finance Committee and the proponent of the amendment now, would confirm that with the passage of this amendment, the value of Senate Bill 89 as amended is $98.8 million or is it higher?

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, the value of Senate Bill 89 as amended is $98.8 million. The value of the workmens' compensation bill that we passed the other day was $7 million. The value of changes as we indicated during discussion of the revenue estimates the other day for the Department of Income Maintenance and the Department of Mental Retardation is $14 million. The value of the Child Support Enforcement changes that we just passed in House Bill 6027 is about $2.5 million, and there would be in addition, a revenue loss actually caused through increased payments through refunds, by a bill I believe is currently before the Senate, or maybe in its transit down here dealing with regulated investment companies of $2 million, and I believe that as a consequence of all of those changes adds to $120.3 million.

SPEAKER BALDUCCI:

Representative Jaekle.

REP. JAEKLE: (122nd)

Thank you. I appreciate that. I've done the math. I can't argue with that, it is $120.3 million.

Mr. Speaker, I'll really save debate for the bill once all the amendments are out of the way. As I indicated, I don't like everything going on in the

amendment. I have some questions about why a couple of things might have been changed.

I think the duplicate reporting provisions with the 1099-S, I'm not quite sure why we're dealing with the residential property tax relief program in here. However, since some of the proposed revenue enhancers that I certainly would call new taxes have been struck from the file, I think on balance, the good of the amendment far outweights any of the little questions I might have about it and is worth supporting. Thank you.

SPEAKER BALDUCCI:

Will you remark? Will you remark further on Senate Amendment "B". If not, we'll try your minds. All those in favor please signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER BALDUCCI:

Opposed, nay. The ayes have it. The amendment is adopted and ruled technical.

Will you remark further on the bill? Representative Cibes.

REP. CIBES: (39th)

Yes, Mr. Speaker. The Clerk is in possession of LCO4750 previously designated Senate Amendment Schedule

"E". Will the Clerk please call and may I have permission to summarize.

SPEAKER BALDUCCI:

The Clerk please call LCO4750 previously designated Senate "E".

CLERK:

LCO4750 previously designated Senate Amendment Schedule "A" offered by Senator Smith et al.

I'm sorry, previously designated Senate Amendment Schedule "E".

SPEAKER BALDUCCI:

The question is on summarization. Is there objection? Representative Cibes.

REP. CIBES: (39th)

Thank you, Mr. Speaker. This amendment offered by Senator Smith, Senator Eads, Senator Gunther, Senator Hampton and all the other Republican members of the Senate was thought to be a good idea by all of the Democratic members of the Senate.

What it does is provide that OPM shall submit a tax expenditure inventory to the Committee on Finance, Revenue and Bonding by January 15th of each year and I would move adoption.

SPEAKER BALDUCCI:

The question is on adoption. Will you remark?

Will you remark? Representative Young of the 143rd.

REP. YOUNG: (143rd)

Mr. Speaker, as I understand this amendment, it's to tell us how much money we have lost by certain tax exemptions. Am I correct, through you, Sir?

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, yes.

REP. YOUNG: (143rd)

I believe that information is available through the Department of Revenue Service's annual report. There is a list, if we're talking about sales taxes, there is a list of sales taxes available in the report, of sales tax exemptions and an estimate of the dollar value of sales of each sort and an estimate of the loss, I believe. Through you, Sir.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker. My understanding is that much of that information is available through DRS reporting, if one wants to cull through. However, the members of the Senate who offered this amendment thought that this was an additional good idea. We

didn't have any real problems with it and so I would urge adoption down here as well.

REP. YOUNG: (143rd)

I have no problem with it. It seems like a silly exercise in the way to spend some more money which we can't raise, but I won't object to it.

SPEAKER BALDUCCI:

Will you remark further?

REP. JAEKLE: (122nd)

Mr. Speaker.

SPEAKER BALDUCCI:

Representative Jaekle.

REP. JAEKLE: (122nd)

Mr. Speaker, I'm certainly appreciative to see that the Senate has given the minority party upstairs an amendment to the tax package. It's extraordinary. I think that's a good precedent for down here. They gave the Minority one, maybe down here.

But I thought a lot of this information was available already and I'm just curious as to whether there might be some costs for OPM and the Department of Revenue Services to actually make this annual submission and wondered if there's a fiscal note on this amendment.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, we are for some reason on his side of the aisle, not in possession of the goldenrod copy of this amendment, but my understanding is that OFA has estimated no cost.

REP. JAEKLE: (122nd)

Thank you, I appreciate that, and I appreciate the fact that the Minority party upstairs was able to get an amendment passed onto the tax package. I think it's a good idea. Not just the amendment, but the precedent and one that we should consider repeating here today on another amendment. Thank you.

SPEAKER BALDUCCI:

Will you remark further on the amendment? If not, we'll try your minds. All those in favor please signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER BALDUCCI:

Those opposed, nay. The ayes have it. The amendment is adopted and ruled technical.

Will you remark further on the bill? Will you remark? Representative Nickerson, 149th.

REP. NICKERSON: (149th)

Thank you, Mr. Speaker, I appreciate that. Mr. Speaker, now that the Chairman's amendments have been adopted, I think it's time to take a moment at an overview of this bill. It's a very important bill, maybe one of the most important two or three we're going to deal with this session. So let's talk about it.

Let me first talk about the process by which we got here, and secondly, I'll talk about some substantive problems I have with the bill. But first the process.

The process is very important. After two terms up here, I've learned to have great respect for the process by which we generate bills, by which we formulate policy, and I would like to make some comments about the process by which today's bill got before us.

It was voted on in the Finance Committee but in to me, a rather strange way. There was no hearing, no public hearing on any of the aspects that are before us. On the day when the Finance Committee voted, there was indeed no bill. We got an information sheet just before we voted. That information sheet showed a series of proposed taxes, referenced a series of proposed revenue estimates, but since that day, the revenue estimates have changed and in a significant

degree.

And if I may, I'd like to ask the Chair to follow me as I indicate those changes. If you turn to page 39 of the file on this bill, the center column indicates the dollars which are now estimated to be raised by this bill.

Previously, we had been told, and let me preface this by saying, the changes in the estimates are not in any way the fault of OFA. They're the fault of the fact that when the Finance Committee had this item before them, there was no bill. There was merely a single page, single spaced typewritten sheet and so OFA's estimates which were tentative had to be subsequently changed to quite a significant degree.

So going back to page 39 of the file, you'll see that the inheritance tax about the middle of the page acceleration was now expected to raise $30 million had previously expected to raise $40 million. The tax estimate, the tax amnesty, wrong word, amnesty, now expected to raise $10 million had been expected to raise $20 and the two interest in penalty interest in the middle of the page are now expected to raise $2 million each, now expected to raise 6.

You say, well, that's not that important. Those are small changes. Taken alone they aren't big deals. But

in the total context of the fact that there was no hearing and there was no bill, and we're changing estimates, I think it's a big concern.

But most importantly, just before we voted, we debated the bill and I wrote down some comments in that debate which I was absolutely startled at. Let me, if I may, Mr. Speaker, read to you -- Mr. Speaker, I wanted to read to you for a moment, a couple of, I thought very important comments that were made by the Majority Party just before the Finance Committee voted on this bill.

One member was quoted, actually subsequent to the meeting of saying, a financially responsible thing it is not.

Another member said, this package stretches the rubber band far beyond the point where many of us thought it would snap. Another member then said, that's right, those are very relevant comments.

Well, from that, I thought we were going to defeat the bill, but no, it was then passed. Well, Mr. Speaker, when I raised these concerns about the fact that this bill has gone before us without a public hearing, with the Finance Committee not voting on a bill, voting on information sheets, with the revenue estimates being changed from today viz-a-viz the day

that we debated it, people said to me, well, Bill, you've got to realize, when you guys were in the majority. It wasn't done much differently.

Well, I have two comments on that, Mr. Speaker. First, I wasn't here when we were in the majority, so I don't know what happened. I can't say whether that's right or wrong. But I do know this. This is not a two party game of Monopoly we're playing. This isn't paper money and the rules of the House are not a kind of monopoly rules which Mr. R and Mr. D play, move their pieces around the board, exchange paper money then fold up the board and go away.

That's not what we're doing. We're crafting State policy for 3 million players. That's the people of this State. So when I get the answer, Bill, it was no different when the Republicans were in the majority, that is an answer which is founded on an assumption that this is a two party game.

It's not a two party game. And the reasons those processes are in place is not only to create a sense of order as the two parties deliberate policy, but more importantly to create a sense of involvement of the public. The public is going to pay these taxes. The public has a right to know what's in the bills that we're going to debate. The public has a right to have a

hearing. The public has a right to its input and I'm going to point to some serious flaws that I see in the particular bill when it arrived, which I think would have been clearly elaborated on in the public debate which I had hoped would have taken place but never did. So those are serious concerns.

Let me move on to the underlying substantive concerns I have with the bill. People often say to me, Bill, I hear the phrase one-shot. It's kind of gone to a cliche. What is a one-shot? Well, we know very clearly today what is a one-shot and if I may again refer the Chamber to page 39 in the file. Page 39, the center column represents the amount of dollars that are expected to be raised by this bill in the coming fiscal year.

The right-hand column indicates the dollars that are to be raised in the coming fiscal year, and by running your finger down, you can very clearly see what a one-shot is.

If you come to the line on increasing the second estimate of the corporation tax from 60% to 70%, current year $45 million, next year 0 million. One-shot if ever there was one.

Going on down, the inheritance tax acceleration, from 9 months to 6 months, the current year, or rather,

the coming year, $30 million next year $8 million, a $22 million one-shot.

And the last line attacks amnesty program current year $10 million, next year 0. A $10 million one-shot. That, ladies and gentlemen is a one-shot. So let's be clear that the bulk of the dollars being raised by this bill today are one-shots.

Now is that a problem? Doesn't this bill do the job, as I've heard people say. Well, it does the job depending on the job you want it to do. If you wanted to pay for the deficits for one year with one-shots and leave the next Legislature and the next administration the problem of dealing with the deficits that will occur, yes, it does that job, but is that the job the people sent us here to do? Doesn't the State of Connecticut go on from one session to another? Does the world come to an end and we remake it in a new session? No.

We adjourn, but the people then have to deal with the tax problems and then we reconvene and we have to deal with the problems we created. So this notion that, we did the job is premised on the idea that the only job was to get out of session.

Much as some of us may like to do that, we have other jobs here. We have the jobs of crafting State

policy that will work, day in and day out, session in, session out, year in, year out. Nobody in the Finance Committee, I don't think anybody in this Chamber, and if they do I'll be glad to yield to them right now, nobody would disagree with the proposition that the heavy reliance on one-shots place this State in financial jeopardy next year.

There will be a major problem. Some people have said to me $250 million. Other people have said $500 million. Others have said $700 million, and I don't want to quibble about that. $100 million here, $100 million there all adds up. We will have a major problem and the bill before us is a problem, ladies and gentlemen. It relies on one-shot deficits, excuse me. one-shot revenues.

Now, has the rest of the world noticed this? Yes, it has. Just about the time the Finance Committee enacted, I won't call it the bill, the information sheet, Standard and Poors downgraded Connecticut's general obligation job from triple A plus to triple A. And what did they say? Let me read to you what Standard and Poors said.

Recurring budget gaps for 1990 and 91, elimination of reserves, serious budgetary problems, and specifically, the vice-president concluded, the

vice-president of Standard and Poors concluded her comment, although State officials were very disappointed, I don't think they were surprised. We just don't see the State putting any reserves into the budget and they've got a new round of problems.

Well, new round we do, and today we have the. And finally, let me come to an aspect that has also been much brooded around. The fault. Finding fault whose fault is it. To whom do we allocate blame. Always a fund game when you're running for office. Let's allocate blame.

Well, the two directions in which I hear blame most frequently allocated is that and I'll paraphrase, the federal government has walked away from its responsibilities and it's all the fault of Ronald Reagan. Ronald Reagan changed the relationship between the federal government and the State government in terms of revenues. No question about it. But let's get history right.

Whether you like it or not, the facts are that happened in his first term which ended in 1984. Subsequent to 1984 the federal-State financial relationship was not changed anything like it was during his first term. And following his first term, Connecticut had its years of greatest prosperity.

The Governor ran for office in 1986 saying we are prosperous and I am part of that prosperity. So certainly what happened in a term which ended in 1984 couldn't have been responsible for the problem, because 1985 and 86 were our most prosperous years.

Secondly, I hear the notion that, well, all the states in the Northeast, Bill are in similar problems. All states with large urban areas in the Northeast United States have experienced a similar downturn and have similar problems. They don't.

Let me quote you from the ranking of the State of Pennsylvania produced by Financial World Magazine. A larger state than Connecticut, it has urban blighting Philadelphia. Has industrial decline in Pittsburgh. Some might call it the capital of the rust belt. Scranton and Allentown industrial problems. Lots of problems.

And what did Financial World say about the State of Pennsylvania? It said, this is Financial World now, we rank the State of Pennsylvania fourth out of the 50 states based on maintaining a spending growth under 5% terrific financial management. So, is it impossible to run the financial affairs of the State prudently despite urban problems? Despite the change in the national economy and despite industrial decline? No,

it's not. Connecticut proved it.

So, Mr. Speaker, I would say to you this. I would say to you that the desire to lay blame at the doorstep of people who were president and are not, and the desire to lay blame at a general trend in the economy of the Northeast falls short. To paraphrase Shakespeare, Mr. Speaker, the fault, dear brothers, lies not in our stars but in ourselves that we are under water. Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Thank you, Representative Nickerson. Will you remark further? Representative Maddox of the 66th.

REP. MADDOX: (66th)

Thank you, Mr. Speaker. Here we are again, ladies and gentlemen. Last year you brought out a tax package that you actually thought, to paraphrase a dear friend of mine on the Finance Committee, we thought it was going to raise a billion dollars and we are disappointed that it didn't.

You know why it didn't? You raised taxes last year so high that you strangled the economy in the State of Connecticut. Raising the sales tax to 8%. Consumer confidence dipped. Raising the corporate income tax to the highest in the nation. Corporate

profits dipped. Corporations shifted out-of-state. Move divisions. Cutting back. The economy is getting worse, ladies and gentlemen. And what happened? Now we come with this years revenue package. And simply put, what is this years revenue package?

We are running as individual would to the bank and hitting the cash advance. And we are going to pay it next year. We are going to the bank. We are emptying out our bank accounts. Zeroing them out. We are mortgaging our future. We are goint, we were criticized last year. The check is in the mail for some of our retirement benefits. It is unbelievable.

I mean privately, I was talking with some of my colleagues, and one colleague was very candid and said, well, I sort of look at the reason I am going to vote for this revenue package, and I am going to vote for the budget is, we only have a one third shot of coming back. Of being in the Governor's Mansion, having to worry about this.

You adopt this package today, you don't have a one third shot coming back. You have no shot of coming back. I am not going to offer any amendments at all to correct this. There aren't any that could correct it. About the only thing that could correct it is a recommittal and we start over again. Just can't

believe that we are going to do this.

Fiscal irresponsibility. Fiscal insanity. Thank you, Mr. Speaker.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this bill as amended? Will you remark further? Representative Nania.

REP. NANIA: (63rd)

Thank you, Mr. Speaker. You know, it is rather hard to speak about 7 billion dollars all at once. And I guess it is impossible. So I am going to speak about just a small part of what we are doing here today. It is the part that changes the succession tax from six months to nine months. And succession tax is a hard word. In other states they call it the death tax. That is a little simplier. But what it is, is basically, something very simple. When you die and you own anything, the state gets a cut. Now whether you like that or not, I am not about to argue that. But I want to point out what we have done here today, if this is passed. And of course, it will.

We have changed the period within which this tax has to be paid by three months. Now, is that very significant? What we've done, is we have said that the widow or the widower has to pay that tax six months

after the dated death. As opposed to nine months after the date of death.

Now, what effect that has. No, let's try it another way. The reason for the nine month period, and it has been that way ever since I can remember. Is to give the persons relatives, their survivors, an opportunity to settle their affairs. Appraise the house. Close the house. Move the property. To give a person a decent and respectful period of time to know what the debts of the estate are. What has to be paid, and what is left over that might be taxable.

Now, here comes the State of Connecticut. It says, not that nine months is too long, that never entered into the picture. The state says, we need some money. And we need it now. What this bill is doing is not saying, well, just this year we are going to change the period from nine months to six months. But for ever after, we are going to put the heat on the survivors of the deceased, just because this year the heat is on us.

Now, that is desperate. It is desperate for a state to take advantage in a permanent way of people at their worst and weakest, so we can fill in for our own responsibility. I have sure said plenty of times this year, I thought we were morally corrupt. Ladies and gentlemen, this is fiscal corruption. I am not sure

that it is so far removed. Maybe corruption without an adjective would suffice.

Now, that's one small example that's woven into the warp and woof of this document. And in fact, that is what this document is composed of. An aggregation of small and secret instances of fiscal corruption.

I won't say anymore about the general nature of what we are doing. And I think it is typical that half of your members aren't even here, when we are about to spend, excuse me, tax the greatest amount that has ever been taxed in our history. Six years ago when I came, the budget was less than half of what we are doing now. And nobody pays any attention. Now, they don't allow me to bring flame throwers in here. So I will have to do my best without one.

You all got this in the mail, from the Connecticut Public Expenditures Council. And you know, we have heard that our taxing system is inefficient. It is a hodge podge. Well guess what? That inefficient hodge podge makes us number one, pardon me, that is wrong. Alaska is number one. Number two in the United States in total tax burden. Number one in the United States in federal tax burden.

Are we going to do even better next year when we do an income tax? Can you be better than number one?

Well, so much for the negative side of my discourse. Now a little positive side.

When we all came here, we swore an oath. To support the Constitution of the State of Connecticut and of the United States. And both of those documents say very similar things. And I am going in a different direction, Mr. Speaker. I am not complaining about corruption now. I am trying to improve the package. They both speak. Excuse me, First Amendment of the United States Constitution, free press, article I, section IV, Connecticut Constitution the same.

Article XIV amendment, U.S. Constitution, equal protection. And section 20 of the Connecticut Constitution, equal protection. What am I talking about? Ladies and gentlemen, we tax, and I am the last one to protect newspapers. We tax electronic media differently than we tax newspapers. In fact, in section 12-412 of our statutes, we exempt the sale, storage, use and consumption of materials or equipment which become an ingredient or component part in the production and transmission of finished programs broadcast to the general public.

But somehow, we don't give the print media that same advantage. Now, here is your real opportunity to go farther than the press has ever gone when they have

taken care of you. Here is your opportunity to treat the press fairly.

Mr. Speaker, LCO5402, the Clerk has. Would he please call and may I be permitted to summarize?

REP. CIBES: (39th)

Madam Speaker?

DEPUTY SPEAKER POLINSKY:

For what purpose do you rise, Representative Cibes?

REP. CIBES: (39th)

Madam Speaker, the, we seem not to have that amendment on this side of the aisle.

DEPUTY SPEAKER POLINSKY:

The Chamber will stand at ease until we receive enough copies for all of our members.

DEPUTY SPEAKER POLINSKY:

Madam Speaker?

DEPUTY SPEAKER POLINSKY:

House pleae come to order. Representative Nania.

REP. NANIA: (63rd)

Madam Speaker

DEPUTY SPEAKER POLINSKY:

Representative Nania has asked the Clerk to call LCO5402, which shall be designated House Amendment "A".

CLERK:

LCO5402, designate House Amendment Schedule "A".

offered by Representative Nania.

DEPUTY SPEAKER POLINSKY:

The gentleman has asked leave of the Chamber to summarize. Is there objection? Without objection, please proceed, sir.

REP. NANIA: (63rd)

Madam Speaker, this summary is simple. It proposes exempting items used in the production of the publication of the newspapers, like a similar exemption is provided in the production of programs in the electronic media. I move adoption.

DEPUTY SPEAKER POLINSKY:

The motion is on adoption. Will you remark further, sir?

REP. NANIA: (63rd)

Yes, Madam Speaker. I make a very important initial distinction. The principle that I am defending here is the constitutional principle of freedom of the press, not as it is sometimes exercised.

It is very simple. It says that if we are going to tax, or not tax the media, we ought to tar them all with the same stick. That if we exempt items of production for electronic media, we should do the same for print media. The fiscal note, as I understand it, is 700,000 dollars.

Madam Speaker, I don't really believe any further remarks are necessary.

DEPUTY SPEAKER POLINSKY:

Will you remark further on House Amendment "A"? Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker. Could Representative Nania enlighten the Chamber as to the Fiscal note on this amendment?

DEPUTY SPEAKER POLINSKY:

Representative Nania.

REP. NANIA: (63rd)

Madam Speaker, I believe I did already. But for the purposes of the edification of the member. 700,000 dollar lose to the State of Connecticut.

DEPUTY SPEAKER POLINSKY:

Representative Cibes, you still have the floor.

REP. CIBES: (39th)

Thank you, Mr. Speaker. Madam Speaker, we have considered this, a number of individuals have approached us over the past few weeks looking for this exemption. We do not believe that we can possibly do that this year. I urge rejection of the amendment.

DEPUTY SPEAKER POLINSKY:

Will you remark further on House Amendment "A"?

Representative Nania.

REP. NANIA: (63rd)

Thank you, Madam Speaker. I would request that when the vote be taken on this matter, it be taken by roll.

DEPUTY SPEAKER POLINSKY:

The gentleman has requested a roll call. All in favor please indicate by saying, aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER POLINSKY:

When the vote is taken, it shall be taken by roll. Will you remark further on this amendment? Will you remark? If not, will all members please take their seats. Staff and guests to the Well of the House, the machine will be open.

CLERK:

The House of Repesentatives is voting by roll call, members please report to the Chamber. The House of Representatives is voting by roll call, members come and vote.

DEPUTY SPEAKER POLINSKY:

Have all the members voted? Have all the members voted and is your vote properly recorded? If so, the

machine will be locked and the Clerk will take a tally.

Clerk, please announce the tally.

CLERK:

Senate Bill 89, voting on House Amendment Schedule "A".

Total Number Voting	149
Necessary for Passage	75
Those Voting Yea	48
Those Voting Nay	101
Those absent and not Voting	2

DEPUTY SPEAKER POLINSKY:

House "A" fails. (Gavel)

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The following is House Amendment Schedule "A":

After section 33, insert new sectins 34 and 35 as follows and renumber the remaining section accordingly:

"Sec. 34. Subsection (44) of section 12-412 of the general statutes is repealed and the following is substituted in lieu thereof:

(44) Sales of and the storage, use or other consumption of any materials or equipment which become an ingredient or component part or which are used directly in the (i) production and transmission of finaished programs broadcast to the general public by a television or radio station, OR (II) PRODUCTION AND PUBLICATION TO THE GENERAL PUBLIC OF A NEWSPAPER. FOR THE PURPOSES OF THIS SUBSECTION, PRODUCTION OF A NEWSPAPER SHALL INCLUDE ALL TEXT AND GRAPHICS ENTRY AND EDITING, PRE-PRESS, PRESSROOM AND MAILROOM FUNCTIONS, AND MATERIALS, TOOLS AND EQUIPMENTS USED THEREIN."

