

Legislative History for Connecticut Act

Public Act No. 93-332

AN ACT PROMOTING SIMPLICITY IN THE DETERMINATION OF THE MEASURE OF SALES AND USE TAXES, AND CONCERNING CERTAIN PROVISIONS OF STATE TAXES AND THE OPERATION OF THE OFF-TRACK BETTING AND PARI-MUTUEL FACILITIES

Act Number:	332	Year:	1993
Bill Number:	HB 6605		
Senate Pages:	4462-4465, 4480-4481		6
House Pages:	10,306-10,398		93
Committee:	Finance, Revenue and Bonding 197, 203-204, 206, 218, 220, 248, 251		8
		Page Total:	107

Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate and House of Representatives Proceedings

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Compiled 2012

S-354

CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
1993

VOL. 36
PART 12
4089-4481

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remarks, I'd ask this be placed on the Consent Calendar.

THE CHAIR:

Thank you. Is there any objection to placing Senate Calendar 636, Substitute for House Bill 5994, on the Consent Calendar? Is there any objection? Hearing none, so ordered.

THE CLERK:

Calendar No. 638, File No. 1038, Substitute for House Bill 6605, AN ACT PROMOTING SIMPLICITY IN THE DETERMINATION OF THE MEASURE OF SALES AND USE TAXES AND THE OWNERSHIP OF SALES TAXES COLLECTED BY A RETAILER FROM RETAIL CUSTOMERS. (As amended by House Amendment Schedules "A", "B", "C", "D", "E" and "F").

Favorable Report of the Committee on Finance, Revenue and Bonding.

THE CHAIR:

Thank you very much. The Chair would recognize Senator Maloney.

SENATOR MALONEY:

Thank you, Madam President. I would move approval of the Joint Committee Favorable Report and passage of the bill in concurrence with the House.

THE CHAIR:

Thank you very much, sir. Do you wish to remark

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further?

SENATOR MALONEY:

Madam President, this bill started out as the title implies, as a bill promoting simplicity. It has evolved far beyond that during its tenure in this General Assembly and now has scores of provisions most of which make technical changes in various parts of the tax code, but also some of which address issues that have been of some substantive concern. For example, Section 8 corrects the standard industrial code for the repeal of the electrical utilities tax and then adds natural gas as also being subject to the phaseout.

The major changes in the bill deal with the state's pari-mutuel and OTB betting facilities and Sections 29 through 35 in particular require the sale of the OTB program which is consistent with the Budget Act, but this in effect is an implementing act for the Budget Act.

Section 36 modifies, reduces the taxes paid by the pari-mutuel facilities. 37 requires the state to offer any vacancy in state service that is occasioned by the sale of the OTB system to qualified permanent state employees and other miscellaneous tax items. I think it's probably best if I just leave it at that and if anyone has any particular question, I'd be glad to

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answer any questions.

THE CHAIR:

Thank you very much. The Chair would recognize Senator Nickerson.

SENATOR NICKERSON:

Yes, just one question. I certainly agree with the Chairman in that what again is simplicity is anything but, but I do want to ask a question with regard to the fiscal note pertaining to Section 36, which as he correctly points out, is the provision which reduces the tax on the pari-mutual, and more specifically, as I read Exhibit 2 on Page 73 of the file, I guess it was 73 pages, it's certainly not simple, the revenue loss from that pari-mutuel change is \$6.6 million in each of the two years of the biennium, but that that is more than outweighed, considerably more than outweighed by the revenue obtained from the sale. Is that a fair summary -- the sale of OTB? Is that a fair summary of the effect of the pari-mutuel tax changes?

THE CHAIR:

Senator Maloney.

SENATOR MALONEY:

Thank you, Madam President, yes, I believe that is correct.

SENATOR NICKERSON:

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Okay, well I will just comment that standing alone, I'm not sure reduction of the OTB tax as is necessary, the most comprehensive and best thought out change we could make, but since it's led to certain other desirable and welcome changes, I support that provision and the rest of the bill. Thank you.

THE CHAIR:

Thank you very much. Would anybody else wish to remark on Senate Calendar 638? Are there any further remarks? If not, Senator Maloney, if you would like to make a motion to place this item on the Consent Calendar.

SENATOR MALONEY:

I would so move, Madam President.

THE CHAIR:

Is there any objection to placing Senate Calendar 636, Substitute for House Bill 6605, on the Consent Calendar? Is there any objection? Hearing none, so ordered.

THE CLERK:

Calendar Page 15, Calendar No. 640, File No. 1036, Substitute for House Bill 5307, AN ACT CONCERNING HOMESTEAD FOR RESIDENTIAL REAL PROPERTY. (As amended by House Amendment Schedule "A").

Favorable Report of the Committee on Judiciary.

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5811. Calendar 430, House Bill No. 6014.

Calendar Page 3, Calendar No. 447, Substitute for
House Bill 5200.

Calendar Page 4, Calendar 565, Substitute for House
Bill 6714.

Calendar Page 7, Calendar No. 599, Substitute for
House Bill 6900. Calendar No. 600, Substitute for
House Bill 7041.

Calendar Page 8, Calendar 605, Substitute for House
Bill 7113. Calendar No. 607, Substitute for House Bill
7102.

Calendar Page 9, Calendar No. 611, Substitute for (HB 7279)
House Bill 7270.

Calendar Page 14, Calendar No. 636, Substitute for
House Bill 5994. Calendar No. 638, Substitute for
House Bill 6605.

Calendar Page 15, Calendar No. 640, Substitute for
House Bill 5307. Calendar 641, Substitute for House
Bill 5435. Calendar No. 642, House Bill 7283.

Madam President, that completes the second Consent
Calendar.

THE CHAIR:

Thank you very much, Mr. Clerk. You have heard the
items that have been placed on Consent Calendar No. 2
for today, Monday, June 7th. The machine is on. You

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may record your vote.

Senator DiBella and Senator Balducci. Is Senator Balducci about some place? Have all Senators voted and are your votes properly recorded? Have all Senators voted and are your votes properly recorded? The machine is closed.

The result of the vote:

36 Yea

0 Nay

0 Absent

Consent Calendar No. 2 for today has been adopted.

Thank you.

SENATOR DIBELLA:

Thank you, Madam President.

THE CHAIR:

Senator DiBella.

SENATOR DIBELLA:

Thank you, Madam President. I would ask that Calendar Item 599, Substitute for House Bill No. 6900, be sent to the House. There's a Senate Amendment on that that will require further House business.

THE CHAIR:

Thank you very much. Is there any objection to the immediate transmittal of Senate Calendar 599, Substitute for House Bill 6900, as amended by Senate

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SPEAKER RITTER:

Have all the members voted? Clerk, please take the tally. The machine will be locked.

Representative Scipio.

REP. SCIPIO: (93rd)

In the affirmative, please.

SPEAKER RITTER:

In the affirmative. Thank you. Anybody else? Clerk, please announce the tally.

THE CLERK:

House Bill 7022, as amended by House Amendment

"B", Senate Amendment "A"

Total Number Voting	145
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Necessary for Passage	73
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Those voting Yea	145
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Those voting Nay	0
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Those absent and not Voting	6
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SPEAKER RITTER:

Bill as amended, passes. Clerk, please continue with the call of the Calendar.

THE CLERK:

Page 2, Calendar 141, Substitute for House Bill 6605, AN ACT PROMOTING SIMPLICITY IN THE DETERMINATION OF THE MEASURE OF SALES AND USE TAXES AND THE OWNERSHIP OF SALES TAXES COLLECTED BY A RETAILER FROM RETAIL

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CUSTOMERS. Favorable report of the Committee on Finance.

SPEAKER RITTER:

Representative Mulready.

REP. MULREADY: (20th)

Mr. Speaker. I have been waiting an hour for lunch and it just showed up as this bill got called.

SPEAKER RITTER:

That is why you got the bill, Sir.

REP. MULREADY: (20th)

That's right. Mr. Speaker, I move acceptance of the Joint Committee's favorable report and passage of the bill.

SPEAKER RITTER:

The motion is on acceptance and passage. Please proceed, Sir.

REP. MULREADY: (20th)

Mr. Speaker, this bill is what is known as a "horse" and no dog track pun intended. No racing pun intended.