Sec. 35. This act shall take effect from its passage, except as follows: (1) Sections 1 to 3, inclusive, shall take effect July 1, 1990; (2) section 5 shall be applicable to taxable years commencing on or after January 1, 1990; (3) sections 7 and 8 shall take

effect January, 1991, and shall be applicable to corporation income years commencing on or after january 1, 1991; (4) sections 9 to 12, inclusive, shall take effect July 1, 1990, and shall be applicable to taxes becoming due on or after July 1, 1990; (5) section 13 shall take effect July 1, 1990; (6) sections 14 shall be applicable to assessment years of municipalities commencing on or after October 1, 1989; (7) sections 15 to 20, inclusive, shall take effect July 1, 1990, and shall be applicable to the estate of any transferor whose death occurs on or after July 1, 1990, and shall be applicable to sales of services for reesale on or after said date; (9) section 23 sahll take effect July 1, 1990, and shall be applicable to purchases of services for resale on or after said date; (10) section 31 shall take effect July 1, 1990, and shall be applicable to sales of services on or after said date; and (11) section 34 shall take effect July 1, 1990, and shall be applicable to sales on or after said date."

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DEPUTY SPEAKER POLINSKY:

Will you remark further on this bill? Will you remark further? Representative Emmons.

REP. EMMONS: (101st)

Thank you, Madam Speaker. Madam Speaker, through you a question to Representative Cibes, who brought out the bill.

DEPUTY SPEAKER POLINSKY:

(Gavel) Most people find numbers very boring. However, we are doing the State's business, and for those of you who wish to do business while the Finance Package is going on, I suggest you move out of the Chamber. Please move out of the Chamber. It is so noisy, people cannot hear the dialogue going on.

Excuse me, Representative Emmons. Please proceed.

REP. EMMONS: (101st)

Thank you. Madam Speaker, through you, Representative Cibes. In looking at the file, I guess the amended file on the amendment that we put on, which was Senate "B". Am I correct that the penalty for filing inheritance tax late has been eliminated?

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker, the answser is yes.

REP. EMMONS: (101st)

Thank you. But, there is going to be, if you file late, an interest cost?

REP. CIBES: (39th)

Through you, Madam Speaker, yes.

REP. EMMONS: (101st)

At what, because I don't remember. At what percentage is that going to be?

REP. CIBES: (39th)

Through you, Madam Speaker, 15%.

REP. EMMONS: (101st)

Thank you, Madam Speaker. And through you, Madam Speaker, presently is there a 15% interest on late payments?

REP. CIBES: (39th)

Through you, Madam Speaker, yes.

REP. EMMONS: (101st)

Thank you, Madam Speaker. Madam Speaker, prior to my obtaining the microphone, Representative Nania talked about the Succession Tax Return. And I think of all the items in this package, it is one of the ones that disturbs me the most. And mine is probably for different reasons. But, on the federal level you have nine months in which to complete your return. Most people end up doing the two returns together, because they dove tail. In the same way as our capital gains and dividends tax flows off of your 1040 return that you send to the federal government. The same is true with the Succession Tax Return, if you have to do both of them. Or in many cases, you don't have to do one for a federal, because you owe any taxes. But because you want to have deferred compensation that you have to pay taxes on in Connecticut, not be considered as personal income federally, you end up having to do them both anyway.

And so what you are really doing, is making people try and put together all this data in six months. We have on the statutes a law that says people don't even have to make their claims against the estate within six

months. That you have that long before your claims can be barred.

And so, Madam Speaker, I really, while I understand that the need to maybe generate some revenue, this is really going to be a longterm, inconvenience to the public, so that we can have a one shot revenue for the fiscal year 1991.

Therefore, Madam Speaker, I would like to introduce an amendment, and would the Clerk please call LCO5145. And may I be allowed to summarize?

DEPUTY SPEAKER POLINSKY:

Representative Emmons, as soon as we get the amendment, we will proceed.

Will the Clerk please call LCO5145 which shall be designated House Amendment "B".

CLERK:

LCO5145, designated House Amendment Schedule "B", offered by Representative Jaekle, et al.

DEPUTY SPEAKER POLINSKY:

The lady has asked leave of the Chamber to summarize. Without objection, please proceed, madam.

REP. EMMONS: (101st)

Thank you, Madam Speaker. Madam Speaker, what it really does is it puts the timetable back to nine months after the date of death, just as it is presently

in the existing statutes, so that there would be no change to what has been the present procedure on the timeliness in filing Succession Tax Returns.

Madam Speaker, I would move its adoption, and I would ask that when the vote is taken, it would be taken by roll call.

DEPUTY SPEAKER POLINSKY:

The question is on a roll call. All in favor of a roll call vote, please indicate by saying, aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER POLINSKY:

When the vote is taken, it shall be taken by roll call.

The question is on adoption of House Amendment "B", will your remark further, madam?

REP. EMMONS: (101st)

Thank you, Madam Speaker. I think that I pretty much summarized what it is. It is a pretty simple concept. And I would move its adoption and hope that people will support it.

DEPUTY SPEAKER POLINSKY:

Thank you. Will you remark further on this amendment? Representative Cibes.

REP. CIBES: (39th)

Madam Speaker, could Representative Emmons share with us the fiscal note on this amendment?

DEPUTY SPEAKER POLINSKY:

Representative Emmons.

REP. EMMONS: (101st)

Well yes, Madam Speaker. To show what an inconvenience it is to the public, it is a 30 million dollar loss.

DEPUTY SPEAKER POLINSKY:

Representative Cibes, you still have the floor.

Will you remark further on this amendment?

Representative Luppi.

REP. LUPPI: (88th)

Thank you, Madam Speaker. Ladies and gentlemen, ot only will this cause consternation to the filers and to the estate holders. But what it does, it forces you to place evaluation on an asset that might not be ready for evaluation. You make a declaration to the state at an early time when, in fact, it may high or low. The cause of refiling these returns and all the other addins, financial, and accounting, and legal expense that the state will incur, will be because of this particular change.

It certainly an inconvenience to the accounting profession and the legal profession. And certainly a

cost that might not be able to be affordable to the estate. Thank you.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on House Amendment "B"? Will you remark further? Representative Savage.

REP. SAVAGE: (50th)

Thank you, Madam Speaker. Through you, a question to the proponent of the bill.

DEPUTY SPEAKER POLINSKY:

Please frame your question, sir.

REP. SAVAGE: (50th)

Yes, this fiscal note of 30 million, is that what we call a one shot revenue?

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker, yes.

DEPUTY SPEAKER POLINSKY:

Representative Savage.

REP. SAVAGE: (50th)

Thank you. I, at this point would like to point out that this whole issue is one of an unbalanced budget anyway. And oh yes, I am sure we will have someone on the otherside say, that is not true, it is

balanced. Yes, technically it is balanced. But only technically.

When you have as many one shot revenues in a budget as this one has, it is not really balanced. Thank you.

DEPUTY SPEAKER POLINSKY:

Thank you, sir. Will you remark further on this amendment? Will you remark further? Representative Kusnitz.

REP. KUSNITZ: (112th)

Thank you, Madam Speaker. Madam Speaker, I rise in support of this amendment. Particularly in my area of the state, we have a great many senior citizens that ar are saying, why should I stay here? Why should I continue to live in the State of Connecticut. I am being penalized for saving. I am being penalized for staying here, and God forbid I should die this year in the State of Connecticut, my children are going to be penalized for my saving to leave them something. And they are going to go to one of the more hospitable states in this union and take their assets with them. As they have been doing in droves in the past ten or twelve years.

I think somewhere along the line this spring, I heard an estimate that it has cost us over 220 million dollars in revenue loss to the state with people that

are now residing in other states for six months and one day. I think if we do this, if we do not support this amendment, we will be further encouraging people to move their assets out of Connecticut. The very people who have built this state to what it is are being told to leave now. And pretty soon there will be no incentive for their children to stay either. I urge support of the amendment.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this amendment? Will you remark further? Representative Krawiecki.

REP. KRAWIECKI: (78th)

Thank you, Madam Speaker. Members of the House. I will just make one brief comment about this amendment. I support it. There are some very practical reasons of which I know you are all very bright people and understand why you shouldn't be doing this. I understand, being a reasonably bright person, why you are doing it. But you have just fooled around with the State of Connecticut Succession Tax process. You have fooled around with the Probate Process over the last couple of years. You have extended, because of varying court cases that have been pending, the claims period to which people end up having to file information prior in time in the probate court, before you really are

supposed to file the Succession Tax Return. It makes no sense to ask for the filing of a Successtion Tax Return six months out from the date of appointment, or from the date of death I guess in this case.

In the case of a claim, if you don't get around to opening up your probate for a month or so after whoever it is that has passed away. The claims period is going to be past the time period of when you have to file the Succession Tax. How in the heck you are going to do it, I don't understand. And all you are doing is compounding the problems.

Virtually every other state in the Union looks at Connecticut as if we are a bunch of dinasours with regard to Succession Taxes, Inheritance Taxes and the like. They think we have no common sense in that regard. Don't understand what it means to be transferring the assets from one generation to another, especially with regard to businesses. I think you just, forgive the pun, sticking another nail in the coffin.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this amendment? Will you remark further? Representative Farr.

REP. FARR: (19th)

Yes, through you, Madam Speaker, to Representative

Cibes. The other concern I have is not only does the bill change the, as I understand it, the bill as amended change the reporting period. But we are also raising the interest, if you don't file the tax. Through you, to Representative Cibes. What is the new interest rate that will be charged if you don't pay your entire tax within six months? Or was that deleted, the interest change deleted through the other Senate Amendment? Through you, Madam Speaker, to Representative Cibes.

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker. The interest rate is 15%.

REP. FARR: (19th)

Thank you, Madam Speaker. I would just point out to the Chamber, that not only will you have to file the tax before you know what the amount of the tax is going to be, but when you don't do it, you are going to get charged 15%.

Under the old law, I believe we were charging the rate was 11 1/4%. So we are pushing, you know, we are going in the direction of what is going to happen, is probably a couple of months before you die, you better

pay your taxes, because if we keep this progression of taking three months off, we are just moving in that absurd direction of saying to people, pay the tax before you can possibly calculate it. And by the way since you didn't pay it, we are going to charge you a high rate of interest on it.

I think this provision is a bad part of the bill. And I would urge passage of the amendment.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this amendment? Will you remark further?

REP. CIBES: (39th)

Madam Speaker?

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Thank you, Madam Speaker, for the second time. I would simply point out to the members that we changed the statute last year in Public Act 89-202, which requires presentation of claims within 150 days of the date of the appointment of the fiduciary. The, and so, although, certainly if the fiduciary is not appointed, as Representative Krawiecki indicated, within a month of the date of death, certainly there might be a problem at that point. But nevertheless, it is

certainly the case that should be ample time to value the estates, as one individual on the otherside of the aisle indicated, section 45-202 of the general statutes requires that the fiduciary shall file an inventory in the court of probate within two months of acceptance of the bond or other qualifications of the fiduciary. So the evaluation can, in fact, occur and an estimated tax basically, can be determined within the six month time period.

The 15% interest rate applies only if a, if the tax has not been paid as required within the timeframe. So there is a simple solution and that is to pay the tax on time. The Inheritance Tax, moreover, is one of the few taxes in which individuals actually get an interest rate paid to them if they overpaid at the rate of 9%. So it is, in fact, not something that is extremely onorous, we believe. And is not likely, from Representative Kusnitz point of view, it is not something, I believe, that is going to drive individuals out of the State of Connecticut. Thank you.

DEPUTY SPEAKER POLINSKY:

Will you remark further on this amendment? Will you remark further? Representative Caruso.

REP. CARUSO: (134th)

Thank you, Madam Speaker. Through you, a question to the proponent of the bill. Representative Cibes, it is my understanding that when I value, say a house for an estate. Connecticut law allows me to either value it at the date of death, or the value 9 months after the date of death, just as the internal revenue code allows a date of death value, or 9 months later when the federal estate tax is due. What, if anything, happens with that 9 month period here. It is reduced to 6? Through you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker. The evaluation in Connecticut is as of the date of death. And so there is no, the alternate evaluation is only for federal tax purposes.

REP. CARUSO: (134th)

Then through you, Madam Speaker, what effect then, on the estate if it declares a value as of the date of death, is it, and later on in the federal returns it chooses the later date? Through you, Madam Speaker.

REP. CIBES: (39th)

Through you, Madam Speaker. For purposes of the Connecticut Inheritance Tax, there is no effect. The

evaluation is of the date of death.

REP. CARUSO: (134th)

Thank you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Will you remark further on th is amendment? Will you remark further? Representative Jaekle.

REP. JAEKLE: (122nd)

Thank you, Madam Speaker. I rise in support of the amendment and opposed to the change of the bill, really shortening our period of time to file a Connecticut, our statutes call it, Succession Tax. Out in the real world it is called the Inheritance Tax.

Madam Speaker, I know why it is here. And I think we all know why it is here. It is not for ease of administration, it is not ease to the fiduciaries. It is not ease to the probate courts. Has nothing to do with the amount of time after the greif and tragedy of the loss of a loved one. To have somebody sit down and sign what are very often very painful papers. Has nothing to do with that. It is clearly here to accelerate the collection of taxes in the next fiscal year.

Obviously, we're, I hope we are not thinking of doing anything to affect the number of people dieing in the State of Connecticut during the next year. And in

order to try to maintain this claim of no new taxes, obviously the decision was made not to increase any rates on our Connecticut Succession Tax. So the only way to get additional money out of that and still maintain the claim of no new taxes, is to have the filing come in shorter. So that with the same number of people dieing, and the same tax rate, you will really be able to squeeze out an extra three months worth of revenue from the normal stream, I suppose, of decedents estates in the State of Connecticut.

I happen to see it is frought with many problems. Some, I think, honestly can be handled. Others, I think, raise some serious problems. And I am not sure all have been discussed. I happen to think that in many times it takes a couple of months to get the fiduciary appointed.

I have dealt with people in estates, and one thing I never try to do is press them very early on after the death of a loved one. Typically, the surviving spouse is the person that is still grief struck, two weeks, a month, even a couple of months after the death of their spouse.

So often the fiduciary is not appointed until a couple of months. And, in fact, I know the law says a point after 60 days. A lot of times fiduciaries aren't

appointed even within two months after the date of death. I know that is what the practice book says. I know the real world operates differently.

And then after the fiduciary is appointed, there is going to be a notice in the newspaper to file claims against the estate. And that takes five months, or at least the claim period is open for 150 days. So obviously if you have waited two months to appoint a fiduciary, then the notice goes in the newspaper, seven months after the date of death, claims could still be coming in. A month after the tax return has been filed.

I agree with the distinguished Chairman of the Finance Committee. That should have very little to do with valuing the assets of the estates, to prepare for the return. Of course, our taxes are not just collected on the gross value of the estate, but on a net value.

If you have a house worth 200,000, and there is a 100,000 dollar mortgage on it, you pay taxes on 100,000 dollars. The net value, in essence, the equity of the home.

The same works true with claims, of course. If your assets are worth 200,000 and low and behold, you haven't paid your oil bill, or your electric bill, or

your phone bill. Most of those you find out, but the loan to Uncle Charlie that he has always held for the 20 years since you bought your first home. You may not find that out for awhile. And of course, there are other creditors sometimes lurking, who need to see the notice in the newspaper that somebody died, in order to realize that their collection efforts aren't going to work, except for filing a claim against the estate. And of course, if those claims are valid, and that of course is another problem, some of those are just claims against the estate. And some require probate hearings to decide whether those really are valid claims against the estate. But valid claims are deductions against a taxable estate.

So you may not know what the taxable estate is going to be. In fact, I will say in theory, when you file the tax return six months after the date of death, and the claim period is still running, theoretically, you do not know whether that tax return is accurate. Because it is still possible and legal, if they come in after the Successtion Tax Return has been filed.

I will admit the State of Connecticut is going to do fine. Because, not only will you be paying your taxes three months earlier, you will be paying on more than you had too. It is a great deal for the State of

Connecticut. It is not fair for the loved ones that have to file the tax returns.

One, I think, fatal mistake with changing the Succession Tax filing date til six months after the date of death, not just for ease. It puts it off the federal Inheritance Tax Return date. The Inheritance Tax Returns for the federal government are due 9 months after the date of death. Now you are going to do 6 months and the 9 months. I am sure the lawyers are going to love it. They get to get most of their fees, 9 months after the date of death, 6 months after the date of death rather than 9. I'm glad we are helping lawyers out as well, rather than the bereived citizens of the State of Connecticut. That is probably true. But, what I don't think has been taken into account, is that Connecticut's Succession Tax Return, unlike the federal government's, is really based on the class of beneficiaries. Depending upon the relationship of the beneficiary the tax rate is different.

If money is left to children as opposed to nieces or nephews, as opposed to friends, there are different rates based on the class of beneficiaries. And you could have a will leaving all the money to your children, but the federal government gives beneficiaries 9 months to disclaim. Basically say, I

don't want to inherit that. Maybe I want it to pass to my children, or I would like the other beneficiaries. And you may not know that in many cases until 9 months after the date of death. So the whole estate tax could be correct. All the values right, all the deductions right, but the class of beneficiary, those inheriting, might not be known until 9 months after the date of death. And yes, a good lawyer, in six months, wants to press the people in those decisions earlier. It is possible that the disclaimer could be made within six months.

But often the disclaimers are made in connection with very large estates that are subject to Inheritance Tax, and that means we are talking about very large estates, well in excess of 600,000 dollars.

Those decision do not have to be made for the federal estate tax, and I believe that adds another burden. And you are forcing people to make decisions, well, I will share with you, nothing really personal or whatever, but I still, I have been practicing for many years. I do a lot of estate work when I have the time. Meet a lot of people, you know, have had relatives die and have to go through the probate court and file the tax returns and what have you. I still see nine months after the date of death, tears from widows, now you

have to sit down, the funeral bill, do you have the receipt. It dredges up memories. You know, is the return correct, the bank accounts, you see it was in survivorship with the daughter. You see what is typically the deceased husband name, over and over again. It is on the return. Is it correct. You have to sign. Sometimes you have to write out a check to the State of Connecticut. Even nine months after the date of death, it can still be an emotional experience for many of the tax filers of our Connecticut Succesion Tax Return. I've got to believe that the grief is still, not only as strong, but stronger still just six months after the date of death, when you are going to be forcing people to sign those returns, verify all the information. You are going to have to prod them a little. People grief stricken are now going to have the attorney, you know, I really got to get that receipted funeral bill. I really need that bill for the lettering engraving on the headstone.

This is not pleasant stuff to do anytime. But to force this on bereived people, even sooner, I think is cruel to citizens of the State of Connecticut. It is 30 million dollars to the state, but that is extracted from people under very, very trying circumstances, the loss of a loved one.

And yes, you can force the fiduciary to be appointed quicker I suppose. You know, when you go to the funeral, I suppose you could have the application forms for the probate court, isn't that pleasant, to try to move this along quicker. I don't think we want to do that to citizens.

You could force people to make complicated state planning decisions that could effect the class of beneficiaries six months after death, rather than nine months that the federal government allows.

Madam Speaker, I've never found that the IRS and the federal government's taxing authority is a very popular institution in this country. I suppose nobody likes to pay taxes. But I don't want to be in the position of voting for a bill that in many cases is going to make the Department of Revenue Services a crueler less compassionate and more money hungary, taxing authority than the Internal Revenue Service of the United States Government. That is not what I want to see for our state and our citizens. And this, Madam Speaker, is one of the crueler tax gimmicks that I have seen.

And that is why I am supporting the amendment. It is really no net loss revenue to the state. We are only talking which fiscal year it is coming in. With

or without the bill, with or without the amendment, the same number of people will be dieing, I assume, unless some have a heart attack over seeing this bill at some point. The same number of people will die, the rate will be the same, the total amount of money flowing in is going to remain constant. The whole purpose for the change in the bill, is to grab an extra three months revenue in the next fiscal year.

It won't produce 30 million more the following year, although because of the nine months, there is a ripoly, we grab a couple more people in there who wouln't be paying until the following year. And then it is even. This is just a tax accelerator. It makes us off the same schedule as the federal government, and I believe in a way that is very, very thoughtless for the feelings of the bereaved loves ones in the State of Connecticut that are forced to make these decisions, or confront the filing of the tax return that involves the loss of a loved one.

I think it's a cruel tax increase for the State of Connecticut, and one that comes at the expense of the people under very unfortunate circumstances. I think the least we can do is pass the amendment. It doesn't

break the budget. I know we're now getting into some two year budgeting here. We haven't passed a bill on that yet.

It doesn't break the budget. The budget will still be balanced for next year. Yep. It won't help solve this year's deficit. I admit that. Well, I suppose if we pass the inheritance tax when it won't help solve this year's deficit either.

Madam Speaker, I think it's a poor way to be raising money when we're now into extracting money quicker from the estates of decedents in the State of Connecticut when in actuality it's coming from those that are the beneficiaries at the loss of a loved one. Thank you.

DEPUTY SPEAKER POLINSKY:

Thank you, Sir. Will you remark further? Representative Nania.

REP. NANIA: (63rd)

Thank you, Madam Speaker, the discourse of the Minority Leader raises to me an issue which I don't think has been discussed and may be an oversight. Through you, Madam Speaker, to Representative Cibes, Representative Cibes, the fiscal note given was $30 million, but I'd like to inquire a little bit as to that $30 million, because I'm not sure that reflects

accurately what we're after.

I'm going to make an assumption that the fiscal note says $30 million because within the fiscal year, there's $30 million more. Now, here's my question. If we're simply talking about having these tax revenues three months' sooner than we would, isn't what we're talking about the value of $30 million for three months rather than the absolute, the $30 million itself? Am I making myself clear, through you, Madam Speaker.

Let me ask the question a different way. Is that $30 million the total amount of taxes paid in a 3 month period? Through you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker. Roughly.

REP. NANIA: (63rd)

Well, then I suggest that $30 million may be a cash accounting fiscal note, but it's certainly not any kind of a long-term or accrual fiscal note, because what we're doing simply is getting the value of $30 million for 3 months. We could accomplish the same thing, I think, and tell me if I'm wrong, by borrowing the $30 million and paying interest only and not creating all this havoc on the other side, and then at

the 9 month mark, repaying the $30 million.

Through you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker, I think Representative Nania is suggesting that we borrow in order to pay the deficit, which seems to me to be something that most fiscally responsible individuals have tended to reject.

REP. NANIA: (63rd)

Madam Speaker, fiscal responsibility has absolutely no place here. We've been borrowing to pay current expenses, much less the deficit.