It deals with, the file itself deals with certain clean up of some of our tax laws that deal with transportation charges and the sales tax thereon. I have a series of amendments to offer on this bill, Mr. Speaker. The first one of which deals with the file

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itself is internal to the file. Therefore, Mr. Speaker, I would ask the Clerk to call LCO6152 and I be given an opportunity to summarize.

SPEAKER RITTER:

Clerk has amendment LCO6152, which will be designated House Amendment "A". If he may call it and Representative Mulready would like to summarize.

THE CLERK:

LCO6152, House "A" offered by Representative Mulready.

SPEAKER RITTER:

Representative Mulready.

REP. MULREADY: (20th)

Mr. Speaker, this amendment essentially makes clear that the tax imposed or the clarification of the tax would be after July 1, 1993 and it makes clear also that it does not affect certain other sales tax exemptions.

I would move its adoption.

SPEAKER RITTER:

Question is on adoption. Will you remark further? If not, I will try your minds. All in favor, say Aye.

REPRESENTATIVES:

Aye.

SPEAKER RITTER:

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Opposed Nay. You with the amplified Ayes, I can still handle that one. House "A" is adopted and ruled technical.

Representative Mulready.

REP. MULREADY: (20th)

Thank you, Mr. Speaker. The Clerk has a second amendment which deals with a whole series of technical changes to various portions of the tax code. That is LC08341 and I would also ask that the Clerk that and I be given opportunity to summarize.

SPEAKER RITTER:

LC08341 which will be designated House "B". If he may call and Representative Mulready would like to summarize.

THE CLERK:

LC08143, House "B" offered by Representative Mulready.

SPEAKER RITTER:

Representative Mulready.

REP. MULREADY: (20th)

Thank you, Mr. Speaker. Mr. Speaker, this amendment has several sections to it, in fact, many sections to it. Twenty or so. And there is an excellent fiscal note on it that summarizes the various amendments to the tax code, but let me just run through them as

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briefly as I can.

SPEAKER RITTER:

Just one moment, Representative Mulready.
Representative Rell, for what reason do you rise,
Madam?

REP. RELL: (107th)

Thank you, Mr. Speaker. And I apologize that I
couldn't get your attention, but I do believe the Clerk
reversed the numbers in calling the LCO and I would ask
the LCO number be repeated again, please.

SPEAKER RITTER:

For clarity sake, the Clerk, please call LCO8341.

THE CLERK:

LCO8341, House "B". Thank you.

SPEAKER RITTER:

Thank you very much, Representative Rell.

Representative Mulready, please proceed, Sir.

REP. MULREADY: (20th)

Thank you, Mr. Speaker. When we passed the tax bill
a few weeks ago, there were some errors contained
therein and this amendment, among other things, cleans
those up. Section 6 makes technical changes to the
calculation for part year resident income tax
liability, no fiscal impact.

Section 2 makes certain technical changes to the

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definition of occupancy for the sales tax. No fiscal impact.

Section 8 has two pieces to it. One, it clarifies the SIC code for the exemption we gave for the phase out of the gross receipts tax on electricity and it also adds natural gas to that category. That does have a fiscal note of \$500,000 in the next fiscal year and \$1.6 million in the subsequent year.

Section 9 makes technical changes to the loan loss reserve provision of the tax bureau for the insurance companies that we had before. It does not make a substantive change, the technical change that conforms the language of what we thought we did.

Section 10 deals with the Tennis Foundation and makes the effective date for that exemption, 7/1/93. It does have a fiscal impact this year of \$200,000.

Section 11 exempts New Britain Veterans Memorial Stadium from admissions tax. We had exempted Bee Hive Stadium before. It has a fiscal impact this year of \$10,000.

Section 12 essentially prevents the Department of Revenue Services from assessing S corporations from reasonable compensation of officers under the corporation tax. No fiscal impact in the sense that there is no loss here. It may prevent significant

revenue gain later.

Section 13 is sort of a special purpose item. It exempts towns and cities from electronic funds transfer under what we now require for all taxpayers about a certain amount of tax liability. And it really benefits one town, which has a tax liability to the State because they own a water company.

Section 14 makes technical changes to sales tax exemptions for organizations partially funded by the State. It doesn't change the intent of what we did earlier. It just makes it clearer what we did earlier.

The same thing for Section 15 with regard to the alternative minimum tax.

The same thing with 16 with regard to the income tax.

None of these have any fiscal impact.

On Section 17, it lowers the threshold on bonding for towns bonding the payments of settlements or judgments from \$1 million to under \$50,000.

Section 18 prevents the DEP from expanding a public boat launch.

Section 19 changes DOH grants, loans to towns to either loans or grants.

Section 20 exempts the sales to nonprofit nursing homes, rest homes and homes for the aged effective

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1/1/94. This is also in the prior tax act. It has a minor fiscal impact of \$50,000 a year.

Section 21 maybe important to some people. It amends the non-hazardous waste tax that we passed a few weeks ago. Under that portion of the tax bill we passed a few weeks ago, it did not allow for the provision for the burning of non-hazardous waste oil for heat purposes that would have not considered that to be a recycling use. This allows that and has a fiscal impact of about \$1 million.

Section 22 allows the Town of Shelton to levy sewer assessments over a period of up to fifteen years. It effects one bond authorization. One bond authorization for the Town of Shelton.

Section 23 modifies the exemption for the sales of computer and data processing services. Effective 7/1/93. In effective, it says that those companies that don't have to pay because they have out sourced their computer uses, don't have to pay the sales taxes if they change the vendor wouldn't have to pay again.

Section 24 deals with the Bradley Field fund in terms of just technical change to the use of the money under that fund.

Section 25 permits agents of the Commissioner of the Department of Revenue Services to sign tax

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delinquency notices rather than having to have the Commissioner sign each of them.

Sections 26 and 27 applies to sales tax and business analysis or management consulting services rendered by general partners to a limited partnership under certain conditions. We are making this effective 1/1/94 and if people really want to know what we are getting at here, the Commissioner has gone after some people with a reinterpretation of the law and in an unfair manner, we think, and therefore, we are saying that perspective he can do it, maybe he's right, but he shouldn't go back and beat them over the head for something they didn't think was taxable in the previous years.

Section 28 clarifies the treatment of non-resident trusts under the income tax.

And section 29 exempts from sales tax, employee's compensation for the long term leasing services, but not temporary employment services. It has no fiscal impact, either. It is just a clarification.

With that, Madam Speaker, I would move adoption of the amendment.

DEPUTY SPEAKER LYONS:

The question before the Chamber is on adoption. Will you remark? Will you remark on the amendment that

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is before us? Representative Farr.

REP. FARR: (19th)

Madam Speaker, it is a fascinating amendment in one section here. In looking through the amendment, on this tax bill, I think there was section 18, Representative Mulready, if I could through you, Madam Speaker, to Representative Mulready.

Through you, Madam Speaker to Representative Mulready.

Representative Mulready, section 18 seems a rather interesting amendment on a tax bill. Section 18 of the amendment. Could you explain what the tax ramifications there are to section 18? And why it is in the middle of a bill on taxes? Through you, Madam Speaker.

DEPUTY SPEAKER LYONS:

Representative Mulready.

REP. MULREADY: (20th)

Thank you, Madam Speaker. Perhaps I misspoke a little bit. This amendment has both some tax and some bond considerations involved and that this is a more bonding matter than a taxing matter. These are bonds floated that the DEP now uses for various purposes and this would prohibit them from spending some of those bonds funds on this particular use.

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DEPUTY SPEAKER LYONS:

Representative Farr.

REP. FARR: (19th)

Just a comment on this. As I understand it what you are saying is that this is in effect, a rescission of a bond authorization they have already received.

Through you, Madam Speaker to Representative Mulready.

DEPUTY SPEAKER LYONS:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Madam Speaker that is about my understanding of it.

DEPUTY SPEAKER LYONS:

Representative Farr.

REP. FARR: (19th)

Thank you.

DEPUTY SPEAKER LYONS:

Representative Maddox.

REP. MADDOX: (66th)

Thank you, Madam Speaker. I guess following up then on Representative Farr's question, Through you, Madam Speaker to the proponent, why can't this be done in a bond packages that we have yet taken up? Through you.

DEPUTY SPEAKER LYONS:

Representative Mulready.

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REP. MULREADY: (20th)

Through you, Madam Speaker perhaps we should more appropriately place this question to Senator Maloney.

DEPUTY SPEAKER LYONS:

Representative Maddox.

REP. MADDOX: (66th)

He is not here. You are. Through you, Madam Speaker.