My question is a simple one, and I go back to it. If in fact we are only moving up the payment of $30, I'll give examples. Let's say that the State was going to get $30 million on November 1, 1991, but by this measure will get the $30 million on September 1, 1991. Now, we've pulled it into the fiscal year, so therefore the fiscal year is in fact $30 million richer. However, the following fiscal year is $30 million poorer. So I guess my question to you is, wouldn't it make sense, instead of messing up all the things that have been described so far, simply to borrow $30 million, pay the interest for 3 months and then pay it back. Through

you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Thank you, Madam Speaker. What this amendment, what the Senate amendment does, and the file copy does is to accelerate $30 million for 90-91 from the succeeding fiscal year, and then in 91-92 accelerates $30 million from 92-93, and for 92-93 accelerates $30 million, or the inflationary value thereof, so that if we did as you suggested, Representative Nania, we would be borrowing $30 million until the end of time, as opposed to getting a one-shot of $30 million.

DEPUTY SPEAKER POLINSKY:

Representative Nania.

REP. NANIA: (63rd)

Madam Speaker, I think in theory the Representative is correct. However, we've never had the fiscal kind of stability here that would make his argument plausible. So I suggest that in fact we borrow that $30 million. We pay the interest on it, interest only, $30 million, 3 months, don't create all the havoc we're going to create, and we face the problem anew with by golly, an honest budget and an honest tax package in the succeeding fiscal year. Thank you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Thank you, Sir. Will you remar, further on House Amendment "B". Representative Schesinger.

REP. SCHLESINGER: (114th)

Thank you, Madam Speaker. Madam Speaker, in a way I'm sorry to see all these co-sponsors on it, because it makes it look like this has really turned into another partisan debate on another budget issue.

I wish that this would diverge from that because, Madam Speaker, Democrats die too. We have no monopoly on that on the Republican side of the aisle, and unfortunately, what we're doing here really doesn't make sense, and I'm going to say right now, on the record, Representative Cibes, I would support any tax incremental increase to bring in $30 million, anything you want, almost, anything, to bring in $30 million before I would do this. Almost anything.

This does not, I'm saying any $30 million, whether you raise the sales tax, I would rather raise the sales tax an increment to bring in this $30 million. I'd rather raise the interest in dividends tax to bring in $30 million. I'm going on the record on any tax vehicle, rather than doing this.

And do you know why? Because not only, not only does this not bring in $30 million, all it does it

accelerate it as you've discussed already, but it costs the taxpayers extra money in extra filing fees, in extra legal fees. It is very, very difficult to accomplish what you want to accomplish without any extra cost to the taxpayer, and ironically, that extra cost does not come to Connecticut. That extra cost comes to folks like the other 30 or 40 attorneys in this Chamber as extra revenue in their pockets. That's all this accomplishes. And extra problems. This is really stupid. It's stupid and it's sick.

You're saying to the people of the State of Connecticut that 6 months after a loved one dies, you've got to have all the paperwork in. We're going to be ahead of the IRS, we're going to be ahead of everyone because we're so desperate to get your money, we're going to come to the wake. We're going to come to the wake and say, let's get all this paperwork done because we only got 6 months to get it in. We may not even be able to estimate some of the values of this property within that 6 month period. But that's okay, because we'll file an amendment. We'll file an addendum.

What's the difference? It's only another $100 for an attorney or $200 an hour for an attorney. And what does the taxpayer get? What does Connecticut get?

Nothing. This one's even dumber than trying to estimate your total capital gains and tax revenue February 1. This one's sicker than that one. That one was just stupid. This one's sick. This is so wrong.

How many in this Chamber have done an S-1. Anyone in this Chamber that has done an S-1 will probably realize how sick this is. It takes a while to get some of that information. This is ridiculous. Come on. I'll support the tax increase. Go ahead. You want $30 million? Take it out of the taxpayers, but don't do something like this.

Madam Speaker, this is stupid.

DEPUTY SPEAKER POLINSKY:

Thank you for your comments, Sir. Will you remark further on House Amendment "B"? Will you remark further on House Amendment "B"? If not, will all members take their seats. Staff and guests to the well of the House. The machine will be opened.

CLERK:

The House of Representatives is taking a roll call vote. Members, please report to the Chamber. The House is taking a roll call vote. Members to the Chamber, please.

DEPUTY SPEAKER POLINSKY:

Have all members voted? Have all members voted and

is your vote properly recorded? If all members have voted, the machine will be locked and the Clerk will take a tally.

The Clerk will announce the tally.

CLERK:

Senate Bill 89, voting on House Amendment Schedule "B".

Total number voting	149
Necessary for adoption	75
Those voting yea	63
Those voting nay	86
Those absent and not voting	2

DEPUTY SPEAKER POLINSKY:

The amendment fails.

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House Amendment Schedule "B".

Strike sections 15 and 17 to 20, inclusive, in their entirety and renumber the remaining sections accordingly

In line 761, strike the brackets around "nine" and strike "SIX"

In line 765, strike the brackets around "nine" and strike "SIX"

In line 771, strike the brackets around "nine" and strike "SIX"

In line 820, strike the brackets around "nine" and strike "SIX"

In line 834, strike "SIX" and insert "NINE" in lieu thereof

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DEPUTY SPEAKER POLINSKY:

Will you remark further on this bill as amended? Will you remark further? Representative Emmons.

REP. EMMONS: (101st)

Thank you, Madam Speaker. I have another amendment which I would like to call and this one you should like because it doesn't have any cost, and it's LCO5051.

DEPUTY SPEAKER POLINSKY:

Will the Clerk please call LCO5051 which shall be designated House Amendment "C".

CLERK:

LCO5051, designated House Amendment Schedule "C" offered by Representative Jaekle et al.

DEPUTY SPEAKER POLINSKY:

Representative Emmons, did you wish to summarize.

REP. EMMONS: (101st)

Yes, Mr. Speaker.

DEPUTY SPEAKER POLINSKY:

The lady has asked leave of the Chamber to summarize. Without objection, please proceed.

REP. EMMONS: (101st)

Thank you, Madam Speaker. In essence, what this amendment would do, it would change and expand the

services on line 510 of the amendment that could be sold on consignment without having a sales tax against the consignees commission, and it would expand it to include used furniture.

Madam Speaker, I move its adoption and request that when the vote is taken it be by roll call.

DEPUTY SPEAKER POLINSKY:

The question is on a roll call vote. All those in favor please indicate by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER POLINSKY:

When the vote is taken it shall be taken by roll. The question is on adoption of House Amendment "C". Will you remark further, Madam?

REP. EMMONS: (101st)

Thank you, Madam Speaker. I would just like to draw the attention of the Body to the words in this amendment as was proposed in Senate "B". What you are doing is, you are eliminating the sales tax on the services of an agent acting as a co-signee selling works of art, as well as clothing and footwear.

Now, I looked up last night, works of art, and we've all gotten letters from the Weslyan potters and from crafts people, because they leave their work with

one of those showrooms and they pay the runner, or owner of the showroom, 30% of the price, but now they have to pay not only the 30%, but the sales commission on top of it, so it really reduces and comes out of their income, if they're selling without changing the pricing.

But when you look at works of art, it includes such things as sculpture, paintings, drawing, photography, prints, tapestry, weavings, film videotape, folk art, graphic design, pottery, architectural sketches and such things. So you're not talking necessarily about a lot of inexpensive little things, but it seemed to me if we were willing to not have the price go up on these items, or the consigners income go down, that we should at least treat used furniture the same. Because people who buy oftentimes used furniture, are those who do not have the money for expensive pieces of art and sculpture.

So, Madam Speaker, what I have done is, I have left in the works of art to protect our crafts people, but I have expanded it to include used furniture, so if you have any items of furniture being sold on consignment that would not have a sales tax on the consignees fee, and I've also changed it to include used clothing or footwear, because there are many used

clothing consignment shops around. They are in even the more well-to-do communities where clothes are being sold both to the seniors and for oftentimes, there are some that are just for infants.

And, Madam Speaker, I'm very pleased to note that they really don't have any available data to base an estimate of substituting used furniture and used clothing or footwear in lieu of all clothing or footwear. So, Madam Speaker, considering that the note was point, well, $400,000 in the file, and they can't really find that it's going to be any more, it seems to me that this is a better way to spend a tax expenditure.

DEPUTY SPEAKER POLINSKY:

Thank you, Madam. Will you remark further on House Amendment "C". Will you remark further? If not, if not, will all members be seated. Staff and guests to the well of the Chamber. The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members to the Chamber. The House is voting by roll call. Come on in and vote y'all.

DEPUTY SPEAKER POLINSKY:

Have all members voted? Have all members voted and is your vote properly recorded? If all members have

voted, the machine will be locked and the Clerk will take a tally.

The Clerk will announce the tally.

CLERK:

Senate Bill 89, and voting on House Amendment Schedule "C".

Total number voting	150
Necessary for adoption	76
Those voting yea	64
Those voting nay	86
Those absent and not voting	1

DEPUTY SPEAKER POLINSKY:

The amendment fails.

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House Amendment Schedule "C".

In section 31, strike subparagraph (U) in subdivision (i) and substitute the following in lieu thereof:

"(U) services of the agent of any person in relation to the sale of any item of tangible personal property for such person, EXCLUSIVE OF THE SERVICES OF A CONSIGNEE SELLING WORKS OF ART, AS DEFINED IN SUBSECTION (b) OF SECTION 12-376c, USED FURNITURE OR ARTICLES OF USED CLOTHING OR FOOTWEAR INTENDED TO BE WORN ON OR ABOUT THE HUMAN BODY OTHER THAN (i) ANY SPECIAL CLOTHING OR FOOTWEAR PRIMARILY DESIGNED FOR ATHLETIC OR PROTECTIVE USE AND WHICH IS NOT NORMALLY WORN EXCEPT WHEN USED FOR THE ATHLETIC ACTIVITY OR PROTECTIVE USE FOR WHICH IS WAS DESIGNED AND (ii) JEWELRY, HANDBAGS, LUGGAGE, UMBRELLAS, WALLETS, WATCHES AND SIMILAR ITEMS CARRIED ON OR ABOUT THE HUMAN BODY BUT NOT WORN ON THE BODY IN THE MANNER CHARACTERISTIC OF CLOTHING INTENDED FOR EXEMPTION UNDER SUBDIVISION (47) OF SECTION 12-412, AS AMENDED, UNDER CONSIGNMENT,"

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DEPUTY SPEAKER POLINSKY:

Will you remark further on this bill as amended? Will you remark further? Representative Nystrom.

REP. NYSTROM: (467th)

Thank you, Madam Speaker. Very quickly, just a couple quick questions on Section 24 which I don't think has been touched, deals with public service companies.

My reading of that is that that you're accelerating a payment from the public service company to pay a portion of the cost of the Department of Public Utility Control by requiring a 25% payment from the out-year or the fiscal year following this year that we're adopting. Is that true, through you, Madam Speaker?

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker, yes.

DEPUTY SPEAKER POLINSKY:

Representative Nystrom.

REP. NYSTROM: (467th)

Thank you, Madam Speaker. And is it the intention of this file that that acceleration would continue year

after year as was outlined on the succession discussion earlier, through you, Madam Speaker?

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker, what this does because of the peculiarities of the situation, is to require forard funding of DPUC expenses and the consequences to collect five quarters of tax of such expenses in this fiscal year. In succeeding years, to be exact, we would not expect to collect five quarters each year but four quarters. So in the sense that it would continue in the future, forard funding, yes, and to the, if you mean that we will collect five quarters each year in the future, no.

DEPUTY SPEAKER POLINSKY:

Representative Nystrom.

REP. NYSTROM: (467th)

Thank you, Madam Speaker. As defined, a public service company in this act, it says shall mean those companies included within the term by section 16-1 except companies not providing service at retail. Could you tell us who those companies are? Through you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Representative Cibes.

REP. CIBES: (39th)

Through you, Madam Speaker, may I refer this question to the Chair of the Energy and Public Utilities Committee, who can better describe the whole process of such funding? Through you, to Representative Joyce.

DEPUTY SPEAKER POLINSKY:

Representative Joyce, do you accept the yield?

REP. CIBES: (39th)

After he has time to dig out his files.

REP. JOYCE: (25th)

Thank you, Madam. I do. If you will repeat the question, and I can find the reference in the bill.

REP. NYSTROM: (467th)

Thank you, Madam Speaker. I'd be happy to. On page 27 of file 360, section 24 refers to public service companies and it references section 16-1 of our statutes. I guess the bottom line I really want to know, is this acceleration of payment now going to be applied to publicly owned municipally owned utility companies? Through you, Madam Speaker.

DEPUTY SPEAKER POLINSKY:

Representative Joyce.

REP. JOYCE: (25th)

Madam Speaker, my understanding, if I understand the question right, the payments for the support of DPUC will be accelerated, yes.

Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Nystrom.

REP. NYSTROM: (467th)

Thank you, Mr. Speaker. And again, would municipally owned utility companies be subject to this acceleration. Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Joyce.

REP. JOYCE: (25th)

Through you, Mr. Speaker, I believe it is only companies, through you, Mr. Speaker, let me just to clarify the companies, what do you mean by municipally owned utility companies? Like the municipal, like CEMAC and that type of thing?

REP. NYSTROM: (467th)

Yes, through you, Mr. Speaker.

REP. JOYCE: (25th)

Through you, Mr. Speaker, these are not involved with the support of DPUC since they are not regulated by DPUC.

REP. NYSTROM: (467th)

Thank you.

SPEAKER BALDUCCI:

Will you remark further? Representative Young.

REP. YOUNG: (143rd)

Mr. Speaker, the Clerk has an amendment, LCO5149. Will he please call and I be allowed to summarize.

SPEAKER BALDUCCI:

The Clerk please call LCO5149 designated House "D".

CLERK:

LCO5149 designated House Amendment Schedule "D" offered by Representative Emmons et al.

SPEAKER BALDUCCI:

The question is on summarization. Is there objection? Representative Young.

REP. YOUNG: (143rd)

Mr. Speaker, what this amendment does is very simple, it allows architects and engineers to pay their business services tax on a cash basis rather than an accrual basis.

I move the adoption of the amendment, and I would request that a roll call vote is called for when the members vote on it.

SPEAKER BALDUCCI:

The question is on adoption. Will you remark?

REP. YOUNG: (143rd)

I asked for a roll call. I moved the amendment.

SPEAKER BALDUCCI:

I understand. I only can handle one question at a time. Adoption has been moved. Will you remark?

REP. YOUNG: (143rd)

Now I ask for a roll call. Thank you.

SPEAKER BALDUCCI:

Thank you, Representative Young. The question is on a roll call. All those in favor signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER BALDUCCI:

When the vote is taken, it will be taken by roll. Representative Young, will you remark?

REP. YOUNG: (143rd)

Thank you, Sir. I'm sorry. Last year when we passed the business services tax, one of the provisions of it reequired that architects and engineers pay that tax on an accrual basis.

In essence, that means they had to pay the tax up front at the signing of a contract, rather than as the money was collected during the course of payments and the completion of the contract.

I think we received more complaints on that one condition of the business service tax than anything

else. We're in essence asking people in some possibilities to borrow money to pay a tax before they had received payment for the which which they were doing. This will not diminish the amount of tax we receive. It will simply mean the tax is paid when the fees for the work that have been done have been received, in the same way that you'd pay a sales tax for an automobile when you buy an automobile.

The same tax you pay for food, you pay it when you buy it. No sales tax on food, but in essence what this does do is allow them to pay the tax as they receive the fees from the work they do.

I have a fiscal note. The fiscal note says it's lost to the State of Connecticut 1990-91 of $1.5 million. There is no actual loss, because we're not reducing the tax. We're simply collecting it in a different schedule than it is now collected.

I have two comments about the fiscal note. One is, I don't believe the number because I suspect that many of the architects and engineers have created some very inventive accounting and billing and they're probably not paying up front anyway for the most part.

And the other comment I would make on the fiscal note that it seems to me that when Representative Tulisano's remarks on the bill that we passed recently,

Bill 6027, commented that there was a little bit more than $2 million going to be brought in that bill in excess of that which was going to be paid out under the provisions of it, so that I would suggest that there is a little bit of money floating around to pay for this.

Mr. Speaker, I think this is an important message to send to some element of our business society who have been complained that they're really being asked to pay taxes before they get the money on what they're doing.

If they have to bill, if they have to pay up front and one of their constituents, one of their contractors or one of the people that they're working for goes bankrupt, they paid the whole amount of the tax, they don't even get a rebate. I don't think it's fair. I think this will make it better. Thank you, Sir.

SPEAKER BALDUCCI:

Will you remark further? Representative Mulready of the 20th.

REP. MULREADY: (20th)

Yes, Mr. Speaker, as one of the few people in the room who actually pays this tax, not as an architect or engineer, but one that gets billed for it, I have a few comments.

One, we are doing some things to moderate the

impact of the tax passed last year on architects and engineers. One is, in this bill is a better definition of the sale for resale provision, so that the argument that they have that the 8% was then on another tax, therefore having an effective tax rate I think of 12.8% or something, will no longer be unclear.

Secondly, as to the point that Representative Young brought up at the tail end of his comment, namely, about the no recovery for bad debt of the tax, there is a separate Senate bill that we will take up within the next few days before closing that will change that condition and solve that problem.

Third, and perhaps most importantly, any tax package is sort of a revenue package is sort of a delicately balanced item and since the fiscal note does call for a cost of $1.5 million to the State, we must reluctantly ask that this amendment be rejecte and I'd sort of phrase it as a pretty good idea whose time has not yet come.

SPEAKER BALDUCCI:

Will you remark further? Representative Holbrook of the 35th.

REP. HOLBROOK: (35th)

Thank you, Mr. Speaker. I appreciate Representative Mulready's remarks concerning

legislation that may be coming before this Chamber, but as a lot of us know, a lot can happen in the last three days of the session and it's a long road to travel to get to the end of the trip.

The tax that we have imposed on engineers and architects in some instances is not a tax, but simply a penalty against individuals who are unable to collect accounts receivables, and that's the way I look at it. I don't even look at it as a tax, and in many instances this happens.

I think what we have to look at is what's occurred in our economy here in the State of Connecticut over the last couple of years, and particularly how it relates to the building industry.

A lot of architects have gone out, as well as engineers, designed homes, laid out subdivisions for builders and have never been able to collect their money because of the economic situation we face right now. So it's a penalty that these individuals have had to pay to the State of Connecticut becauseof their inability to collect.

You know, we talk about taxes being fair. There are no fair taxes if you ask anybody, I'm sure they'll give you that answer. But this is not, this is undoubtedly the most unfairest tax placed on any group of

individuals in the State of Connecticut.

I hope that Representative Mulready is right. If this amendment doesn't go, that we have something coming before us, but I don't want to take that chance, Mr. Speaker, I really don't, and I ask my colleagues on the other side of the aisle to please consider that and take this group, particularly this one group, and give this their fullest consideration and pass this amendment.

SPEAKER BALDUCCI:

Will you remark further? Representative Luppi of the 88th.

REP. LUPPI: (88th)

Yes, thank you, Mr. Speaker. I rise in support of the amendment. I don't know why this is the chosen profession that was chosen to pay sales tax when most of the other professions, including my own, the CPA profession does not have to pay a sales tax. We in fact have three different accounts in our firm that handle engineers, architects, and what we're having to do there is maintain two separate sets of records, one on the accrual method of sales tax and one on the cash method for sales tax.

I don't know what Representative Young is talking about, although I approve of this amendment as to the

creative accounting, that may in fact diffuse the sales tax liability at a particular time. But I can tell you this. Here is a profession, no different than any other profession, that has to pay a sales tax service and most of them are on the cash method, but for sales tax purposes they have to report on the accrual method. Thank you.

SPEAKER BALDUCCI:

Will you remark further? Representative Young.

REP. YOUNG: (143rd)

Just briefly, Mr. Speaker, for the second time. I, too, hope there is an amendment, another bill coming down from the Senate that will protect people from bad debts, but just recently in Stamford, 6 months, less than 6 months ago, a major developer went bankrupt, $83 million of personal bankruptcy. This had to do with the construction of a lot of buildings and a lot of office space.

There was engineering and architectural work involved in that. Those guys aren't going to get their bucks back. That's a hell of a penalty to put on a group of people to accelerate the payment of $1 million or $1.5 million between one year and the next.

Let me repeat. We're not talking about cutting tax. We're simply talking about putting the tax payment

in the year in which the work is done, so the State of Connecticut is not going to lose any money. The only money it could possibly lose is the interest on $1 million or $1.5 million, a very short piece of time. I think it's worth the shot. Thank you.

SPEAKER BALDUCCI:

Will you remark further? If not -- Representative Emmons.

REP. EMMONS: (101st)

Thank you, Mr. Speaker, I'm rising in support of the amendment, quite obviously, but this is the one tax that we got the most complaint about last year, and I think you're going to find over a period of time, that individuals will start to have their bills go out as work is completed so that they will then have the contractor can get the money from the bank and pay them.

You're not going to really lose money over a period of time because they're going to adjust their billing in such a way that they will not carry it very long. The ones who do have difficulty are the ones that Representative Young are talking about, where they have sent out their bill or have to send it out and the person is either bankrupt or in very difficult financial situation.

And so putting out 7% when you don't have any money coming in on some of these large bills, which many of them are, does put an architect and an engineer in a very bad position. They haven't even gotten their own payment, let alone have to turn around and pay 7.5% to the State.

As we really in this State have tried to encourage professionalism, it is to me a shame that these are the only professionals that we've put this burden on.

SPEAKER BALDUCCI:

Will you remark further on the amendment? If not, staff and guests to the well. Members please be seated. The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members to the Chamber. The House is voting by roll call. Members to the Chamber, please.

SPEAKER BALDUCCI:

Have all the members voted and is their vote properly recorded? If so, the machine will be locked. The Clerk take a tally.

The Clerk please announce the tally.

CLERK:

Senate Bill 89 voting on House Amendment Schedule "D".

Total number voting	150
Necessary for adoption	76
Those voting yea	63
Those voting nay	87
Those absent and not voting	1

SPEAKER BALDUCCI:

The amendment fails.

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House Amendment Schedule "D".

After section 33, insert new sections 34 and 35 as follows and renumber the remaining section accordingly:

"Sec. 34. Section 12-408 of the general statutes, as amended by sections 7, 197 and 198 of public act 89-251, is amended by adding a subsection (8) as follows:

(NEW) (8) For the purposes of payment of the tax imposed under this section, any architect or engineer who computes taxable income, for purposes of taxation under the Internal Revenue Code of 1986, as from time to time amended, or any subsequent corresponding internal revenue code of the United States, on an accounting basis which recognizes only cash or other valuable lconsideration actually received as income and who is liable for such taxes only due ot the rendering of services may make payments related to the tax imposed pursuant to this section for the period during which such income is received, without penalty or interest, without regard to when such service is rendered.

Sec. 35. This act shall take effect from its passage, except as follows: (1) Section 1 to 3, inclusive, shall take effect July 1, 1990; (2) section 5 shall be applicable to taxable years commencing on or after January 1, 1990; (3) sections 7 and 8 shall take

effect January 1, 1991; and shall be applicable to corporation income years commencing on or after January 1, 1991; (4) sections 9 to 12, inclusive, shall take effect July 1, 1990, and shall be applicable to taxes becoming due on or after July 1, 1990; (5) section 13 shall take effect July 1, 1990; (6) section 14 shall be applicable to assessment years of municipalities commencing on or after October 1, 1989; (7) sections 15 to 20, inclusive, shall take effect July 1, 1990, and shall be applicable to the estate of any transferor whose death occurs on or after July 1, 1990; (8) section 22 shall take effect July 1, 1990, and shall be applicable to sales of services for resale on or after said date; (9) section 23 shall take effect July 1, 1990, and shall be applicable to purchases of services for resale on or after said date; (10) sections 31 and 34 shall take effect July 1, 1990, and shall be applicable to sales of services on or after said date."

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SPEAKER BALDUCCI:

Will you remark further? If not --

REP. JAEKLE: (122nd)

Mr. Speaker.

SPEAKER BALDUCCI:

Representative Jaekle.

REP. JAEKLE: (122nd)

Mr. Speaker, I found another amendment that I'd like the Clerk to call. It's LCO5043. Would the Clerk please call and read.

DEPUTY SPEAKER SMOKO:

The Clerk is in possession of LCO5043 designated House Amendment "E". The Clerk will please call and read the amendment.

CLERK:

LCO5043 designated House Amendment Schedule "E", offered by Representative Jaekle et al.

Strike sections 4 and 28 in their entirety and renumber the remaining sections accordingly.

DEPUTY SPEAKER SMOKO:

The amendment is in our possession. Will you remark?

REP. JAEKLE: (122nd)

Mr. Speaker, I'd like to move adoption of the amendment.

DEPUTY SPEAKER SMOKO:

The question is on adoption of House Amendment Schedule "E".

REP. JAEKLE: (122nd)

I'd like to ask that when the vote is taken on the amendment, it be taken by roll call please.

DEPUTY SPEAKER SMOKO:

Indeed, Sir. All those in favor of a roll call vote please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER SMOKO:

A roll call will be ordered at the appropriate time. Representative Jaekle.

REP. JAEKLE: (122nd)

Thank you, Mr. Speaker. I had the amendment read because it was so brief, but it really doesn't explain the amendment. You'd have to read through the file, or maybe to head off a question, the fiscal note also explains clearly what this does.

The amendment eliminates the transfer of revenues from the local property tax relief fund to the general fund in this current fiscal year. That's a $51.5 million transfer from a separate trust fund into the general fund, not to pay any grants to municipalities, no pilot payments, no revenue sharing. Nothing. There's no useful purpose to the transfer except one. And that is, it is raid on the fund to reduce the accumulated deficit from this current fiscal year which I believe based on some of the latest estimates is about a quarter of a billion dollars.

I appreciate efforts to reduce that deficit. Those efforts should have been ongoing throughout the fiscal year on the expenditure side. To raid a trust fund, to make up a current operating deficit is an inappropriate way to try to balance the budget, or reduce the deficit. It is also one that is going to mean the trust fund is going to be virtually exhausted next year. Wiped out. The various expenditures being made from the

trust fund will not be able to be made again out of the trust fund, and will have to be shifted back into the general fund. most notably the one that is appropriate to come out of that fund would be the 42 million dollars, as I recall, for local capital improvements. Without the trust fund, either that money will be eliminated from the budget, or the 42 million dollars that many of us had planned-- I will tell you, originally, I thought would be coming out of the Municipal Infrastructure Trust Fund forever, as a perpetual fund. But that was converted into a ten year fund, 42 million dollars a year for the cities and towns for ten years. I am certainly afraid that with this 51 and a half million dollar transfer for purely deficit reduction purposes, not to maintain any expenditures off budget. I have criticized those gimmicks.

This is purely a raid on a trust fund, to attack an operating deficit of the state. It is going to come at the expense of either the cities and towns next year, when the money in the fund won't be there to make the local capital improvement project grants. Or, this is a 42 million dollar hole in next year's budget. This doesn't attack the whole problem, but it is one that I think is one of the more inappropriate raids on a fund

that I can see.

It's not to continue grants. It's not to continue payments. It is purely a fiscal gimmick, to try to reduce or maybe hide the size of this year's deficit. And it comes with the price tag, next year, after the election, as so much is in the budget, as so much of this tax package also represents. But this is one that I believe we should do without. And I would urge passage of the amendment. Thank you.

DEPUTY SPEAKER SMOKO:

Thank you, sir. Will you remark further on the adoption of House Amendment Schedule "E"? Will you remark? If not, will all staff and guests please come to the Well of the House? Staff and guests, to the Well. The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members, please report to the Chamber. The House is voting by roll call. Members, to the Chamber.

DEPUTY SPEAKER SMOKO:

Have all the members voted? Have all the members voted? Please check the roll call machine-- Have all the members voted? Please check the roll call machine to be sure your vote is accurately recorded. If all the members have voted, the machine will be locked, and

the Clerk will take a tally.

Representative Lyons, how would you like your vote cast, madam?

REP. LYONS: (146th)

Thank you, Mr. Speaker. In the negative.

DEPUTY SPEAKER SMOKO:

Will the Clerk please record Representative Lyons of the 146th District in the negative? Representative Fritz, for what purpose do you rise, madam?

REP. FRITZ: (90th)

To vote, please. I would like to be recorded in the negative please.

DEPUTY SPEAKER SMOKO:

Clerk, please record Representative Fritz of the 90th in the negative. Thank you, madam.

Please, at his convenience, will announce the tally.

CLERK:

Senate Bill 89, Voting on House Amendment Schedule "E".

Total Number Voting	148
Necessary for Adoption	75
Those Voting Yea	61
Those Voting Nay	87
Those absent and not Voting	3

DEPUTY SPEAKER SMOKO:

House "E" is rejected. (Gavel) Will you remark further on this bill, as amended?

REP. JAEKLE: (122nd)

Mr. Speaker.

DEPUTY SPEAKER SMOKO:

Representative Jaekle.

REP. JAEKLE: (122nd)

Thank you, Mr. Speaker. The Clerk has another amendment, LCO5236. Would the Clerk please call and read?

DEPUTY SPEAKER SMOKO:

The Clerk is in possession of LCO5236, which will be styled House "F". Will the Clerk please call?

CLERK:

LCO5236, designated House Amendment Schedule "F", offered by Representative Jaekle et al.

DEPUTY SPEAKER SMOKO:

Excuse me, Representative Jaekle. Did you request summarization?

REP. JAEKLE: (122nd)

Read?

DEPUTY SPEAKER SMOKO:

Would the Clerk please read the amendment?

CLERK:

Strike section 6 in its entirety and renumber the remaining sections accordingly.

DEPUTY SPEAKER SMOKO:

The amendment is in our possession. Representative Jaekle.

REP. JAEKLE: (122nd)

Mr. Speaker, I move adoption of the amendment.

DEPUTY SPEAKER SMOKO:

The question is on adoption. Will you remark?

REP. JAEKLE: (122nd)

Yes. I would like to ask, first of all, that when the vote is taken on this amendment, it be taken by roll please.

DEPUTY SPEAKER SMOKO:

All those in favor of a roll call vote, please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER SMOKO:

A roll call will be ordered. Representative Jaekle.

REP. JAEKLE: (122nd)

Mr. Speaker, again, while it was easily read, you have got to refer to the file to find out what is being changed by the proposed amendment. Basically, Section

6 would be what I call going to the thirteen and a half month fiscal year for the State of Connecticut, at least for corporate revenues, that for next year, even though our fiscal year ends June 30th, for some reason, and I think I know what the reason is, and it is not accounting purposes, or good accounting purposes. We will be adding back into the revenues for the next fiscal year those corporate tax receipts that are received between July 1st and August 15th. Thus, why I called it a thirteen and a half month fiscal year for corporate tax receipts.

Obviously, for the following year, we will just be on some strange 12 month system, August 15 to August 15, even though the year is July 1 to July 1. So, while it is not a gimmick in out-going years, or on-going years, it is certainly a strange system of bookkeeping that it will put the state on for years to come. The obvious purpose of the change in the file is to take 25 million dollars of estimated revenue from what would be the '91-'92 fiscal year and push it into the '90-'91 fiscal year. Actually, I am sorry. I have got my years off. This is actually another gimmick that will bring the 25 million dollars into - it's tough with-- I used to think one budget at a time. Now, we are into two and three, with this two year

budgeting we are doing.

It is actually going to bring 25 million dollars into the '89-'90 fiscal year that closes June 30th, and then after that, it is just a weird system of August 15th to August 15th. The fiscal note on the amendment, and I have one, shows that with the adoption of this, compared to the file, 25 million dollars less would be coming in in the current fiscal year.

What I point out is that would mean that the current law would stay the same. There is actually no loss to the current fiscal year, but we wouldn't get the benefit of that gimmick, to push 25 million dollars from next year's budget into this current year's. The fiscal note is also helpful however because it says that for the '90-'91 fiscal year, we will actually get 25 million dollars more. Of course, to kind of correct all of that through the amended bill, if it passes-- What that will mean is that current law will stay the same, and we will receive normal corporate tax receipts in the next fiscal year as well.

Mr. Speaker, this is another example of not only terrible bookkeeping practices by the State of Connecticut-- We did this before I started in the General Assembly, as I recall, when we went to the 13 month fiscal year. I am sure there is a particular

corporate tax payment that we expect to be getting in by August 15th that won't be picked up in July through our normal very strange 13 month fiscal year gimmick. Mr. Speaker, very blatant fiscal gimmick that tries to close this year's current operating deficit, not by tightening the belt on state spending, not by controlling other expenditures, not by trying to attack the problem from the expenditure side of the ledger.

It is not even an on-going revenue source, as much as I would hate the tax increases, and sure did lasts year. It's not even a tax increase, an honest tax increase. It's a dishonest gimmick. Yes, I am sure it will bring in some money, but not in a straight forward on-going manner. One time revenue gimmick that not only doesn't face up to the problem of state, but Mr. Speaker, just postpones the likely hard decisions the state is going to have to make next year, because of the failure to really solve the problems this year.

I urge adoption of the amendment and rejection of this fiscal gimmick that is just that: a fiscal gimmick for the state, bad for our state in the long run. Thank you.

DEPUTY SPEAKER SMOKO:

Thank you, sir. Will you remark further on the adoption of House "F"? Will you remark?

REP. JONES: (141st)

Mr. Speaker.

DEPUTY SPEAKER SMOKO:

If not-- Representative Jones.

REP. JONES: (141st)

Perhaps it would help me if I knew a little better why we have Section 6. Perhaps through you, to Representative Cibes, it could be explained to me. Why is this change in accounting policy for the State of Connecticut? Through you, sir.

DEPUTY SPEAKER SMOKO:

If you would care to respond, Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, what we are doing in this-- Your question dealt with the purpose of Section 6. The purpose of Section 6 is to conform our treatment of the corporation tax basically to what we do with other taxes. As Representative Jaekle has already remarked, we have, since the 1970's, accrued the sales tax and other taxes in the state back to the year in which the taxable event occurred. That is what we are doing with the corporation tax in this section.

REP. JONES: (141st)

So, through you, Mr. Speaker, this is an accrual accounting application to the revenue side of our

budget? Through you, Mr. Speaker.

DEPUTY SPEAKER SMOKO:

Would you care to respond?

REP. CIBES: (39th)

Through you, Mr. Speaker, it is-- It accurse back to this fiscal year, payments received in the next fiscal year which correspond to taxable events in this fiscal year.

DEPUTY SPEAKER SMOKO:

You still have the floor, sir.

REP. JONES: (141st)

I judge from the answer that we are accruing it because it is considered legitimately earned in the current fiscal year. Through you, Mr. Speaker.

DEPUTY SPEAKER SMOKO:

Would you care to respond?

REP. CIBES: (39th)

Through you, Mr. Speaker, that is my understanding.

DEPUTY SPEAKER SMOKO:

Representative Jones.

REP. JONES: (141st)

Well, as a matter of consistency, I would like your opinion then. Through you, Mr. Speaker, as to whether or not and why we are not accruing the expense of the college series zero coupon bonds, where the-- I

understand the annual expense in the budget year is 30 million dollars. Through you, Mr. Speaker.

DEPUTY SPEAKER SMOKO:

Would you care to respond, sir?

REP. CIBES: (39th)

Through you, Mr. Speaker, I can't speak to that. I don't know the answer to it.

DEPUTY SPEAKER SMOKO:

Representative Jones.

REP. JONES: (141st)

As a matter of philosophy of accounting, however, you would agree that those zero coupon bonds are accruing cost to the state each year, as they mature. Through you, Mr. Speaker.

DEPUTY SPEAKER SMOKO:

Would you care to respond, sir?

REP. CIBES: (39th)

Through you, Mr. Speaker, that is my understanding.

DEPUTY SPEAKER SMOKO:

Representative Jones.

REP. JONES: (141st)

Thank you. I just wanted to make it a matter of record. From the Treasurer's Office, it is about 30 million dollars. Thank you.

DEPUTY SPEAKER SMOKO:

Will you remark further on the adoption of House "F"? Will you remark further? Representative Jaekle.

REP. JAEKLE: (122nd)

Thank you, Mr. Speaker. I hadn't heard what I thought was a rather creative answer, that this is merely kind of conforming the corporate tax collections to the way the thirteen month fiscal year was thrown in in the mid-seventies. I never liked the argument for that, but as I recall, it had something to do with our sales tax. Retailers might be collecting it, getting it from our taxpayers in June but not filing the forms and remitting it to the State of Connecticut in July, and thus in-- I disagreed with it, and I knew that it was done to bring in 13 month revenue in a 12 month year. But the argument was we were just going to be counting in that previous fiscal year the money collected but not received by the state until the following fiscal year.

This is in no way at all similar to that, because I believe the corporate tax monies that we are going to receive between July 1st and August 15th, and I am willing to be corrected if I am wrong. I will confess: I didn't look up everything, just some preliminary analysis of this. I believe we are talking about corporate tax payments. I will even say this:

corporate tax liability that really isn't due-- That tax return isn't due until April 15, 1991. Corporate income taxes due April 15, 1991, but of course, in order for cash flow of the state, they are required to make certain estimated payments on their 1990 tax liability, calendar year, January 1 through December 1st, unless they have a different fiscal year. I know that complicates things, but--

They are making estimated payments on taxes that otherwise would not be due until April 15, 1991. And we are going to take some of that estimated money, something received between July 1st and August 15th, and count it in the '89-'90 budget. That's a far cry from what was done on this sales tax. I don't find the argument very compelling that it's consistency. And frankly, even if it was consistent, it was a mistake what was done. It was off of the whole notion of generally accepted accounting principles when the change was made in the mid-seventies. The whole purpose was to bring in 13 months' revenue in 12 months.

Now, we are doing the same thing, in essence. We are going to bring in thirteen and a half months' revenue in twelve months. That extra 15 days is more significant that just a half month. I believe it has

to do with when we will likely be receiving some payments from our corporations in the State of Connecticut.

Mr. Speaker, even if it was just consistency-- Consistency with a bad practice is nonetheless a bad practice. And I think it is a vastly different type of tax we are talking about and a different even theory about when it was collected somewhere by someone else and not remitted to the State of Connecticut. If anything, that money probably all belongs in the '90-'91 fiscal year because it relates to taxes due April 15, 1991.

I understand the estimated theory and cash flow to the state, and I am not going to argue with that. But this is very different. This is clearly bringing in 25 million dollars into the fiscal year where it doesn't belong under any theory that I really can think of, other than political expedience.

DEPUTY SPEAKER SMOKO:

Will you remark further on House "F"? Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, just briefly. The taxable event that has occured with respect to the collection of the sales tax has in fact occurred in

this fiscal year. The taxable event that would occur with respect to the corporation tax is the corporate profits which are earned during the course of this fiscal year. And in that respect, I would think that it is analogous.

DEPUTY SPEAKER SMOKO:

Will you remark further on the adoption of House "F"? Will you remark? If not, will all staff and guests please come to the Well of the House? Members, please be seated. The machine will be opened.

CLERK:

Members, the House is voting by roll call. To the Chamber please. The House is voting by roll call. Members, to the Chamber.

DEPUTY SPEAKER SMOKO:

Have all the members voted? Please check the roll call machine to be sure your vote is properly recorded. If all the members have voted, the machine will be locked. Clerk will take a tally. Clerk will announce the tally.

CLERK:

Senate Bill 89, Voting on House Amendment Schedule "F".

Total Number Voting	149
Necessary for Adoption	75
Those Voting Yea	63
Those Voting Nay	86
Those absent and not Voting	2

DEPUTY SPEAKER SMOKO:

House "F" is rejected. (Gavel) Will you remark further on this bill as amended? Will you remark?

REP. JAEKLE: (122nd)

Mr. Speaker?

DEPUTY SPEAKER SMOKO:

Will you remark? Representative Jaekle.

REP. JAEKLE: (122nd)

Thank you, Mr. Speaker. The Clerk has another amendment, LCO4678. Would the Clerk please call and read?

DEPUTY SPEAKER SMOKO:

Clerk is in possession of LCO4678, which will be designated House "G". Will the Clerk please call and read the amendment?

CLERK:

LCO4678, designated House Amendment Schedule "G",

offered by Representative Jaekle et al.

DEPUTY SPEAKER SMOKO:

The Chamber is in possession of LCO-- of House "G". Will you remark, sir?

REP. JAEKLE: (122nd)

Thank you, Mr. Speaker. I asked that it be read, but I will tell you what. I will read it. It's: strike sections 9 to 13, inclusive, in their entirety, and renumber the remaining sections accordingly.

I move adoption of the amendment.

DEPUTY SPEAKER SMOKO:

The question is on the adoption of House "G". Will you remark?

REP. JAEKLE: (122nd)

Thank you, Mr. Speaker. If one were to refer to the fiscal note in the file-- I have a fiscal note on the amendment, by the way, but I think it becomes clearer what striking 9 through 13 does. Sections 9 through 13 both increase the interest rate on delinquent sales and use taxes from 15-20%, as well as increasing the penalty on delinquent sales and use taxes, from 10% to 15%. By striking those sections, it would keep the current interest rate as 15%, the current rate of penalty at 10%. And the fiscal note, which I really do have on the amendment, shows that 4

million dollars of the increased revenue that would be generated by Senate Bill 89 would not be realized by the State of Connecticut.

Mr. Speaker, I am not going to say there is great politics behind offering this amendment, but I am rather offended by the State of Connecticut going up to a 20% interest rate charge on delinquent taxes. By many definitions, that would qualify as usury. I am sure somebody may feel this will prompt collections. It's 15% rate of interest already. I believe both the increase in the penalty and the increase in the interest are penalties as such. I appreciate the revenue they raise. I suppose these are dirty delinquent taxpayers in the eyes of some.

To others, they are people that called the Department of Revenue Services when they saw that there were new taxes last year, waited for some answers. I think at some point, DRS took the phones off the hook; they were giving such wrong information. I certainly heard that it was getting very difficult to get through to the Department of Revenue Services, and there was one point where I believe the orders were: don't answer any of the questions, because all the answers are wrong. Let's get everything straight and--

Well, Mr. Speaker, I don't think it would be

appropriate to penalize the people that either got wrong information from DRS or have found it very difficult to fully understand some of the tax changes that we did last year in the middle of the night. I had to slip that in.

Mr. Speaker, since I am sure some people will be stung by this, I think it is appropriate that we at least go on record on how we feel about the state's policy going up to a 20% rate of interest charge. And I would like to ask that when the vote is taken, it be taken on roll call, please.

DEPUTY SPEAKER SMOKO:

The request is for a roll call vote. All those in favor, please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER SMOKO:

A roll call will be ordered. Will you remark further? Representative Emmons.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. Mr. Speaker, through you, a question to Representative Cibes, as to the date of this particular section.

DEPUTY SPEAKER SMOKO:

Would you care to respond, Representative Cibes?

REP. CIBES: (39th)

Through you, Mr. Speaker, I gather Representative Emmons is asking about the effective date?

REP. EMMONS: (101st)

Not so much that, as I am looking at the fiscal note, and it says increase both of these as to the interest rate on delinquent taxes and increase the penalty on delinquent taxes, but it says outstanding as of 7/1/90, which makes you think that the increase is applicable only to those due and payable and delinquent as of 7/1/90.

DEPUTY SPEAKER SMOKO:

Would you care to--

REP. EMMONS: (101st)

But let-- When I look at the file, it makes me think that it is an increase in the penalty and interest for delinquent-- for taxes that become, that are late paid after 7/1/90.

DEPUTY SPEAKER SMOKO:

Do you care to respond?

REP. CIBES: (39th)

Through you, Mr. Speaker, line 619 of the amendment, Amendment Schedule "B" from the Senate indicates that Sections 9 through 12 shall be applicable to taxes becoming due on or after July 1,

1990.

DEPUTY SPEAKER SMOKO:

You still have the floor, Representative Emmons.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. Could I have that reference again?

DEPUTY SPEAKER SMOKO:

If you would accommodate the lady, Representative Cibes?

REP. CIBES: (39th)

Through you, Mr. Speaker, line 619 of the amendment concerning Section 6 through 9 through 12, line 621, concerning Section 13.

DEPUTY SPEAKER SMOKO:

Representative Emmons.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. So in essence, if you had taxes due and payable and delinquent on May 30th, these increased penalties, these increased rates would not apply?

DEPUTY SPEAKER SMOKO:

Would you care to respond, Representative Cibes?

REP. CIBES: (39th)

Through you, Mr. Speaker, Section 13 refers to the, any taxes which are subject to penalty or interest or

both which is outstanding on July 1, 1990. And line 621 says that Section 13 shall take effect on July 1, 1990. So that, in the case of Section 13, if a tax is due and payable as of May 1, 1990, then the-- My understanding would be that the tax before July 1, 1990 would be as it is as present, and after that date would be the increased amount. And likewise, with the penalty.

REP. EMMONS: (101st)

Thank you, Mr. Speaker.

REP. CIBES: (39th)

The penalties would go up, because those taxes have not yet been paid.

DEPUTY SPEAKER SMOKO:

You still have the floor, madam.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. Mr. Speaker, I do rise in support of the amendment. I think that having an interest rate of 20% is very high. I don't-- There are people who are late payers, and some of them come from small stores and small people, whose clerk or payroll person has just not done them on time, which is unfortunate.

The other thing which has happened is that DRS sends out their statements quarterly to people who

probably should be paying monthly, and then all of a sudden, they get caught and have to pay a large penalty. And I think that that is sort of unfortunate, in the sense that many of these people are not doing it to be illegal or not good taxpayers, they just fill out the form when the form comes. Thank you, Mr. Speaker.

DEPUTY SPEAKER SMOKO:

Thank you, madam. Will you remark further on the adoption of House "G"? Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, two comments. First of all, it is important to observe that Section 29 of the bill as changed by the amendment makes the interest rate 15% for those eligible for the amnesty. And so, it does not go up for those eligible for amnesty. Secondly, the other thing to observe is that these are in fact delinquent taxpayers. And as Representative Jaekle observed, they are people who have not paid their taxes, as due, as required. And this is an attempt to encourage them to do so.

DEPUTY SPEAKER SMOKO:

Will you remark further on House "G"? Will you remark? If not, will all staff and guests please come to the Well? Members, to their seats. The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members, to the Chamber. The House is voting by roll call. Members, to the Chamber please.