DEPUTY SPEAKER LYONS:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Madam Speaker, as you know, Representative Maddox, we very tried very hard not to fool around with the Bond Package. Although what you see coming down from the Senate in a few days, may violate that traditional rule.

DEPUTY SPEAKER LYONS:

Representative Maddox.

REP. MADDOX: (66th)

My other question, if I may, through you, Madam Speaker is section 10. I guess, through you or actually a more general question, if I may.

First, through you, Madam Speaker. Representative Mulready, of these multiple sections here, have all these items had a public hearing or were they a bill or

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a proposed bill before the Finance Committee or some other committee of the Legislature? And if any of them weren't, could you please point that out to the Chamber and then why it ought to be done in this fashion through an amendment? Through you, Madam Speaker.

DEPUTY SPEAKER LYONS:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Madam Speaker, I am just going to look through them quickly.

I am not sure about item 18 that you asked about earlier, but to the extent that prior bond packages did, then I would also include that. 19, 20, 21, I am not sure about item 22 or not although you might ask Representative Belden about that.

I think I can say yes to you to you question to the possible exception that I noted a moment ago.

REP. MADDOX: (66th)

Thank you, Representative Mulready.

By and large, I guess my only suspicion when we do legislation like this when we are all tired, a few days before adjournment is that Representative Mulready brought this out and called it a "horse". He is absolutely correct. I just hope this doesn't turn out to be a 'trojan horse". Thank you, Madam Speaker.

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DEPUTY SPEAKER PUDLIN:

Representative Munns.

REP. MUNNS: (9th)

Thank you very much, Mr. Speaker. May this be a question for you, but I will ask Representative Mulready through you.

In section 11, exemptions for New Britain Veterans Memorial Stadium for the admissions tax. I apologize if I didn't hear your explanation for it in section 11. Who exactly plays in the New Britain Veterans Memorial Stadium? Through you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

I am glad you asked, Sir.

Representative Mulready.

REP. MULREADY: (20th)

This is the third speaker on this bill, Mr. Speaker. I have to look up all the time to see if it Mr. Speaker, Madam Speaker.

Through you, Mr. Speaker. It is my understanding that there is going to be a professional soccer team that is going to play out there.

REP. MUNNS: (9th)

Thank you, Representative Mulready. Thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

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If there is no further comment, let me try your minds. All those in favor of "B" signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER PUDLIN:

Opposed, Nay. "B" is adopted. Will you remark further on the bill, as amended? Representative Mulready.

REP. MULREADY: (20th)

The Clerk has another amendment, that I suspect will get a little more conversation than the last two dealing with off track betting and changes in the pari-mutuel taxation system.

I would ask the Clerk to call LCO8336, and I be given an opportunity to summarize.

DEPUTY SPEAKER PUDLIN:

Clerk, please call LCO8336, House "C".

THE CLERK:

LCO8336, House "C" offered by Representative Mulready, et al.

DEPUTY SPEAKER PUDLIN:

The gentleman has asked to be allowed to summarize. Hearing no objection, please summarize.

REP. MULREADY: (20th)

Thank you, Mr. Speaker. This amendment does two major things. It authorizes the administration to sell the off-track betting operations in the State of Connecticut and that is the first and the lengthiest part of the bill. The second thing it does, Mr. Speaker is change the taxation system for the pari-mutuel operators in the State of Connecticut to cover the highlights of the latter portion of the bill, with the passage of this amendment and the passage of this amended bill into law, the pari-mutuels would pay, instead of the current, I think it 7.5% tax, they would pay 2% on their first \$50 million, 3% on amounts between \$50 million and \$80 million, 4% on amounts over \$80 million.

It would not repeal the take out amount from the 20% to the 18%, so that they pay out the better is essentially would be set at 80%. It would do all of this as of 7/1/93.

As was the case with the other amendment, there is an excellent fiscal note on this in the sense that it explains the changes that have taken place well and for those who may have that, they want to look at the last page of the amendment. It shows that the next impact of all of these changes is that the State, in fact, would, the net impact versus current law, the State

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would have a gain in the upcoming fiscal year of \$9.3 million in the fiscal year after that of \$5.6 million.

However, since we have already passed the budget act for this year, and the tax act for this year, the fiscal impact is somewhat less. It is \$5 million net, based upon the budget and tax act. \$5 million net for next year and a zero impact for the following year.

With that, Mr. Speaker, I would move adoption of the amendment.

DEPUTY SPEAKER PUDLIN:

Question is on adoption. Will you remark?

REP. MULREADY: (20th)

One other thing, Mr. Speaker, I have remarked as much as I care to at the moment, but since this maybe semi controversial, I would ask for a roll call vote when the time comes on the amendment.

DEPUTY SPEAKER PUDLIN:

The gentleman has asked for a roll call vote. All in favor, say Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER PUDLIN:

Twenty percent having been met, when the vote is taken, it will be taken by roll. Representative Amann.

REP. AMANN: (118th)

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Mr. Speaker, I rise in support of this amendment. Ladies and gentlemen, the Connecticut pari-mutuel industry has become and still is a dependable taxpayer.

Unlike other businesses and industries, they pay corporate income tax, local property tax, state unemployment tax, sales and use tax, admission tax, miscellaneous local taxes, fire and sewer taxes, etc.

But, like other businesses, they also have a unique tax which is the pari-mutuel tax. Last year, the pari-mutuel industry paid approximately \$21 million in state and local taxes and if we, as a State, want to continue to receive these revenues, then we must give the industry a break.

The 2% relief amendment which is included in this amendment that Representative Mulready just brought out, will provide pari-mutuels the break that this industry needs.

I truly believe that this relief will save the pari-mutuel industry in our State and by saving, the industry will be preserving a seventeen year relationship.

A relationship which has been a good, honest and dependable one. And also profitable. A relationship which has provided 1,300 jobs for people in our great State and also created other jobs, indirectly.

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In the last decade alone, the pari-mutuel industry has provided \$338 million worth of revenue to the State of Connecticut and we, in the Connecticut Legislature hold the key to save this industry in the 2% relief bill.

Ladies and gentlemen, I just want to you not to forget that Connecticut businesses continue to pack their bags and leave our state and for the past few years, we have lost approximately 200,000 jobs and here is rare chance for us to save some of those jobs for Connecticut's rough times and pari-mutuel industry.

The pari-mutuel industry continues to pump revenue into our state coffers and it continues to provide jobs. Don't turn your back on the workers, ladies and gentlemen. Let them know that they matter by voting for this 2% relief amendment.

DEPUTY SPEAKER PUDLIN:

Representative Fusco.

REP. FUSCO: (81st)

Thank you, Mr. Speaker. Mr. Speaker, I have a question to the proponent of the amendment, through you.

DEPUTY SPEAKER PUDLIN:

Question to the proponent. Ready yourself, Sir.

Proceed, Representative Fusco.

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REP. FUSCO: (81st)

Thank you, Mr. Speaker. I would direct the proponent to line 33 of the amendment.

DEPUTY SPEAKER PUDLIN:

Excuse me, Representative Fusco.

I am not sure that Representative Mulready heard us. Representative Mulready. Representative Mulready, Sir. Ready yourself for a question, Sir.

REP. MULREADY: (20th)

I am braced.

DEPUTY SPEAKER PUDLIN:

Proceed, Representative Fusco.

REP. FUSCO: (81st)

Thank you, Mr. Speaker. Representative Mulready, I would direct you to line 33 which starts a paragraph indicates that the executive director shall enter into negotiations to sell the off track betting facility and my question to you is it true that that process is already being undertaken? And if so, do you have knowledge of that? Through you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Mr. Speaker. That process has been undertaken and the bids have been taken and a contract

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is signed, subject to the will of this Legislature. If the Legislature passes this law, that sale will take place on July 1st. I might note that the sales price is \$20 million which is about \$12 million more than estimates that I have heard for the sale of this thing within the last year or two. So, yes, it has been negotiated. The contract is signed subject to the passage of this act and they got a good price for it.

DEPUTY SPEAKER PUDLIN:

Representative Fusco.

REP. FUSCO: (81st)

Again, through you, Mr. Speaker, could you describe to the Chamber what would happen to the current state employees if they are involved in that?

REP. MULREADY: (20th)

Through you, Mr. Speaker. It is my understanding that the State employees will have an opportunity to, it must be considered for re-employment with the new operator for any job for which they are qualified and that it is the intention of the new operator to hire virtually all of those people.