DEPUTY SPEAKER SMOKO:

Have all the members voted? Please check the roll call machine to be sure your vote is accurately recorded. If all the members have voted, the machine will be locked. Clerk will take a tally. Clerk will announce the tally.

CLERK:

Senate Bill 89, Voting on House Amendment Schedule "G".

Total Number Voting	148
Necessary for Adoption	75
Those Voting Yea	63
Those Voting Nay	85
Those absent and not Voting	3

DEPUTY SPEAKER SMOKO:

House "G" is rejected. (Gavel).

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The following is House Amendment Schedule "G":

Strike sections 9 to 13, inclusive, in their entirety and renumber the remaining sections accordingly

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DEPUTY SPEAKER SMOKO:

Will you remark further on this bill as amended? Will you remark? If not-- Representative Norton.

REP. NORTON: (48th)

Thank you, Mr. Speaker. I rise to put before the Chamber what I think is a good idea in amendment form. And so, would the Clerk call LCO5052, and may I be permitted to give a summary of the amendment?

DEPUTY SPEAKER SMOKO:

The Chamber is in possession of LCO5052, which shall be designated House Amendment Schedule "H". Clerk, please call the amendment.

CLERK:

LCO5052, designated House Amendment Schedule "H", offered by Representative Norton.

DEPUTY SPEAKER SMOKO:

Representative Norton has asked leave of the Chamber to summarize. Is there objection? Seeing none, Representative Norton.

REP. NORTON: (48th)

Mr. Speaker, the amendment, as people can see, on lines 39 through 48, simply says that the typical April 15th due date for capital gains and interest and dividends taxes in the State of Connecticut, which mirrors the federal due date shall always mirror the

federal due date. And as you may recall, two weeks ago, the federal government had its due date on April 17th, because not only was April 15th a Sunday, but April 16th in Massachusetts - and we all pay our taxes to Andover - the due date became the 17th. But the state still asked for them on the 16th.

And the fact of the matter is since the state requires the completion of line 31 in order to calculate your eligibility or liability for a dividend's interest, and on capital gains dividend's interest, you have to calculate lines -- I guess it's 7 and 9, around there -- you lose really the advantage of the federal extension. So, I believe this would be a fine idea, would eradicate confusion. It has a very minimal fiscal impact, and it is something that really we ought to move forward on and would be illogical to vote against.

And I would like, I guess, to ask for a roll call vote when it comes up.

DEPUTY SPEAKER SMOKO:

All those in favor of a roll call, please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER SMOKO:

It will be ordered at the appropriate time. Representative Norton.

REP. NORTON: (48th)

Yes. I just would like to find out whether everyone else on the other side's green buttons work. And I know Representative DeZinno's works, and I would like to see if everyone else's works. And it's really-- In all honesty, this doesn't do-- This disrupts in no way your package. I mean, it doesn't attack it in the core or anything. It simply is the vehicle that is before us, and the only vehicle that is left to do this. And so, we couldn't have it done for next year, and I think it ought to become law. Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Will you remark further on the amendment? Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker, a question?

SPEAKER BALDUCCI:

Proceed.

REP. CIBES: (39th)

Is there a fiscal note on this amendment?

REP. NORTON: (48th)

Yes.

REP. CIBES: (39th)

Through you, Mr. Speaker?

REP. NORTON: (48th)

The--

REP. CIBES: (39th)

Would the honorable member from Colchester enlighten us as to the contents of the fiscal note?

REP. NORTON: (48th)

Three grand. It is-- the one day extension, which actually would also not occur in every year. This only occurs once in a while. They are estimating that the interest they earn off of that extra day is only three grand. You know, so-- really very minimal.

REP. CIBES: (39th)

Through you, Mr. Speaker.

SPEAKER BALDUCCI:

Representative Cibes.

REP. CIBES: (39th)

Yes, I have no further questions. I would simply indicate that we are not going to send this horse back up to the Senate for this amendment. On the other hand, if you can-- If we can consult further with this, we might be able to find another vehicle during the course of this session to do this amendment.

REP. NORTON: (48th)

Senator DiBella told me he had some more amendments to do. That is the only reason I am doing this.

(Laughter)

SPEAKER BALDUCCI:

Will you remark further? Will you remark further? If not, staff-- Representative Luppi of the 88th.

REP. LUPPI: (88th)

Thank you, Mr. Speaker. The amendment is a good one, and as Representative Norton said, it only happens once in a while. And I can only say to the other side of the aisle, when Commissioner Grappo was the Commissioner, he permitted the extension of that one day. I can only tell you that when taxpayers come into the office and they find that they have to file their state return on one day and the federal return because of Patriot's Day, which happens in the First District out of Boston, it does cause a great deal of confusion, delay.

You can't really properly file a state return because, as he said, you have not determined your AGI. And whatever vehicle, Representative Cibes, you can use to make this work, I think it would be a great amendment. Thank you.

SPEAKER BALDUCCI:

Will you remark further on the amendment? If not,

staff and guests, to the Well. Members, please be seated. The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members, to the Chamber. The House is voting by roll call. Members, to the Chamber please.

SPEAKER BALDUCCI:

Have all the members voted, and is your vote properly recorded? If so, the machine will be locked. Clerk, take a tally.

REP. DEZINNO: (84th)

The rules say that when a Representative is in the Chamber, he must vote. I vote green.

SPEAKER BALDUCCI:

Thank you, Representative DeZinno. Representative DeZinno, in the affirmative.

Clerk, please announce the tally.

CLERK:

Senate Bill 89, Voting on House Amendment Schedule "H".

Total Number Voting	149
Necessary for Adoption	75
Those Voting Yea	63
Those Voting Nay	86
Those absent and not Voting	2

SPEAKER BALDUCCI:

The amendment fails. (Gavel)

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The following is House Amendment Schedule "H":

Strike section 33 and substitute sections 33 and 34 as follows in lieu thereof:

"Sec. 33. Section 12-508 of the general statutes is repealed and the following is substituted in lieu thereof:

On or before April fifteenth following the close of each calendar year, in the case of persons reporting on the basis of a calendar year, and on or before the fifteenth day of the fourth month following the close of a fiscal year, in the case of persons reporting on the basis of a fiscal year, each person who earns, receives, accrues or has credited to his account any dividends, interest income or gains from the sale or exchange of capital assets as defined in section 12-505, shall duly execute and file a tax return with the commissioner, in such form and containing such information as he may prescribe, which return shall truly and accurately set forth the amount received and the taxpayer's liability under this chapter; and the full amount of the tax shall be due and payable to the commissioner on or before the date prescribed herein for the filing of the return, provided (1) if the final date for the filing of said return falls on a Saturday, Sunday or legal holiday, said return shall be filed with the commissioner and the full amount of the tax shall be due and payable no later than the first succeeding day which is not a Saturday, Sunday or legal holiday OR (2) IF THE DATE ON WHICH SUCH TAXPAYER'S FEDERAL INCOME TAX RETURN FOR THE TAXABLE YEAR MUST BE FILED IS NO COINCIDENT WITH THE DATE ON WHICH THE RETURN AND PAYMENT OF TAX FOR SUCH TAXABLE YEAR ARE REQUIRED UNDER THIS SECTION, THE DATE ON WHICH SAID RETURN AND PAYMENT ARE DUE UNDER THIS SECTION SHALL NOT BE EARLIER THAN THE DUE DATE FOR SUCH TAXPAYER'S FEDERAL INCOME TAX RETURN FOR SUCH TAXABLE YEAR, EXCLUSIVE OF ANY DUE DATE RELATED TO AN EXTENSION OF TIME FOR FILING SUCH FEDERAL RETURN AS MAY HAVE BEEN REQUESTED BY SUCH TAXPAYER.

Sec. 34. This act shall take effect from its passage, except as follows: (1) Sections 1 to 3, inclusive, shall take effect July 1, 1990; (2) section 5 shall be applicable to taxable years commencing on or

after January 1, 1990; (3) sections 7 and 8 shall take effect January 1, 1991, and shall be applicable to corporation income years commencing on or after January 1, 1991; (4) sections 9 to 12, inclusive, shall take effect July 1, 1990, and shall be applicable to taxes becoming due on or after July 1, 1990; (5) section 13 shall take effect July 1, 1990; (6) section 14 shall be applicable to assessment years of municipalities commencing on or after October 1, 1989; (7) sections 15 to 20, inclusive, shall take effect July 1, 1990, and shall be applicable to the estate of any transferor whose death occurs on or after July 1, 1990; (8) section 22 shall take effect July 1, 1990, and shall be applicable to sales of services for resale on or after said date; (9) section 23 shall take effect July 1, 1990, and shall be applicable to purchases of services for resale on or after said date; and (10) section 31 shall take effect July 1, 1990, and shall be applicable to sales or services on or after said date; and (11) section 33 shall be applicable to taxable years commencing on or after January 1, 1990."

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SPEAKER BALDUCCI:

Will you remark on the bill? Representative Emmons of the 101st.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. Mr. Speaker, I would just like to ask the proponent of the bill a few questions as to Section 5.

DEPUTY SPEAKER SMOKO:

Please frame your question, madam.

REP. EMMONS: (101st)

Thank you. Through you, Mr. Speaker, to the proponent of the bill, the question-- This is relative to-- In this section, we are now going to apply the

capital gains tax to the sale of real residential property for people who are non-residents. And when we started it, everybody said, well, why not tax a non-resident? But, am I correct? If you were a Connecticut resident and then you became one of those people who lived out of state for six months and one day, when they sold their former home, that home would be subject to the capital gains tax? Where--

DEPUTY SPEAKER SMOKO:

Would you care to respond, Representative Cibes?

REP. CIBES: (39th)

Through you, Mr. Speaker, that would be subject to capital gains tax under the same rules as the sale of a principle residence is now. That is--

DEPUTY SPEAKER SMOKO:

Representative Emmons, you seem to know the answer to your own question.

REP. EMMONS: (101st)

No, no, it is not that. If you were-- I will use people in my district who have moved to Florida. They have no income tax. You sell your house in Connecticut. They are now a resident of the other state, and they sell their house back here. They are not usually, it is not considered a sale of a principle residence, because they have lived too long in the

other state, and they have bought it ahead of time. So, right now, they don't pay the capital gains tax to Connecticut, and I would assume under that scenario, they would be paying the capital gains tax to Connecticut.

DEPUTY SPEAKER SMOKO:

Would you care to respond, Representative Cibes?

REP. CIBES: (39th)

Through you, Mr. Speaker, could Representative Emmons repeat the question please?

REP. EMMONS: (101st)

Well, I am getting at-- We all seem to talk about a number of people who have bought a home out of state. They live there for six months and one day, to avoid the dividends tax. I mean, this is what we seem to assume. Now those people, if they were sell, being a resident out of state-- Presently, if they sold their old house in Connecticut, in Connecticut, they would not pay any capital gains tax from the profit of the sale of the Connecticut house.

DEPUTY SPEAKER SMOKO:

Would you care to respond, sir?

REP. CIBES: (39th)

Through you, Mr. Speaker, under the current law, if they are not a resident when they sell that home, they

would not be liable for capital gains tax. Under current law.

REP. EMMONS: (101st)

Yes.

DEPUTY SPEAKER SMOKO:

Representative Emmons.

REP. EMMONS: (101st)

And then under the new law, they would be. Well, I am just bringing this to the Chamber's attention. As we talk along about the numbers of people who have these dual houses and have made their residence in another state, that when we first discussed this bill, it was said: well, it sounds like a marvelous idea. Why not tax the people who live out of state and are investing in Connecticut? And I am just suggesting to you that some of the people we are taxing may be some of the people who we also have been representing, and they are not quite as out of state as we had thought.

But through you, Mr. Speaker, I wanted to ask a question, because I don't understand it. On line 146-- But you say it's the gains from the sale or exchange of real property located in Connecticut. So that means any kind of real property. This is what I don't understand: provided such property is a capital asset or an asset treated as a capital asset. When is real

property not a capital asset? I guess I am trying-- why is there the modifier?

DEPUTY SPEAKER SMOKO:

Would you care to respond, sir?

REP. CIBES: (39th)

Through you, Mr. Speaker, the answer is that this language tracks the federal language, and this language merely picks up the federal language.

DEPUTY SPEAKER SMOKO:

Representative Emmons.

REP. EMMONS: (101st)

Okay. Thank you, Mr. Speaker. Just one other-- I am not sure if that is the answer I want, but I will go and look that up. My other question, through you, Mr. Speaker. How would a partnership be treated? Would--

DEPUTY SPEAKER SMOKO:

I think Representative Cibes was distracted for a moment. Would you repeat your question, madam?

REP. EMMONS: (101st)

Through you, how would a partnership that was out of state, would treat a sale of real property? Would they be taxable under the capital gains tax, or would they not?

DEPUTY SPEAKER SMOKO:

Do you care to respond, sir?

REP. CIBES: (39th)

Through you, Mr. Speaker, the distribution of a capital gain would be distributable to a non-resident partner and would be taxable.

DEPUTY SPEAKER SMOKO:

You still have the floor, madam.

REP. EMMONS: (101st)

Mr. Speaker, through you, how would you trace that?

DEPUTY SPEAKER SMOKO:

Do you care--

REP. EMMONS: (101st)

Because the 1099 would go to the partnership. The partnership would then issue a K1 that has lumped all together the sales and capital gains from all activity.

DEPUTY SPEAKER SMOKO:

Would you care to respond?

REP. CIBES: (39th)

Through you, Mr. Speaker, we would have to find some mechanism of having partnerships determine their gains from Connecticut, and then we would track through on the K1 and look at the distribution of the gains from Connecticut property.

DEPUTY SPEAKER SMOKO:

You still have the floor, madam.

REP. EMMONS: (101st)

And lastly, the question has been raised in my caucus: if you are a military person who has kept your, the state from which you enlisted as your residency, and let's say you were living in Ledyard or some place like that. And you sold a capital asset, would you be treated as a non-resident?

DEPUTY SPEAKER SMOKO:

Would you care to respond, sir?

REP. CIBES: (39th)

Through you, Mr. Speaker. You would in that instance be treated as a non-resident and liable for the capital gain, provided that could not be rolled over as the sale of a principle residence.

DEPUTY SPEAKER SMOKO:

Representative Emmons.

REP. EMMONS: (101st)

I didn't hear him. Did he say you would be treated as a non-resident?

DEPUTY SPEAKER SMOKO:

That wasn't his total answer. Representative Cibes.

REP. EMMONS: (101st)

I did not hear the first three words.

REP. CIBES: (39th)

Through you, Mr. Speaker, yes, that person would be

treated as a non-resident.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. That's all.

DEPUTY SPEAKER SMOKO:

Thank you, madam. Will you remark further? Will you remark? Representative Jones.

REP. JONES: (141st)

Thank you, Mr. Speaker. I would just like to follow up, through you, with Representative Cibes on a point that Representative Emmons raised. It concerns that person who has moved to Florida for six months and a day, as a number of people are doing to avoid Connecticut taxes. They establish residency now in Florida, and at the time, at the current time, they have no tax liability on the sale of a capital asset. But if this becomes law, when they sell their house, that transaction will be taxable.

REP. CIBES: (39th)

Through you, Mr. Speaker, yes.

REP. JONES: (141st)

Now, through you, Mr. Speaker, there is currently, if we are a resident of Connecticut, and he sold that house, and it was his principle residency, a portion of the profit would not be taxable, under our current law. Is that correct?

REP. CIBES: (39th)

Through you, Mr. Speaker, the roll over from the sale of a principle residence, up to a certain limit, in fact would not be taxable. That is correct.

REP. JONES: (141st)

$125,000. However, if he has moved to Florida, under the scenario I posed, and he sells the house here in Connecticut, he is now not only taxable, but would it be correct to say it can't be his principle residence, because he is no longer a resident of Connecticut? So, the $125,000 exemption does not obtain?

REP. CIBES: (39th)

Through you, Mr. Speaker, yes. That is correct.

REP. JONES: (141st)

That may--

DEPUTY SPEAKER SMOKO:

Representative Jones.

REP. JONES: (141st)

Thank you, Mr. Speaker. I would just remark. That may be rather distressing to some of our friends who are moving to Florida. Thank you.

DEPUTY SPEAKER SMOKO:

Will you remark further? Will you remark? Representative Young.

REP. YOUNG: (143rd)

Mr. Speaker, through you, a question for Representative Cibes?

DEPUTY SPEAKER SMOKO:

Please frame your question, sir.

REP. YOUNG: (143rd)

Am I not correct that if that sale occurs within eighteen months of his moving, he would be federally and statewise, he would still get that rollover exemption? Through you, sir?

DEPUTY SPEAKER SMOKO:

Would you care to respond?

REP. CIBES: (39th)

Through you, Mr. Speaker, that is correct. If there is that transfer within that eighteen months.

REP. YOUNG: (143rd)

So, for purposes of clarity for Representative Jones, if the sale of his Connecticut residence occurs within eighteen months of his moving to Florida, that Connecticut residence, for tax purposes, is still considered his principle residence? For the roll over?

REP. CIBES: (39th)

Through you, Mr. Speaker, as long as there is no federal gain.

REP. YOUNG: (143rd)

That is correct.

REP. CIBES: (39th)

That is the case.

REP. YOUNG: (143rd)

Thank you.

DEPUTY SPEAKER SMOKO:

Thank you, sir. Will you remark further? Will you remark? Representative Luppi.

REP. LUPPI: (88th)

Thank you, Mr. Speaker. I think what we are doing to the corporations is absolutely unforgivable. Those of you who are in business have seen a trending of accounts receivable going from thirty to sixty days to ninety to one hundred eighty days. That's not bad enough. But you also know what the difficulties are in getting loans today. Anybody here who is in business knows that the difficulty of getting a mortgage is almost impossible. Getting an operating loan is almost impossible. It's almost to the point where your balance sheet and your P&L have to be so good, you don't really need the money.

So now, you move your estimated payments up from 60-70%, you are then extracting the working capital that all these companies need to pay their payroll, pay for materials and whatever capital improvements

they have to make. When it comes to the amnesty, using a 10 million dollar figure, I think also is unforgivable. There is approximately 30 states out there that have implemented the amnesty program, and I would be willing to make a very nice offer to you, Mr. Speaker, that if the amnesty revenues come in under 50 million dollars, my wife and I will take you and your wife out to dinner.

DEPUTY SPEAKER SMOKO:

Sounds like a bet I can't lose. Will you remark further? Will you remark? If not-- Representative Arthur.

REP. ARTHUR: (42nd)

Yes, Mr. Speaker. A question through you, to Representative Cibes. I am not sure I understood, in coming from military background. If I am a non-resident and I come into the state and buy a place to live while I am stationed here, and then I move to another area and my house is not sold until some time later-- I have never been a resident. Do I have to pay?

DEPUTY SPEAKER SMOKO:

Would you care to respond?

REP. CIBES: (39th)

Through you, Mr. Speaker, only if it is a federal

gain, but my understanding would be that that would be a federal gain. If there is a rollover in the sale of your principle residence and you move to another state, and you roll that principle residence over, up to a level of what I believe to be $125,000, then there would not be a capital gains tax due.

DEPUTY SPEAKER SMOKO:

You still have the floor, Representative Arthur.

REP. ARTHUR: (42nd)

I think the answer is yes. And I guess, in my part of the state, that may be bad for the housing market.

DEPUTY SPEAKER SMOKO:

Will you remark further? Representative Rogg.

REP. ROGG: (67th)

Mr. Speaker, I would like to associate myself with the remarks just made by my friend, Mr. Luppi. I think that the word that somehow or other comes to my mind is fools' gold. I think we are looking at a tax package that will have very serious, very deleterious affects on the State of Connecticut.

We have just, or we have in the pipeline two bills which supposedly support manufacturing in this state. We are being told that those are must bills, because manufacturing in this state is declining, and we are losing our tax base. I submit to you what we are doing

with this package here is damaging in two ways. One, it really demonstrates a total ignorance of the workings of business. Number two, it demonstrates a total disregard for the operation of business because in one way, we will substantially increase fines for what are many times inadvertent and accidental lapses in deposits, inadvertent and unintentional lapses of adequate deposits.

And it extracts on the other side a very significant amount of working capital from the industry, from business, from commerce at a time when working capital is a very dear and very hard to replace commodity, because of the pressure in the banks. I submit to you: what we are doing today will come to haunt us next year and the years to come. We all know that we will leave a 500 million dollar hole. We all know that with the passage of our budget, what we are doing today is really necessary, I suppose, or a consequence. But I submit to you that it is counter productive. Thank you.

DEPUTY SPEAKER SMOKO:

Thank you, sir. Will you remark further on this bill as amended? Will you remark? Representative Caruso.

REP. CARUSO: (134th)

Thank you, Mr. Speaker. Through you, a question to the proponent, please?

DEPUTY SPEAKER SMOKO:

Please frame your question, sir.

REP. CARUSO: (134th)

Representative Cibes, I've listened a lot about this capital gains tax on the out of state citizen. And my question is: what if anything is the enforcement mechanism for this? In other ways, if I were an attorney in Florida and one of my clients got a note from the State of Connecticut which said: pay up $20,000 because you sold property in Connecticut, I might say: throw it away, because the State of Connecticut can't afford to come after us in Florida. Now, what if anything do we have? Through you, Madam Speaker?

DEPUTY SPEAKER SMOKO:

Thank you, sir. Would you care to respond, Representative Cibes.

REP. CIBES: (39th)

Through you, Mr. Speaker. I believe that's Section 21 of the underlying file copy, and let me find that. Yes, Section 21, lines 1103 to 1139.

DEPUTY SPEAKER SMOKO:

Representative Caruso.

REP. CARUSO: (134th)

Thank you. Mr. Speaker, through you, again, do we have a fiscal note as to how much it is going to cost to enforce this tax and raise the amount of revenue we expect to gain thereby? Through you, Mr. Speaker.

DEPUTY SPEAKER SMOKO:

Do you care to respond, sir?

REP. CIBES: (39th)

Through you, Mr. Speaker, I am looking at the fiscal note, and I do not believe Fiscal Analysis has provided us with an estimate in that regard.

DEPUTY SPEAKER SMOKO:

Representative Caruso.

REP. CARUSO: (134th)

Thank you, Mr. Speaker. Through you, again, does the learned Representative Cibes know if, within which Department would enforce this? Is this the Department of Revenue Services? Through you, Mr. Speaker?

DEPUTY SPEAKER SMOKO:

Do you care to respond, sir?

REP. CIBES: (39th)

Through you, Mr. Speaker, the answer is that the Department-- At the request of the Department of Revenue Services, the Attorney General may bring suit in the name of this state. So, I guess it would be

a combination of the Revenue Services Department as well as the Attorney General's Office.

I have been further enlightened as to the cost of this. OFA has in fact provided a note to the effect that the cost of this bill overall would be $700,000 to administer the tax amnesty program. And that the other provisions would be, could be accommodated within current resources.

DEPUTY SPEAKER SMOKO:

You still have the floor.

REP. CARUSO: (134th)

Thank you, Representative Cibes. I would just say that if I were an out of state lawyer, I might feel very confident about this bill. Thank you.

DEPUTY SPEAKER SMOKO:

Thank you, sir. Will you remark further? Will you remark further? Representative Emmons, for the second time.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. Mr. Speaker, I am really supposed to just speak so that Mr. Jaekle knows that he is supposed to come back to the Chamber. Oh, you are here? Thank you. I would like to yield to Representative Jaekle.

DEPUTY SPEAKER SMOKO:

He seems to--

REP. EMMONS: (101st)

How about if I yield to Representative Rapoport?

DEPUTY SPEAKER SMOKO:

Will you accept the yield, sir?

REP. RAPOPORT: (18th)

Mr. Speaker, yes, I will.

DEPUTY SPEAKER SMOKO:

Proceed.

REP. RAPOPORT: (18th)

I am not sure if I am going to make the same point that Representative Emmons was going to make, but I will accept the yield. (Laughter) You know, I have listened today, Mr. Speaker, and I listened during the budget debate to a great deal of assorted criticisms as to the way in which this package has been put together and the way in which, and what kinds of situations we are going to leave ourselves for 1991. And there is no question that some of the comments have been on target. Some of them have made us cringe a little bit.

But I think that we are in a situation where, what I would describe what we are doing this year reminds me of an article which was one of the first political science articles that I got when I went to college, and it was called "The Science of Muddling Through." The

point being that major changes, one way or another, are not generally made in the governmental process, and that most often, you end up muddling through from one year to the next.

I think that that is an accurate description of what we have done this year, although I would say that it is not going to be an accurate description of what we are going to be able to do next year. I think as we look at the budget document, and I certainly supported it-- From my point of view, I think it was a minimally adequate document to meet the needs of the state. Even within the budget that we passed, there were substantial cuts in Higher Education, in Education. We only made a beginning in the provision of health services to all of our citizens. We have left in that budget a great deal to do in the years ahead.

And that was in a package that, where we looked for cuts. We looked substantially through. And frankly, it was only with the help of the unions that represent the public employees in our state that we were able to patch together a document that gets us through this year in reasonable fiscal shape. And even at that, as people have pointed out, we used a great deal of one-shots.

So, today on the tax side, I would say we are also

muddling through. We are creating a document here which is going to bring in a little bit of extra revenue from marginal changes in rates and dates. The amnesty program has been successful in other states. But this is hardly a fiscal package that will take us through the '90's, and I think that it is the responsibility of those of us in this Chamber, as we look ahead to next year and the years beyond, to say to ourselves: what kind of a structure can we put in place that will get us not just through 1990 and the elections of 1990, but through the 1990's.

And I think as we look at the whole and the fiscal situation we are likely to face in the 1990's, the first thing that is easy to do is to point fingers. I think it was Representative Nickerson who said earlier that the problem that we are going to have in 1991 is right here in this document that we are passing today. I would take issue with that. I think that there certainly could be some changes in this that would bring in more revenue. I don't know if they would be supported by my friends on the Republican side of the aisle, but let me just say that I think there is a tremendous amount of responsibility to be shared for the situation that we are in.

My first term, 1985 and 1986, I recall the

Republicans were in the Majority. And I sat on the Finance Committee then, and we had a great time on the Finance Committee. We had a long list of tax cuts, and we were going to cut this and cut that. And what arguments we had were how can we cut? Where can we get the most political mileage? And I participated in that. I think if I dug out my 1985 and 1986 newsletter, I probably would claim that I had some responsibility for those tax cuts that were relieving the citizens of their tax burden.

But we didn't say at that time, although anyone could have seen it, that what is giving us the ability to make these tax cuts is a temporary surplus, 18, 19% increases in our sales taxes, which we knew, had we been willing to look at it, wouldn't move forward. We didn't sunset those tax cuts. We permanently, to the tune of 420 million dollars, I think was one estimate I saw, undercut the tax base of this state. Some of those tax cuts, I think, again, were good and were appropriate, but we had a responsibility way back then, as we have now, to look forward and not just to do the short term.

And we as Democrats unquestionably have expanded programs. Again, I think when we look at ConnPACE and we look at some of the programs we have done for senior

citizens, we look at the education funding, enhancements that we have made. I think we have a lot to be proud of, although we also have a lot further to go. But maybe we had our responsibilities over the last few years, which I would say, appreciatively were beginning this year to put some more teeth in our legislative oversight process, to make sure that we are looking at the spending side and putting controls in place. And I think that is to the good.

And we have had-- what I think are the causes of where we are. And we have had a Governor who, to his credit, I think, has been responsive and responsible in trying to meet the needs as they have come up. We have built more prison space as we have needed it. We have put more money into education. We have had some leadership from him on this issues. But on the other hand, he has not been willing to take leadership in putting a fiscal structure in place that will be reliable, that will be elastic, that will grow with the growth of the state and would give us a fiscal base from which we could go through the '90's.

And fourth, we have got a political culture, not only in Connecticut, but in our country, where it seems that all you have to do to win an election, even a presidential election, is say: no new taxes. And that

seems to be a sufficient political wisdom. We are in sound by politics, we are not in the politics of responsibility.

Five, and I think perhaps this is deepest problem: we have an electorate, again not only in Connecticut, but certainly here, that is deeply ambivalent about what it wants from government. Every single poll will show you the same thing. On the one hand, people are in favor of services. They are against cuts. Just look at the reaction that we had when we proposed cuts in the Higher Education field or in K-12, or in the nursing home reimbursement rates. People want those services. People want the group home placements, if they have a mentally retarded member of their family. And on the other hand, if you ask them: do you want to pay more taxes? The answer is of course: no.

On the one hand, people are very demanding about what they want from government, and on the other hand, they are very mistrustful about what government can offer. And I think we have some responsibilities not simply to say what do we think people will buy today, but to give some leadership into the future.

I think next year, as we go into 1991, and I think this is a very important point, because we really don't know who, ultimately, at this point-- We don't know

who ultimately will have the responsibility to govern next year. I think we have two choices that we will face next year. One-- and we are not going to be able to muddle through. One will be either to dramatically drive down the expectations that people in Connecticut have of state government, and that goes across the board. We are going to have to drive down the expectations of our cities and towns when it comes to state aid. We are not going to be in positions to offer budget amendments that say let's put more money into cities and towns. It sounds great, but believe me, in 1991 if we don't have a revenue structure in place that can manage it, whoever has the responsibility to govern is going to have to seriously drive down those expectations.

We are going to have to drive down the expectations of people who look to us on human service issues, for care for sick or drug-addicted people, for programs that have to do with alcoholism or crime and rehabilitation. Frankly, we are going to have to drive down the expectations of our business community. I understand we are going to be voting on a couple of bills which I support strongly, to help the business climate of our state, to reimburse on property tax exemptions that are going to have an ultimate fiscal

impact in the hundreds of millions of dollars. Are we going to be able to say: make those tax expenditures? And yet not find the resources to pay for them? I doubt it. I think we are going to drive down the expectations of the business community and the assistance that they are going to be looking for us.

I could go on and list all the expectations and all the people that we are going to have to disappoint and tell that they cannot expect the kinds of things that they want to expect from us. But we do have another choice, and it is a choice that is a difficult one. I think our other choice is to set up to the plate in 1991, say that we have responsibilities in government, say that there are things that we have a responsibility to do that private industry does not have a responsibility to do, to tell people in the electorate that there is no free lunch and that you get what you pay for. We have a responsibility to deliver those services as absolutely efficiently as we can. And we can find efficiencies. The Thomas Commission is looking. Other people will be looking.

We are not going to find three or four or five hundred million dollars in cost savings. If we eliminate every single cat and dog in next year's budget, we will get four million dollars out of it

maybe, a far cry from what we are going to need. I think our other choice then is to put a revenue structure in place, to step up to the plate, to be willing to say the key word, which is taxes, to be willing to say that we have a responsibility to find the resources to pay for the services that we want.

I can tell you where I will stand if I am back, and I hope to be next year. While I think that we should make sure that we are delivering those services efficiently, I believe that we will have an increasing set of needs throughout the '90's that we have a responsibility to need, and we ought to get started on it. I believe that those needs will call upon us and will require us to institute a genuine reform of our tax structure, which is not to knock out section 3 or section 4 or section 6 or section 8 of any particular bill, but will overhaul our tax structure to give us a tax system that will, on the one hand, tax people fairly and reasonably and not overtax one sector or another, will not pick out one group like architects or clothing store owners and tax them. But on the other hand-- or capital gains or dividends and interest payers, but will tax everyone fairly.

I believe we need a state income tax. I believe we can do that in a way that lowers other taxes, taxes

more fairly and still provides a revenue stream that we need, and I intend to work on that behalf. Some people will say they don't believe in a state income tax. They think it is the wrong way to go, and they can say so legitimately, and we can have that discussion. Other people and I would hesitate to put out a list for this Chamber of the people who have said: you know, you are right about that income tax, but I will never vote for it, because politically, it's not saleable.

To those people, I say: I think you are wrong. I have been for a state income tax since 1984 when I first ran. I went through an election where my opponent put up signs three days before the election that said: vote for me, no state income tax. I was elected in that election. I have been for a state income tax ever since. I have been re-elected by increasing margins. I think that if you are willing to go out and say to people the truth of what kind of revenue system we need and ought to have, I think people are willing to accept it.

I recognize I am getting ourselves a little ahead of the game, but there is something that is immediate, and I will conclude with this, Mr. Speaker. I think that there is a question-- One thing that has come up again and again, not only among Democrats and among

Republicans, and I know that we can get partisan here, but I say this, and I mean it. And this is probably the last opportunity, because we are only a few days away from the end of the session. But we all have campaigns to run between now and November. One of the things that I think has been most debilitating is something that is called "The Pledge" in Connecticut politics. And "The Pledge" is: I will never, under any circumstances, vote for an income tax.

I think it's wrong to make that kind of a pledge. I think when we see what kind of a situation we are in in 1991, we can make that judgement. But I think that again, and I say this to my Republican colleagues on the off chance that you have the responsibility to put together a budget and a tax package next year: if you roll off the table a tax reform, genuine tax reform package, then I think that you will be back to the alternatives. And I say to my Democratic colleagues: we will be back to a set of alternatives, in terms of cuts, in terms of lowering people's expectations that I don't think we want to choose.

So, I say today, in supporting this package: I think it is a reasonable package to get us through this year, given the parameters and the constraints that we have faced. But I think next year, we have a real

responsibility to step up to the plate, to face the real choices and hopefully to make the right one.

Mr. Speaker, with that, I certainly would support today's package, and I look forward to 1991.

SPEAKER BALDUCCI:

Will you remark further? Representative Torpey of the 11th.

REP. TORPEY: (11th)

Gee, you know, after that speech, Miles, I am kind of sorry that I decided not to run. I think you are so far off base that I would like to be around at least to argue the point. I think much to the credit of our great Governor, he had the wisdom to say no to the income tax. The tax in the bottom line, I suppose you can look at it and say it's fair, if you had protections, and we went through this before.

But the public is a lot smarter than I think we are. They know that we can't stand up to the pressure of all the groups that are coming looking for something. The hand is out and we say yes, we will give. We will give. We will give. There is not enough money made, even if we had our own printing presses, to satisfy the people that want to give things away. I just didn't think the income tax question would come up in this session, but apparently we have

the position of Never Say Die. Oh, Lord, I wish I was here next year to get involved in some of these arguments.

And whatever you do, on both sides of the aisle, use your head and understand what a buck is, what it means to go out and earn it. It's easy to give all this stuff away. Unless you have some safeguards on it, the sky is the limit, and states that have the income tax are worse off than we are. So, as I say, don't buy this sales tax that readily. Be careful. There's not enough money for us to give away. We'd go on forever and ever and a day, and Miles, I wish I were around next year. Thank you.

SPEAKER BALDUCCI:

Will you remark further? Representative Maddox, 66th.

REP. MADDOX: (66th)

Thank you, Mr. Speaker. Representative Torpey, I have never agreed with you more in the four years we have served together. And Representative Rapoport, what you brought up I think is actually defining this fall's election, because I think it is very simple to the people of Connecticut. If they vote to elect you and your colleagues on the Democratic side, they are saying: we want a personal income tax. We want more

spending. It is that simple. We want more spending. We want a personal income tax.

I think if they vote for the Republicans, they are going to be saying: wait a minute. We are paying enough at the moment. We want more efficiency in government. This side of the aisle on budget debate, we went after some of the things that we thought were blatant: Special Executive Assistants, some of the pork barrel projects, all of that. I mean, we couldn't get anywhere. We knew the die was set.

Any constituent that I have spoken with, there isn't one constituent that has come up to me and said, Bob, I believe state government is as efficient as it should be. It's not. People are upset with the taxes they are paying, because they are upset with the services they are getting. Before we have tax reform, before we even discuss it, I think every one of use should take a pledge. Let's have spending reform. Spending reform needs to occur first.

If we have tax reform here before we control our spending appetite, we will be paying more taxes. We will be the highest taxed state, per capita, bar none. I am absolutely convinced of that. Yes, we have defined the issue for the November, and we will let the people decide in November.

SPEAKER BALDUCCI:

Representative Stolberg.

REP. STOLBERG: (93rd)

Mr. Speaker, I am just going to comment briefly on the last three speakers. One, Representative Rapoport, I think you defined the issue well. Two, Representative Torpey, you defined half the issue well. You are absolutely right. We do need more controls on the appetite that the public expresses in terms of desire for program, but not desire to fund those programs. We have to strike the balance. And both in the appropriations act and in the bonding act, you are absolutely right. We have to show more judgement, more selectivity, and control the spending side.

Representative Maddox, you were not right on any count. (Laughter) But I understand the point you are trying to make. It was essentially the same point made by a very fine politician, a decade ago, Ronald Reagan. Our President, George Bush, labeled his formula for fiscal responsibility "Voodoo Economics", and I think the people of Connecticut are a little wiser than just taking 1,000 points of light and a read my lips formula for a very difficult and challenging fiscal year ahead of us.

I think the issues are going to be drawn in a more

complex fashion, and I think both the Democrats and the Republicans are going to be pressed by an Independent candidate, who will be challenging both Democrats and Republicans to show more candor and less public relations in campaigns than has been the style.

I would like to thank Representative Cibes for laboring in a virtually impossible setting, to give us a budget with no new taxes, with adjustments in the revenue structure we already have, and make possible a reasonable budget in terms of needed programs for the people of Connecticut. And that level of responsibility is what the Democrats will take to the people this November, and I hope the Republican candidate continues in the form he already has, in his formula for success.

Representative Maddox, I presume that you and the Republican Party which you just spoke for, are for a budget process which does not meet the needs of people and for a tax system which is what we have today, which is inelastic, which is inefficiency and which is unfair. Just the lack of deductibility of our tax structure against federal returns means that Connecticut taxpayers, more than almost any other taxpayers in the nation, are paying double taxes. We are paying our state taxes and our federal taxes, and

able to get only minimal deductions against our federal taxes.

To you and to the CPEC, which has just issued its report, I would point out that yes, our federal taxes place Connecticut number one. That is fairly easy to explain, because we are number one is per capita income, and thus that wealth is reflected in the federal taxes. The CPEC then goes on to lump state and local taxes together, and to say we are fairly high. But in relation to per capita income, we are pretty reasonable. But the CPEC does not separate state and local taxes. If they did, we would see that our local taxes are indeed relatively high, not the highest, but relatively high. They are uneven also, very uneven throughout Connecticut.

And in New Haven and in many other communities, they are very high. But our state taxes are among the few lowest in relation to per capita income in the nation. About 47th is the state tax bite. That means our local is higher than it should be. Our federal has to be high, because our per capita income is high.

I think the people of Connecticut need that level of honesty. I hope CPEC will break out and separate state taxes and local taxes, because Connecticut under this administration, under ten years of Bill O'Neill

and under a Democratic Legislature most of the time, and I will grant you, a Republican Legislature for two years, has balanced expenditures for programs and about the lowest state tax bite on citizens in the nation.

Those are the facts. Juggle them, if you can. Play with them, but that is what we will take to the people in November.

SPEAKER BALDUCCI:

Representative Nania of the 63rd.

REP. NANIA: (63rd)

Thank you, Mr. Speaker. I am not going to answer the Representative tit for tat, but I would like to offer to the Chamber some food for thought other than the liberal pablum that we are being recently fed.

I agree with the Representative on one very important issue, that in theory, an income tax is the single most fair tax that any government can levy to raise revenue. The problem is, as I see it, that theory breaks down when you add people to it. The State of Connecticut - and I could have the number wrong - right now raises revenue by means of what has been called a hodge podge of taxes, and I think at last count, there might be 28 or 29. There might be more.

But suffice it to say, we tax almost everything

that moves, and the Representative points out that it may be inequitable. And I agree, it may be inequitable. But the reason why, with my last breath, I would oppose the imposition of an income tax is that I consider our current tax structure to be the absolutely only restraint that the state has against further irresponsible spending. The reason why we don't do worse than we do right now is that this Legislature can't get its hands on the money.

And the income tax would finally and at least provide an engine of raising revenue that had absolutely no restraint. This Chamber could on one side create a spending package, and whatever it decided to spend, it could match it on the other side. I submit to you, ladies and gentlemen, that an income tax without some form of constitutional restraint is an invitation to a kind of fiscal irresponsibility that this state, in fact the civilized world, has never yet seen. (Laughter)

Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Will you remark further? Representative Mulready of the 20th.

REP. MULREADY: (20th)

Mr. Speaker, earlier today, Representative

Nickerson talked about process as well as reality in our tax structure. I would like to talk about a third item that is at least-- Process and policy, rather. I would like to talk about a third item at least as important, called reality, what Representative Smoko calls a reality check, perhaps.

Now, when one is talking about a tax package, there are several parts to what I consider to be the reality. The first part deals with the role of the Minority Party. The Minority Party, in this case Republicans, if Representative Maddox is right, next year the Democrats-- typically, under almost any circumstances, don't vote for tax increases. That's reality. If we accept that as reality, then we have to deal with the next following part of that reality, which is that the Majority Party then has to deal with the issue in and of itself and must come up with a sufficient number of votes within its caucus to pass a tax package. So, we get to write off 63 people, well, maybe 62, because Representative Schlesinger showed a little bit of flexibility earlier, but over 60 in any event.

And then, not only do we have to craft a tax package within, say the House Democratic Caucus or the House Majority Caucus, let's call it, because we don't just want to pick on the Republican's here, but we also

have to deal with a Senate that has it's own ideas and an administration which has its own ideas yet, so there are three parties to this reality.

What that means then is typically any revenue package that comes out is sort of a lowest common denominator package. It is the package that offends the least number of people within the caucus. That means almost by definition that that sort of lowest common denominator revenue package isn't necessarily the prettiest, the most efficient, the fairest or any number of other things.

Now some of us last year wanted to take a look at comprehensive tax reform. We thought that this would not only serve the people of the state well in terms of fairness, but we also thought that it would serve the people of the state well in terms of taking care of the revenue needs, the match expenditure needs for the foreseeable future.

In fact, just by way of aside, I had OFA run a little run this year, earlier this year as to what the revenue structure would have been for the next couple of three years if we had in fact passed one of the comprehensive tax reform packages proposed last year and considered by the Finance Committee. You might be interested to know that if we had accepted the

Governor's Budget, we would have had a $200 million surplus in the year that's forthcoming. Of course, we cut the Governor's Budget, so in fact if we had passed that package last year and then adopted this particular budget that we adopted a few days ago, it would have been in excess of the $300 million for next year. That suggests, if nothing else, that maybe part of the problem in the outgoing years is in the revenue structure of the State of Connecticut, part of the problem, but we couldn't get sufficient support among the Democrats in either the House or the Senate, not to mention the governor, for comprehensive tax reform, and of course, we certainly couldn't count on the Minority Party last year or this year to talk about comprehensive tax reform, so we can make to what I'd call last year and this year, sort of that lowest common denominator revenue package.

Well, what's the purpose of the revenue package that we're talking about this year? I would submit that it's primary purpose is to meet the expenditure package and that we just passed. That's its primary purpose. To cover the expenditures of the state for next year. I would submit that this package does exactly that. It meets those needs, perhaps not very prettily, but it meets those needs.

Now the more valid criticism of this package that I've heard earlier today is that, well, it essentially has to do with what happens to revenues in subsequent years. That may well be a problem based upon the performance of the economy over the next 26 months. We've got 14 months before we get to the start of Fiscal 1992 and then we have 12 months during Fiscal 1992.

Some of us are concerned about that that economy over those 26 months, but we really won't know and we'll have a much better picture next year. I don't have a good solution to that problem now short of, as Representative Nania pointed out, some comprehensive spending reform, but I would submit that that won't get the $500 or $600 million number in terms of cuts or in terms of closing the gap that some have argued in its most draconian form.

So I think that we're going to have to talk next year, or somebody's going to have to talk, about some revenue changes and I would submit the following.

If the Minority Party, perhaps next year it's the Majority Party, is prepared to do that, then I think they would find a lot of reception on this side of the aisle to talk about spending reform as well, but as for this year, which is really what we're talking about,

this revenue package does in fact meet the needs of the expenditure package that we passed last week, earlier this week. Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Will you remark further? Representative Osler of the 150th.

REP. OSLER: (150th)

Mr. Speaker, just to make a very quick observation. Where I live, the newspaper of choice is the New York Times and so I see quite a bit of what's happening in that state and they've had, as probably most people know, a state income tax for many, many years and all of a sudden this year that's not enough for all their needs that they think they must have and they're going to put in all these taxes that we're having now, that we've been having for a number of years instead of a state income tax and they're going to have the lovely position of having the worst of both worlds.

SPEAKER BALDUCCI:

Will you remark further? Representative Cibes.

REP. CIBES: (39th)

Thank you, Mr. Speaker. This is a fiscally responsible package for this year. It has found real dollars for the expenditures that we need. It has not fudged the revenue estimates provided by the Office of

Fiscal Analysis. It has used those numbers in terms of the growth of the base that that non-partisan office has provided.

In a longer perspective, if nothing radical happens to the economy, as a number of speakers have observed, we face a potential shortfall in the long run. The most fiscally responsible thing we could do this year as in past years as in next year is to adopt a package of comprehensive tax reform to restructure the base.

In the absence of the votes to do that, we have adopted this package. It meets the needs of the people of the state for this year. Our real problem is not the one-shot revenues which we have used in this package, but our over-reliance on a static, unpredictable tax base which does not grow with the capacity of our people to fund the services that we have, an over-reliance on the sales tax, an over-reliance on a hodge-podge of other taxes, an under-reliance on an income tax, but the needs of the people of the state are real. Just as Representative Maddox has desired that we provide assistance to those people in the towns hit by the tornado a few months ago, just was we all desire that we have adequate law enforcement in the state police, just as we all desire that we have adequate corrections facilities manned by

dedicated corrections officers, just as we all demand that we provide Medicaid assistance for our senior citizens who have exhausted their resources and yet still need nursing home assistance, just as we want to continue to meet our commitments as much as we possibly can to our towns to fund local educational costs, just as we need to maintain our instructional staffs at the various colleges and universities in this state, just as we want to continue to provide adequate funding for the Department of Environmental Protection, to protect, to fund staff to enforce our environmental laws, just as we want to do all those things, we owe a responsibility to fund those costs. We have done that.

We have done so, as a number of individuals have observed, through one-shot revenues in some instances, but they are not supplemented by additional tax dollars this year which others have wanted. We can't do everything with the tax structure we have. Those, I think people who have suggested that we are runaway spenders out to take a look at our record over the last few years and and take a look at how hard Representative Dyson and Representative Polinsky have worked to cut down expenditures and recognize that the Members of this Chamber and the Senate and the Governor have been fiscally responsible in trying to hold down

spending wherever.

You have suggestions about cuts that can be made, cuts and programs, like cutting out the aid for the tornado devastation and whatever, then we ought to look at those cuts and programs, but as Representative Mulready has said, we don't have the capacity to make major reductions in those expenditures. We can achieve greater efficiency in government. We ought to. We ought not to throw any dollars down the drain in government inefficiency.

We can and we ought to improve those efficiencies and we're doing that through the studies of the management of state agencies that we've undertaken and the recommendations of which we have adopted in this budget and the revenues we're anticipating in this revenue package.

We are acting to meet the needs of the people of the state. Those needs don't come cheap and I think I reminded the Chamber before of the words that I heard last year on a radio talk show. A lady called in to complain after a number of people had complained about taxes. She reminded us, reminded me particularly, that freedom isn't free. Government isn't free. The services we expect from government are not free. The quality of life we have as a people in the State of

Connecticut is not something we create with a wave of a magic wand. We support that collectively through our tax structure. That tax structure can be improved, but in the meantime, we have to live with what we have. We have done that this year and we have funded the needs that the people have. Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Will you remark further? Representative Jaekle.

REP. JAEKLE: (122nd)

Thank you, Mr. Speaker. I had been planning to confine my remarks mostly to the bill in front of us, but I guess I could not do a proper summation of all that has gone on this bill with confining myself only to the bill, but let me at least start there.

The tax package in front of us is nothing that I think anybody can call a responsible tax package, responsible revenue enhancer package. Just quickly, going through what's in here, for our current fiscal year, about $51.5 million from the Property Tax Relief Trust Fund, being taken from the fund, put into the General Fund for this current fiscal year to reduce the deficit. How much is going to go in next year or the year after? Zero. Why? Well, $111.5 million out of that same fund is going to make a variety of grant payments that we used to fund annually in the General

Fund. There's not going to be much left in the Property Tax Relief Trust Fund, probably enough to cover next year's legitimate $42 million expenditure and then it's gone. The raid will be over. There'll be nothing left. The cupboard will be bare. It leaves a hole in the budget next year. One-shot revenue device, a raid on a trust fund, fiscal gimmick that you can't even use against next year.

The accrual of the corporate tax payment, we did an amendment on that. That went down on nearly a party-line vote. It brings in $25 million this current fiscal year. How much extra does that bring in next year? Nothing. The year after? Nothing. Is that even a responsible revenue enhancer, since nobody wants to call it taxes or a tax package? I don't think so.

We're going to increase estimates on the corporate taxes. It's not good enough it's the highest corporate income tax rate in the nation. It's going to bring in $45 million next year. It's a revenue enhancer. Let's see what it does for next year. This is on the responsibility test of this package. It brings in an additional nothing. One-shot revenue.

The inheritance tax, we had a debate, we had an amendment on it, we had questions. Accelerating the payment of death taxes in this state from nine months

to six months brings in another $30 million next year. The year after that brings in another $8 million. I believe after that the accelerator brings in no extra dollars to the state.

Non-recurring source of new revenue for the state, largely a one-time revenue device, a responsible revenue enhancer. I don't think so. You have a couple that are. I'll admit the increase on the interest rate on delinquent sales and use taxpayers, yes, that's going to bring in $2 million or $3 million the next year. At least it recurs. So does the capital gains tax extension to out-of-state residents, it recurs, but pales in comparison to what, what this package includes in one-shots. Even quarterly funding of DPUC, $3.8 million in the current fiscal year, nothing next year, nothing the year after, one-shot again trying to erase the red ink from last year's budget, your budget. Even, we have discussed it very early on in the debate, even the Telecommunications Fund, the Hold Harmless Grant, $1.2 million of it shifted into the General Fund for this year, a one-time gimmick.

The Tax Amnesty Program, I'm not going to call that a gimmick. It's worth a try, but while I won't call it a gimmick, can anybody argue that it's not a one-shot? It's in the package for $10 million next year and, gee,

nothing the year after, a one-shot revenue, on and on. The same thing with the budget, some of the deferments of payments, big holes left. Not a tax package I think anybody can be proud -- revenue enhancer package. It's neither a tax package nor a revenue enhancer package that anybody really can be proud of.

I think Representative Dyson summed it up on the budget. It gets the job done. I suppose it gets us out of here through one-shots, through some creativity, through some gimmickry. It arguably balances the budget, but not in the way I call a budget balanced. That's where you balance current expenditures with current revenues.

The budget and this tax package fails to do that. We will be spending next year more than what our revenue base on a recurring basis will actually generate in income. I'll admit we have the money in our state savings account to dip into to pay that shortfall. We've got a little trust fund to do the same thing with and we've got some one-shots. If you were at home I guess, you know, you'd be selling off some furniture to make the difference in the monthly payments. Yes, we're doing some of that. That's not an honestly balanced budget for next year and I guess this is here, this is the point where I kind of jump

off the bill and more into response or summation of some of the feelings that I heard expressed on the tax package. I think they were calling it a tax package.

I heard criticisms of Republican tax cuts in 1985 and 1986. In 1985, 1986, as a contrast to what this bill does, I'll try to still weave in some relative comments to the bill in front of us, I'll try. A quarter of a billion dollars of taxes were reduced on the citizens of the State of Connecticut in the 1985 and 1986 session when the Republicans controlled. A fair warning to my counterpart, I think I have to be more partisan after the speakers that have preceded me than I normally would have been.

In 1985, 1986, the largest tax cut in our state history and the 1985 and 1986 budgets were not only balanced with tax cuts, but combined produced about $700 million of state surplus dollars, $700 million of surplus created from those two budgets. The governor did a good job of claiming credit for that stuff. He won handily. The Democrats brought back into power and what's happened since, since we're going back over the past and some of the comments earlier, the 1987 budget, the first Democrat budget, a deficit, 1988 budget, a deficit, 1989 budget a deficit, 1990 budget, that's the question mark that we'll find out about next year.

You haven't passed a balanced budget since you came back in the majority after the 1986 election because we were talking about certain tests to bring before the voters in the fall. I don't think you're going to pass that test and I'll be happy to have it compared to the Republican record in 1985 and 1986 and have the election in 1990 decided on a two-year record versus a four-year record. Fine. I didn't even mention the largest tax increase in our state's history last session between the mini-tax and the maxi-tax and everything else, the largest tax increase in our state's history, about a billion dollars of new and increase taxes and we still have a deficit this year.

Mr. Speaker, some of the debate got into an income tax. I'm not at all reluctant to say I'm totally opposed to an income tax. I'm even going to say this. Come November when all of us or some of us are running for re-election and there are other challengers and other new candidates, I think it's absolutely appropriate to demand of every candidate running for the House or for the Senate or for the governor, where they stand on a state income tax and you can debate whether you're for or against it, that's legitimate, but any candidate that won't tell you straight out whether they support an income tax better be regarded

as suspect on the issue and one more likely than not to support it and if somebody says they take a pledge against it, I think you can believe it and you can debate against it as inappropriate or wrong, but you know where they stand. Anybody who won't fess up onto that, I'm not sure I'd want to entrust public service and public office to. I think that's absolutely appropriate to demand of everybody on the tax issue in November.

I don't know how some of the previous speakers go into Ronald Reagan, but they did. Dredge up the term "voodoo economics." I'd say what we have in this tax package and with the budget, the one-shots, the deferment of some expenditures, I won't call it "voodoo economics." The terms has been used. It's almost "fool you economics" at this point and it worked in 1988. We're on a two-year cycle now, 1988, remember the raid of the Rainy Day Fund and the Debt Retirement Fund to balance that budget. It didn't, but it got you out of here and you were re-elected. You fooled the public. Well, I come from country where, fool me one, shame on you, fool me twice, shame on me, is kind of a rule and I would say to the citizens of the State of Connecticut, they better not be fooled again because I don't believe we can count on the Majority Party to

control the expenditures and I don't want to hear about some sort of deal, you help us raise the taxes and then we'll talk about controlling spending? Such a deal!

I say the citizens of the State of Connecticut know very well now the differences between the two parties as brought out by representative speakers on both sides of the aisle and I would hope that this can be carried out. We're almost ready to adjourn in a few days. We can carry this debate out into the streets in the neighborhoods around the State of Connecticut on what the citizens of this state want more, an income tax in the name of tax reform or spending reform in the form of responsible leadership that will control expenditures, balance budgets without new tax increases and without fiscal gimmickry that this tax package represents.

I am voting against the tax package, Mr. Speaker, as a protest vote for fiscal irresponsibility that I believe this budget and this tax package represents to the citizens of the State of Connecticut.

SPEAKER BALDUCCI:

Representative Frankel.

REP. FRANKEL: (121st)

Thank you, Mr. Speaker. I think it's first appropriate to step back a moment and to look at the

work that's gone into the package we have before us and I, for one, in looking at the challenge that this Legislature, this General Assembly, this state faced, I must say at this time that I'd like to be partisan for a moment and to personally single out an individual, even before I single out the work of his committee who somehow was able to put together what I believe is a responsible package without any taxes and but for whom I believe we perhaps would not be here today with a solution to the problem of the State of Connecticut for the coming fiscal year and that gentleman is Representative Bill Cibes, whom I have the highest regard for and I ask the members on this side of the aisle to join with me in a round of applause.

APPLAUSE

Mr. Speaker, I'm going to be very, very, very brief and I think the membership demands that, but I think there are few things that must be said. The Minority Leader represents his side of the aisle and speaks as to what has come before this legislature in the past week and culminates today.

He talks about a responsibility test and I think perhaps we should take that test, all of us. We'll take it all as a responsibility test this November, but I have a little different perspective on how that

test should be given and should be read.

I saw the minority and they have a right to do what the minority can and should do, although I do believe they have an obligation to do something by way of offering responsible alternatives. We say a minority whose responsibility test the other evening was to go home and try to solve it another day. We saw the Minority Party's suggestion that perhaps after the budget was passed, they would punch a $40 million hole, a very popular buzzword this day, a $40 million hole by voting the way they did on the education package.

Frankly, I don't think when you gentlemen can go home, when the responsibility test is given, you can claim credit for a single dollar in taxes for the towns. You voted against the budget and by voting against the package the other evening, you voted for nothing. You have no tax package and you have no budget and you can't take credit for any of it. We'll take the responsibility and we'll pass that test or we won't pass that test in November, but I'm prepared to face the electorate because we're going back with a package, finances and expenditures, which, one, has no new taxes. There are no new taxes. That's what we started out to accomplish and I'm pleased we got there.

Secondly, this does the job. It's as simple as

that. We're providing the services to the State of Connecticut that the citizens ask for, demand and that we must deliver and we're doing that.

Now let's talk about another test because Representative Jaekle talks about a responsibility test. Look at the amendments that we had today. I lost count of the total. Someone will correct me later. I quit after $112 million. That's after the budget, that's a hole.

The other side of the aisle didn't offer any alternatives and that's really the test, who had the best solution. Well, our solution is before us. The solution we were offered this afternoon was another $112 million in the hole in the future, on top of the $40 million in the hole.

Somehow or other we got into an income tax debate and I won't say another word on that. I don't think it's necessary. We did get into a test on who should take credit for the surpluses of the past, but frankly, don't we all know, don't we all agree, because we may have been bored at night, but not last night, don't we agree the real test in government is the growth in spending. This is the lowest growth in spending we have seen in as far back as I can recall. Now if my numbers are wrong, they're not far wrong. The budgets,

when the minority was in the majority, were around 11 or 12 percent thereabouts. This is half that. Isn't that the real test? Isn't that the test of controlling spending growth? It's difficult times, folks, but we're delivering those services and we're doing it with the small growth in spending in recent history and we're doing it with no new taxes and we'll take that test and I believe we'll pass it because the minority offered no alternatives today.

Sure, you can criticize and that's your job, but I think you have the obligation to do more than just criticize. I think you have the obligations to your constituents and to this Chamber and to this state to offer a responsible alternative.

Ladies and gentlemen, it's been a long day. I think the membership would like to vote. I can reiterate much of which has been said before. I think it's time for us to go about the job of putting the state in order and this vote, I believe, will be the beginning of it. Thank you, Mr. Speaker.

SPEAKER BALDUCCI:

Staff and guests to the Well. Members please be seated. The machine will be opened.

CLERK:

The House of Representatives is voting by roll

call. Members to the Chamber please. Members to the Chamber. The House is voting by roll.

SPEAKER BALDUCCI:

Have all the members voted and is their vote properly recorded? If all the members have voted, the machine will be locked.

The Clerk please announce the tally.

CLERK:

Senate Bill 89, as amended by Senate Amendment Schedules "B" and "E", in concurrence with the Senate.

Total Number Voting	149
Necessary for Passage	75
Those voting Yea	84
Those voting Nay	65
Those absent and not Voting	2

SPEAKER BALDUCCI:

The bill as amended is passed.

Representative Frankel.

REP. FRANKEL: (121st)

Thank you, Mr. Speaker. For an announcement, if I could, sir.

SPEAKER BALDUCCI:

Please proceed.

REP. FRANKEL: (121st)

Ladies and gentlemen, it's our intention to do the

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REP. RELL: I understand that. I guess I'm asking you if this, is this medically, this medically device available to other people without a prescription right now?

SEN. SULLIVAN: Not to my knowledge.

REP. RELL: Thank you.

SEN. DIBELLA: Any further questions? Senator, thank you very much.

SEN. SULLIVAN: Thank you.

SEN. DIBELLA: The next speaker is Honorable Secretary, Anthony V. Milano. Uncle Tony, go ahead. You're only here on one bill?

ANTHONY MILANO: That's it. One important bill, I might add.

SEN. DIBELLA: Well, I'll tell you. That's an expensive bill this one's going to be today.

ANTHONY MILANO: I will stay within a couple of minutes, but I do first, Senator DiBella and members of the Committee, I'm here to support SB89, which is AN ACT CONCERNING GRANTS TO MUNICIPALITIES. I will just highlight a couple of things. I think as you know the fund from which we are asking the payments to be made was created back in 1985-86 from surplus funds. As you know, the 90-91 budget is a budget which does not contain any new tax increases.

That was a major concern of the Governor's in proposing the 90-91 budget when it became know of course that there would be economy and state revenues would be declining. There was, of course, certainly the guarantee that substantial cuts would have to be made in state expenditures. The Governor being very concerned about having to make reductions in local property tax relief grants, and as you know about 20% of the state budget is given to local units of government.

We would have had and would have to make major reductions in local property grants if this bill does not pass essentially to avoid major reductions in local units of government's revenue, we are proposing that particularly highlighted in the bill in sections 2 and in one section, section 4 that we use approximately $140 million of surplus funds which are available, about 111 million going to local units of government, the balance to be used to finance the overall budget, so for a total of about $140 million.

We need this piece of legislation obviously in order to avoid additional taxes and we support the bill.

SEN. DIBELLA: Are there any questions? Representative Nickerson.

REP. NICKERSON: Thank you, Mr. Chairman. Good morning, Tony.

ANTHONY MILANO: Good morning.

REP. NICKERSON: Two questions. What would the impact of this bill be with respect to the balance of the fund? What would the balance be, and secondly how would the property tax fund payments which were anticipated for future years beyond the current budget year be funded?

ANTHONY MILANO: As of today, and obviously that would change obviously in any way that the 90-91 budget gets dealt with, after all of these changes, there would be a projected balance on June 30th of 91 of approximately $33 million, so all of the payments including the $42 million which would be due and payable this year, the expenditures which would be made from the fund as well as the transfer to the general fund would remain, there still would be remaining $33 million in the fund itself.

REP. NICKERSON: The second part of my question was how would you anticipate the funding of payments of this type in future years, given of course the depletion of funds?

ANTHONY MILANO: I think, first I think it's important to just emphasize a little bit if I might that these funds were created from prior surpluses, and that was primarily our reason for using the fund now. In the future, you are always going to be dealing with the level of expenditures to be made to local units of government. It would be our hope as I've said before, that the economy does pick up somewhat as most economists have, as many economists have been forecasting for next year, and that the general increase in economic activity in Connecticut will help to finance these in future years.

In addition, I think we all know that there's a major downsizing taking place on the appropriation side. In fact, the Governor's target is to reduce the numbers of filled positions in excess of 2,000. It's our hope that that downsizing as well as the increase in economic activity would provide the additional funds necessary in future years, but you're always, you're always going to be dealing with this, the level of expenditure, the level of grant aid for local units of government.

REP. NICKERSON: Still, I understand what you're saying in which the fund would be empty, and you would look for growth in revenues from economic factors to make the payments out of general funds in the future without having this trust fund as a resource.

ANTHONY MILANO: That would, well, would be the 33 million, but we would like forward to the general fund in some future years. That's correct.

SEN. DIBELLA: Any further discussions? Les.

REP. YOUNG: Yes. Tony, this bill is kind of close to my heart, because you and I were on the Committee that administered the investment of the fund that was supposed to provide income for the towns for a long time. In fact in perpetuity because they were invested in chattel mortgages that would roll over forever or within the foreseeable future.

I think it's a shame to point out here was a fund that was set up to provide aid to towns and cities in the state for a long time. We then dissolved that fund and said we will give both the income and principle of that fund and it will last for ten years. That's what we did two years ago. Now we come down to we will at the end of this year we will not really have one full year left in the fund, and I think it's an awful place to put the towns and the cities of this state in to look at, here's this thing we can count on forever. Here's the thing we can count on for ten years. Here's a thing we can't even count on next year, and to say that the amount all the sudden, this was supposed to be, this fund was supposed to be for the infrastructure, bridges and roads and what have you.

I presume it still is, but now they've got to go out on their own and they've got nothing to plan on, and while I presume that we must have to do something like this to keep this year's aid intact, I think we'd better well do some better planning than we've done this year to provide for the future. We have to raise taxes. Let's look at it and say let's raise taxes, but let's not rob the future to pay this year's thing. I think it's a crime.

SEN. DIBELLA: Any further discussion? A crime? Is this any different from what the federal government's been doing?

ANTHONY MILANO: No, I would just pick up because Les, you and I were on the original committee to put this together, and I think obviously the choices that we had were to raise taxes, do you cut aid? We certainly weren't prepared to raise taxes and didn't want to cut aid. That choice was there, and when 20% of the budget is local aid, aid to local units of government, it was not an easy choice.

Had the Governor, the Governor I'm sure would have liked and not changed it. The choice to cut or to raise taxes, we chose this road, and we think it's a very reasonable road, I might add.

SEN. DIBELLA: Representative Maddox.

REP. MADDOX: Secretary Milano, I just want to make sure. I'm going to assume later I won't hear from CCM who will be opposed to this. My only concern is this is somewhat of a form of revenue sharing, and we know the federal government pays that out. Are the municipalities, has your office sent out anything to municipalities to warn them that - guys you'd better take some planning because there is a decent chance next year you won't get a dime out of this account?

ANTHONY MILANO: Well, I think the way that these grants are financed has been widely publicized. How we haven't written a letter like that, but the way that they're financed has been widely publicized. There may be some ways that we can, I mean I wouldn't quite word a letter that way because I think that we are genuinely hope that the economy does pick up and the level of aid would continue.

I think what you're saying and it's a good suggestion is we at least can inform them as to how it is being financed, and then at the local level we're going to have to make some traces themselves.

REP. MADDOX: I mean, I would be appreciative if you would somehow, when you send these letters, you would warn the chief elected officials. I mean, I have warned my five chief elected officials, don't count on this find. At best, you'll get it this year, and you'll get it next year, and I don't foresee any money left after that. That's it. It's over. I think that at least we can give our municipalities, if you can't give them money, at least we can give them warning.

ANTHONY MILANO: Well, as a great philosopher once said, it's not over until it's over, and I wouldn't want to unduly concern local units of government either. I think it's, there's a fine line I think we as elected or appointed officials have to walk in terms of the level of information and how we do conduct.

I think it's a good point. I certainly would

notify them by letter how it's being financed, and I would leave it up the conclusions for them to draw.

SEN. DIBELLA: I think it was the fat lady sings, Tony.

ANTHONY MILANO: Something like that.

SEN. DIBELLA: Any further questions? If not, thank you very much, Mr. Secretary.

ANTHONY MILANO: Thank you.

SEN. DIBELLA: The next speaker is Senator Michael Meotti. Senator Meotti. I saw him walking around in here. We'll give him a second shot at it. Commissioner Meehan. Brevity is appreciated. Do you have statements, Commissioner? Do you have written statements?

COMM. JAMES MEEHAN: We've handed them out.

SEN. DIBELLA: Okay, if you do have written statements for the benefit of the Committee, would you capsulize very briefly?

COMM. JAMES MEEHAN: Actually there are a number of bills that we've requested to be acted on, Senator DiBella.

SEN. DIBELLA: SB318, SB319, SB320, SB321.

COMM. JAMES MEEHAN: Right, and we filed written testimony. These are very technical amendments. I would offer to be available to discuss them in detail if anybody would like to do that. Your eyes may glaze over as we go through the discussions as mine did the first time we talked about them, but we think that they're important corrections to make them all clear.

I would like to address myself to a number of additional bills, so it's clear what our policy is in regards to items you'll be hearing this morning, you've already heard from. SB207, which would exempt from sales tax for medically prescribed electronic mechanical pain control devices,

REP. NORTON: Any costs, has it always been the case though that there's no tax on the parts, say on the material used in new construction?

JAMES WILLIAMS: No, we do, in new as in new renovation, we pay the tax on the materials, but as a speaker before me said in restoration, it is very labor intensive as opposed to say a 50-50 split probably 75% of my costs are on labor.

REP. NORTON: Do you think there will be, what do you think will be the greater problem to historic buildings or old buildings? Will the greater problem be that people will build new construction instead, or not do anything instead?

JAMES WILLIAMS: I think the danger is of both. At some point if you don't rehabilitate or renovate and as I go through and renovate I have to bring it up to the latest codes be it handicapped access, fire sprinkling, things like that. I have X amount of dollars to work with, and I have to make those decisions based upon where I can spend the money most effectively.

REP. MULREADY: Thank you. Other questions of comments? Thank you, Jim.

JAMES WILLIAMS: Thank you.

REP. MULREADY: The next speaker is Mike, is it Gerber? Then Charlie Duffy. Jim Finley after him.

MICHAEL GERBER: Good morning, Mr. Chairman, members of the Committee. My name is Mike Gerber. I'm the President of the Connecticut Conference of Independent Colleges, representing 16 of the state's private colleges and universities.

By way of introduction, I assumed my position in December of last year, and it's a pleasure to be here with you this morning. It's my first appearance before the Committee. I look forward to working with each of you. I'm here this morning to speak in favor of SB89, specifically with respect to Section 3 of SB89. I have written testimony, so I won't repeat that.

Let me simply state that Section 3 of this bill would increase the payment in lieu of taxes program that's providing grants to the towns and cities of Connecticut at the rate now of 40% of the property taxes that they forego because of the presence of non-profit, private hospitals and colleges and universities within their boundaries.

This would increase the percentage to 50%. We think this is a good bill. It's a very good program because it recognizes the fact that hospitals and private institutions of higher education benefit the entire State of Connecticut and not just the local municipalities within which they're located. It benefits all the citizens of the state, not just those that happen to live in those particular towns or cities, and we think this is a program that should be augmented, and we support the increase in the percentage. I'd like to answer questions if you have them.

REP. MULREADY: Any questions for Michael? Senator McLaughlin.

SEN. MCLAUGHLIN: Hi, Mike. I haven't had a chance to meet you yet. Welcome. I'm interested, it's easy to say 50% is more attractive than 40%. Do you have in mind a point that would, appropriate point that you could set? Is there available in other places that you've been or in your own mind other than just a standard of 50% or 60% or some other methodology? Let me lead you a little bit.

I intend to work on this particular proposal at least in regards to the acute care facilities and hospitals in the state that also are getting higher, because we can measure the direct deliverance to Connecticut residents by data that's kept by the attendants for the care facilities. Such a corresponding $100 for the private schools in Connecticut isn't as easy to do since there are other still other effects that are brought to the institution (inaudible - mic off) just come in here and argue just the percent abstract would be great, but can you get a standard we can base that on?

MICHAEL GERBER: I think I anticipated your comments, Senator, in my testimony. If you look at the first paragraph represented, I do at least have some statistics with respect to the numbers of students that we do enroll. Over half of our undergraduate students are Connecticut residents and close to 60% of our graduate students are Connecticut residents as well, so there are ways to measure this.

Most of those of the students we serve and degree recipients that come from our institutions are from all parts of the state. At this point, we don't have a data base that could provide you on a statewide level, although certainly each institution does the residence of each one of those students by town or by city, but I think that we could probably address that if we needed to.

Let me say with respect to the first comment that this is a far sighted program on behalf of the state. I come from Maryland and there is nothing like this in that state. There is nothing that helps reimburse the, what we have in Maryland County Governments for the presence of institutions of higher education or hospitals, and I think that this recognition by Connecticut of the important role these institutions play statewide is really farsighted on the part of the legislators and the Governor here, to have implemented this.

The program, as I did some research, was created in 1978, I believe at about 17%, so there's been some considerable effort to increase percentage in the last couple of years, and for that reason, there is no, I guess, magic percentage. There's many things and state government comes down under what you're able to afford, and any effort can be made to increase the percentages is a good one, I think, but I don't know what the magic number might be.

SEN. MCLAUGHLIN: I would disagree only in so much as there are finite resources. We ought to measure that impact as precisely as we can and in the case of the hospitals we can do that. In fact, I will present analysis I think we're over what the impact response should be for the state (inaudible - mic off) 40%.

I would be interested, if you have it and it's easily retrievable any data that you have on the full time equivalent basis (inaudible - mic off). That was done about five years ago, and it would be nice to have that again. I know you can do it.

MICHAEL GERBER: If you have what's available what you're referring to five years ago, that would be helpful to me as a place to start.

REP. MULREADY: Other questions? Representative Maddox.

REP. MADDOX: Just following up on Senator McLaughlin's comments, would you ever down the road be adverse to instead of per assessed value in or lost percentage maybe that the reimbursement formula be changed and it be per student, Connecticut student? I mean, since that's the direct person who we're concerned about paying the benefit to in other words. A certain institution out there has 100 Connecticut students, they would receive so much reimbursement per Connecticut student.

MICHAEL GERBER: The grant goes to the city or town, not to the institution. I think at this point for me to speak to changes in the formula that would really provide the grant to the municipality would be a bit premature. I think I'd like to work with them to see what in fact would be most suitable in terms of their own financing structure.

REP. MADDOX: Well, I'm sure also tying it in with the related bill which I'm sure you'll be before us on and then we raise the bill to allow also for the taxation of certain property, if you will, that is owned by various institutions like golf courses and other related things. I think we're going to have to take a look at the whole picture. The two bills to me seem somewhat related.

MICHAEL GERBER: The question of taxation of nonprofit charitable institutions is, I think, a very serious question that needs to be addressed by this Committee, and would like to speak with you at that time, if that bill does come about. Quite frankly the taxation of nonprofit institutions who provide

a public service and a charitable service, educational service is I think one that you should consider with great hesitancy.

To seek to augment scarce revenues by draining nonprofit institutions of those revenues would in the long run, I think, be counterproductive.

REP. MULREADY: Fortunately, we're not on that bill at the moment. Any other questions or comments? Thank you.

MICHAEL GERBER: Thank you, Mr. Chairman.

REP. MULREADY: Charlie Duffy, followed by Jim Finley and Alexandra Davis.

CHARLES DUFFY: My name is Charles Duffy. I'm a lobbyist here today representing the Connecticut Foundry Association. I want to speak briefly to you about SB301, the state's tax policy towards its industrial base. There's a speaker Jeff Fowler from the Foundry, Inc. who will follow me a little bit later in the program and describe in detail the problems faced by this industry.

Basically, let me explain to you the situation. In the process of making castings, which is the foundry's business, an essential part of that process called the pattern has been subjected to the sales tax by the State Department of Revenue Services.

The problem it creates for the industry is very simple. It puts them at an extraordinary competitive disadvantage with respect to their competitors in every other state, including the State of Massachusetts which changed its tax law in 1979 specifically because Connecticut did not tax, did not apply the sales tax to these patterns. Jeff, when he comes up will be able to show you exactly, specifically what I'm talking about because he brought an example of it.

Let me just simply say that with respect to this bill, and the Governor's proposal to help manufacturing in the state, we have 25 to 30 companies who are here right now, employing 3,000 people collectively who based on the application of

the numbers work, sir, to consider exempting municipal attorneys from payment of the occupational tax.

They currently pay...are subject to the tax. We would seek an exemption for full-time municipal attorneys.

SB89, AN ACT CONCERNING GRANTS TO MUNICIPALITIES. We're in wholehearted support of increasing the pilot reimbursement to cities and towns. We're concerned about one aspect of the proposal though that taps the property relief trust fund.

We're concerned that in future years funding may not be available to pay this grant. We know it's a concern that's foremost in your minds.

Lastly sir, the SB95 which pushes back the effective date of the Connecticut Appeals Board for property evaluation.

As you know, this legislation is extremely important. When the funds become available to implement it, we think it will provide greater assistance to the citizens of Connecticut in appealing assessments and reducing the case load of the Superior Court.

Thank you very much.

SEN. DIBELLA: Any questions of either speaker? Representative Maddox.

REP. MADDOX: Yes, if you didn't hear me earlier talking with Secretary Milano, I would be extremely concerned about SB89 to the point that I hope you will take it back to your municipalities and tell them next year, that's it, there's not going to be any money.

It's unfortunate. I'm probably not going to vote for it, but that's a crucial part of the blue smoke of the budget this year and how it's going to be balanced.

You know that as well as I do. I'm not telling you anything new. It's just that I want to make sure that...at least municipalities, since they're not

going to get the money next year, they get the warning that they're not going to have the money next year.

It's unfortunate. I've warned my five towns. We'll let the over 164 know about the good news.

SEN. DIBELLA: Are you going to recommend either cost-cutting or taxes if you're willing to vote to increase if we delay the...

REP. MADDOX: Senator, I would be happy to recommend to you several cost-cutting measures.

SEN. DIBELLA: Well, we'd love to hear them. I asked the question for that reason. You can give us a list. Not right now.

REP. MADDOX: We'll start with the Towns Commission.

SEN. DIBELLA: You want to eliminate that? We would invite you, sir to give us a list and we will pursue it. Peter.

SB209

REP. FUSSCAS: Yes thank you, Mr. Chairman. What is your justification of exempting municipal lawyers? What is the justification for that?

JIM FINLEY: The justification is that because they're full-time employees, and we're asking only for full-time municipal attorneys. It adds to the cost of local government effectively.

Many of the attorneys below the court counsel level have negotiated the fact that the city or town will pay the fee for the individual involved.

In effect it's state government taxing local government.

SEN. DIBELLA: This is also consistent with what we'd done two or three years ago. Our LCO people are exempt under statutory law from the tax as long as they don't have an outside practice. That they're practicing exclusively for a governmental agency.

In this case, we never made it applicable to municipal governments and I believe that's what the intent over the legislation is. To close the gap

The vast majority of individuals exposed to this tax are those who are on fixed incomes through earned pensions and social security or disability payments.

It must be kept in mind that an elimination of a sales tax on these medical items does not represent a reduced expense for our industry, but does indicate an act of compassion for our elderly and our sick.

You will, if you do not have it in front of you, receive later on a list indicating an expansion of the items we've talked to. I would like to mention that there are no whirlpools listed on that list, as indicated by the Commissioner earlier from the Department of Revenue Services.

These are all items that are recommended by medical justification under the guidance and supervision of a physician.

None of these items are used as an every day luxury by these people. They are only used to help correct or make life easier on a daily basis for these patients.

Thank you very much for your time.

REP. CIBES: Any questions? Thank you very much. Next speaker is Willie Green from the Mayor's office of the City of New Haven, followed by Robert McCormick.

SB89

WILLIE GREEN: Good afternoon. My name is Willie D. Green. I am the Majority Leader of the Board of Alderman representing the 21st ward. My address is 333 Munson Street, New Haven.

To my right is my colleague, Alderman Dick Lyons, also from the Board of Alderman in New Haven, representing the 10th ward.

I'm representing Mayor John Daniels who is in Washington, DC this morning and could not be here to testify in person. I hope that you will accept these comments in his behalf.

The City of New Haven strongly supports SB89, concerning payments in lieu of taxes for property owned by private taxes in colleges and hospitals.

This bill will increase the amount reimbursed to localities by the state from 40% to 50% of the assessed value of those properties.

While we believe this pilot should be 100% to fully compensate cities and towns for the tax loss due to colleges and hospitals, we recognize that the state too is in difficult fiscal straits.

Therefore, we support the 10% increase that is before you today. To give you an idea of what this means to New Haven...our estimated tax loss after reimbursement under the current pilot program is $21 million.

As you are probably well aware, under the state's taxing structure, municipalities rely on the local property tax as the major source of revenue to finance governmental operations.

New Haven's current tax rate is 73.5 mills-one of the highest in the state. We are looking to have to increase that next year to possibly another 5 or more mills due to the fiscal crisis we are facing.

Thus in a city like New Haven where such a large proportion of our real property is owned by private, tax-exempt colleges, universities, and hospitals, this pilot program is extremely important.

Forty-one percent of the real property in New Haven is tax exempt. It is estimated that nearly 30% of all exempt real property in New Haven belongs to a single institution. That institution is Yale University.

We are a poor city. We are a distressed city. Yet New Haven has a large amount of untaxed wealth centered in large institutions that are tax-exempt by state law.

The city must provide municipal services to these institutions as it does to all its citizens. Services such as street maintenance, storm sewers, parking, police, and fire. These are largely supported by city resident tax-payers.

If our tax rate goes up, we risk eroding our tax base even further, driving businesses and individuals to towns with lower taxes.

In closing, I urge your favorable action on SB89 to increase the pilot for colleges and hospitals. This is vital to New Haven where we are heavily burdened by a tax base with an unusual large proportion of these tax-exempt institutions.

Thank you very much.

REP. CIBES: Did you want to add anything to that?

DICK LYONS: I am just trying to echo my colleagues comments. He stated very well our needs in New Haven become more acute every day and any help that you can give us with respect to increasing this pilot would be greatly appreciated.

REP. CIBES: We had heard that there was a request from the Mayor's office to perhaps look at including additional pieces of property under this pilot program.

Do you have any...particularly I gather the leased garage that Yale-New Haven occupies, or is that something that's just in the works now?

WILLIE GREEN: That is something that's just in the works. I have not had that conversation with the Mayor.

REP. CIBES: Thank you. Are there questions?

SEN. SULLIVAN: It seems to be quite obvious that New Haven, much like the other cities, have shifted to a service-sector economy.

I just wonder to what extent...I know that within the last couple of years New Haven has lost well

over 2,000 manufacturing jobs. In losing that, it loses also the value-added tax bases that goes along with manufacturing.

I'm wondering if New Haven has, in regard to its own salvation, put together some strong efforts to broaden what limited manufacturing still exists in that city; and whether or not there are strong efforts to attract additional manufacturing.

To what extent is the Science Park in Yale involved in this type of effort, if indeed this type of effort exists?

WILLIE GREEN: Those have been on-going efforts. We've had numerous conversations with the Science Park to see how they can best help with the deficit in the City of New Haven.

As we speak now, even this week, there will be several meetings going on with Yale University and also with the President of the Science Park to see exactly what type of impact, if any, they can help in lowering the deficit and helping us with the fiscal problem that we're facing in the City of New Haven.

DICK LYONS: Let me just add that the City of New Haven has a Department of Business Development which aggressively seeks to retain businesses in New Haven.

There is an individual whose sole responsibility is to be in contact with the manufacturers in New Haven and see if there's any way we can accommodate them to keep them in New Haven-short of abating taxes to them. We try to make our manufacturers just as happy as we can.

REP. CIBES: Thank you. Raphael Podolsky followed by Ray Giolitto.

RAPHAEL PODOLSKY: Members of the Finance Committee, my name is Raphael Podolsky. I'm a lawyer with Connecticut Legal Services in Hartford.

I'm here to speak in favor of HB5009, which deals with the applicability of the sales tax to YWCAs.

OFFICE OF THE MAYOR

JOHN C. DANIELS
MAYOR

CITY OF NEW HAVEN
CONNECTICUT 06510

Testimony of Mayor John C. Daniels, City of New Haven, submitted to the Committee on Finance, Revenue and Bonding, 3/4/90

Honorable members of the Finance, Revenue and Bonding Committee, I, Mayor John C. Daniels of the City of New Haven, wish to express my support of the measure before you, S.B. No. 89. I wish in particular to express my strong support for the central provision of this bill, which would raise the rate of state Payments in Lieu of Taxes (PILOTs) to municipalities on tax exempt university and hospital properties, from forty to fifty percent of the taxes lost.

When first enacted, the hospital and university PILOT program was a farsighted measure designed to relieve the unjust property tax burden borne by individual and corporate tax payers for the tax exempt health care facilities and institutions of higher learning in their municipalities. State lawmakers understood, wisely, that the benefits of these institutions to surrounding towns, and to the State as a whole, merited that we all share in their support.

Lawmakers also understood that, without relief, the burden on many of Connecticut's cities and towns which host a disproportionate number of our hospitals and universities would be crippling. Given Connecticut's tax structure, the removal of

significant portions of land from a city's tax base is a fatal blow to the desire we all share, to combine fiscal solvency with quality public services.

The City of New Haven, where almost 41 percent of our assessed real property value is exempt, is pointed proof of this fact. Due to the large scale of Yale University, Yale/New Haven Hospital, and St. Raphael's, hospital and university real property account for over two-fifths of these exemptions. Thus, over the years, the hospital and university PILOT program has provided a critical supplement to our constricted revenue base. The hospital and university PILOT entitlement for last year, based on assessed exempt value of approximately $307 million, provided just over $8.5 million, accounting for 3.6 percent of our city's $235 million operating budget.

Unfortunately, that supplement is nowhere near sufficient to replace the wholesale cut in Federal aid to cities, to make up for stagnating grand lists, to meet the increased need for protective and social services, and to pay service on the debt which we have already accumulated in trying to keep our city above water. The revenue shortfall threatening New Haven and Connecticut's other metropolitan centers threatens to turn our residents into second class citizens.

I reiterate: the reality of New Haven's revenue picture is

exceedingly bleak. Ten years of a federal government that dismantled revenue sharing and ceased its commitment to the maintenance of urban infrastructure has taken its toll on our housing stock, our roads, and the employable skills of our residents. Despite desperate attempts to attract downtown development through massive tax abatements, the value of New Haven's Grand List in constant dollars has shrunken by fully 20 percent in the last decade. Our tax rate, at 73.5 mills, is among the highest in the state, and beyond the direct effect this has on homeowners and renters, it makes balanced development to provide needed services and decent paying jobs almost impossible.

In this climate, city services have been strapped. New Haven has less city employees per capita than any other of the three largest cities in the state. We are now faced with making further cuts while our citizens continue to suffer the second-highest infant mortality rate, and the fourth highest poverty rate in the nation.

As you know, New Haven's fiscal troubles have turned into an acute fiscal crisis. We are taking the measures required to insure the solvency of our city, measures which despite our greatest efforts will hurt deeply those citizens who can least afford the pain. However, I must tell you today that these cuts will not solve the city's long term fiscal problems. The reality is plain: through current measures, we cannot generate the

revenue necessary to maintain a minimally decent standard of living for our citizens.

Until there is a profound overhaul of our state's tax structure which provides more progressive taxation measures to fund our citizens' needs, municipal officials must continue to look to our property tax base to solve our problems.

Within this context, increased hospital and university PILOT payments provide one of our best hopes for equalizing our city's revenue and expenditures. New Haven's state delegation consistently requests an increase in these payments, and our city's goal remains the retrieval from whatever combination of sources a full, one-hundred percent replacement of all tax revenue lost to hospital and university exemptions. The measure before you, S.B. No. 89, is a first, crucial step in the right direction.

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TESTIMONY BEFORE THE FINANCE, REVENUE, AND BONDING COMMITTEE
BY
MICHAEL A. GERBER, PRESIDENT
CONNECTICUT CONFERENCE OF INDEPENDENT COLLEGES

MARCH 5, 1990

SENATE BILL 89: "AN ACT CONCERNING GRANTS TO MUNICIPALITIES"

SENATOR DIBELLA, REPRESENTATIVE CIBES, AND MEMBERS OF THE FINANCE, REVENUE, AND BONDING COMMITTEE, I AM MICHAEL A. GERBER, PRESIDENT OF THE CONNECTICUT CONFERENCE OF INDEPENDENT COLLEGES. I AM HERE TODAY IN SUPPORT OF SENATE BILL 89.

AS THE MEMBERS OF THIS COMMITTEE ARE AWARE, CONNECTICUT'S INDEPENDENT COLLEGES AND UNIVERSITIES ARE A RESOURCE TO THE ENTIRE STATE. THIS YEAR, NEARLY 60,000 STUDENTS ARE ENROLLED IN THESE INSTITUTIONS. OF THIS NUMBER, 55 % OF THE UNDERGRADUATE STUDENTS, 69 % OF THE GRADUATE STUDENTS, AND 39 % OF THE PROFESSIONAL STUDENTS ARE RESIDENTS OF CONNECTICUT. LAST YEAR, THESE INSTITUTIONS AWARDED HALF OF ALL THE ACADEMIC DEGREES AWARDED IN CONNECTICUT; INCLUDING 49 % OF THE BACHELORS DEGREES, 59 % OF THE MASTERS DEGREES, 64 % OF THE DOCTORAL DEGREES, AND 65 % OF THE PROFESSIONAL DEGREES. THESE STUDENTS AND DEGREE RECIPIENTS COME FROM EVERY REGION OF THE STATE.

INDEPENDENT COLLEGES AND UNIVERSITIES ALSO HAVE AN ECONOMIC IMPACT WHICH IS STATEWIDE. OVER 17,000 CONNECTICUT RESIDENTS ARE EMPLOYED BY INDEPENDENT INSTITUTIONS OF HIGHER EDUCATION. THESE INSTITUTIONS ALSO CONTRIBUTE SIGNIFICANTLY TO THE BUSINESS CLIMATE OF THE STATE,

PROVIDING HIGHLY SKILLED EMPLOYEES TO THE WORKFORCE AND LEARNING OPPORTUNITIES FOR THOSE PERSONS ALREADY IN THE JOB MARKET WHO WISH TO IMPROVE THEIR SKILLS.

IN ADDITION, INDEPENDENT COLLEGES AND UNIVERSITIES HAVE A TREMENDOUSLY POSITIVE IMPACT ON THE QUALITY OF LIFE IN OUR STATE. THESE INSTITUTIONS ENHANCE THE SOCIAL AND CULTURAL OPPORTUNITIES AVAILABLE TO EVERY RESIDENT OF CONNECTICUT.

IT IS THEREFORE CLEAR THAT INDEPENDENT INSTITUTIONS OF HIGHER EDUCATION PROVIDE A VITAL AND NECESSARY PUBLIC SERVICE WHICH BENEFITS THE ENTIRE STATE AND ALL ITS CITIZENS. IT IS BY VIRTUE OF THIS PUBLIC SERVICE, AND BY VIRTUE OR THEIR STATUS AS NON-PROFIT EDUCATIONAL INSTITUTIONS THAT THE STATE'S INDEPENDENT COLLEGES AND UNIVERSITIES ARE TAX EXEMPT.

HOWEVER, WHILE INSTITUTIONS OF HIGHER EDUCATION AND NON-PROFIT HOSPITALS BENEFIT THE ENTIRE STATE, THE LOCAL COMMUNITIES IN WHICH THEY ARE LOCATED ASSUME A CERTAIN LOSS OF PROPERTY TAX REVENUE. UNDER THE PAYMENT-IN-LIEU-OF-TAXES (PILOT) PROGRAM, TOWNS AND CITIES ARE PROVIDED GRANTS BY THE STATE IN LIEU OF THE TAXES THAT WOULD HAVE BEEN COLLECTED ON PROPERTY WITHIN THEIR BORDERS OWNED BY NON-PROFIT GENERAL HOSPITALS AND INSTITUTIONS OF HIGHER EDUCATION. THIS PROGRAM OF GRANTS IS AN IMPORTANT RECOGNITION BY THE STATE OF THE FACT THAT HOSPITALS, COLLEGES, AND UNIVERSITIES BENEFIT ALL CITIZENS OF CONNECTICUT, NOT JUST THOSE WHO HAPPEN TO LIVE IN THE PARTICULAR CITY OR TOWN IN WHICH A PARTICULAR HOSPITAL OR COLLEGE IS LOCATED.

THE INCREASE FROM 40 PERCENT TO 50 PERCENT PROPOSED BY SB 89 IN THE FORMULA USED TO CALCULATE PILOT GRANTS COMES AT A CRITICAL TIME. CERTAINLY, THE FISCAL PROBLEMS FACING ALL LEVELS OF GOVERNMENT IN CONNECTICUT ARE ACUTE. THE PILOT PROGRAM IS AN IMPORTANT EFFORT BY THE STATE TO ASSIST LOCAL MUNICIPALITIES, AND ONE WHICH SHOULD BE AUGMENTED AS PROPOSED BY SB 89. IT IS FOR THIS REASON THAT I ASK THE COMMITTEE TO ADOPT A JOINT FAVORABLE REPORT ON SB 89.