DEPUTY SPEAKER PUDLIN:

Representative Fusco.

REP. FUSCO: (81st)

Thank you, Mr. Speaker. For a comment, I just find

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it, ladies and gentlemen of the House, I just find it somewhat presumptuous of the executive director to enter into negotiations for the sale of something that we have not authorized to happen yet.

It is typical of what has been going on in the State of Connecticut. This branch of government, time and time again, in the last couple of sessions, has been seemingly loosing its legislative authority and I think this is appalling. Now, unfortunately, I believe that there are some good portions of this amendment that I like, but I would just point out to the members that you have a duty here and you have an obligation to exercise the legislative oversight authority that we have. And for executive directors of agencies to be entering into negotiations prior to approval, I think, is a real smack in the face of our process and we have a responsibility to make sure that we get to exercise our authority as a co-equal branch of government and here we go again, ladies and gentlemen. I don't know where the word came from to enter into these negotiations, whether it came from the third floor and I can't surmise where that happened from, but I will listen to the debate further.

Thank you.

DEPUTY SPEAKER PUDLIN:

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Representative Farr.

REP. FARR: (19th)

Yes. Thank you, Mr. Speaker. Through you, Mr. Speaker to Representative Mulready.

DEPUTY SPEAKER PUDLIN:

Ready yourself, Representative Mulready.

Proceed, Representative Farr.

REP. FARR: (19th)

Yes. Representative Mulready, does this bill authorize the new owner of the off track betting parlors to conduct, to do, to operate more parlors than the present operation? Is it less restrictive on the owners of the new, the private owners than we have had in the past? Are there fewer restrictions on the operations of these parlors? I notice, for example, from deletion or some added language in line 83 about not being located within a certain number of miles of a facility which screens for simulcast. So, I assume that this allows them to locate more facilities closer than they could under the present law. Through you, Mr. Speaker to Representative Mulready, am I correct with that?

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Mr. Speaker. I don't believe you are correct with that.

There is no intention to allow additional simulcasting facilities. There is nothing that allows additional simulcasting facilities in say, any of the off track betting in any of the other off track betting parlors other than where they are now in Windsor Locks and so forth.

It also does not allow the, it does not allow the growth of off track betting parlors beyond those that are currently authorized. There are 18 authorized..I think there are 16 now, if my memory serves me right. They could reopen the two that have closed or reopen two more to the maximum authorization, but it does not allow additional parlors.

REP. FARR: (19th)

Just to make a comment on the bill. I think the provisions for selling the off track betting parlors are long overdue. I would point out to this body that the Governor proposed in his budget message, in that when the budget was passed, the budget did not have any money for the continued operation of off track betting.

I think it was appropriate for the executive office to be under negotiations for the sale. There was no indication from this body, at any time, during the last

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four months, that we had any disagreement with this intent to sell. I just commend everybody for coming up with a great sales price. I have some reservations about now giving the money away through reductions in taxes to the others and I just have one further question to Representative Mulready.

Representative Mulready, as I understand this, this will now give us \$5 million in additional revenue, net revenue available. Am I correct in that?

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Mr. Speaker. This will give us net new revenue of \$5 million in the next fiscal year.

REP. FARR: (19th)

So, that we have only then, what six shopping days left to spend \$5 millions? Is that correct?

REP. MULREADY: (20th)

Through you, Mr. Speaker. In House "B" we spent a little of it already.

DEPUTY SPEAKER PUDLIN:

Representative Farr.

REP. FARR: (19th)

I thought so. Thank you.

DEPUTY SPEAKER PUDLIN:

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Representative Ward.

REP. WARD: (86th)

Thank you, Mr. Speaker. Mr. Speaker, members of the Chamber, I rise in support of this amendment, in particular, in strong support of the privatization of the off track betting system. As somebody who has offered this as an amendment, on the floor, on a couple of occasions, would point out that when we look at what State services ought to be provided and we decide what should be provided directly by the State and what should be provided privately, you ought to look at one, efficiency of operation and two, the importance that it be a State employee provided service.

Off track betting is nothing more than a legalized book making service. We pointed out a couple of years ago that the State was the only book maker in the world that anybody has ever heard of that lost money.

They have done a little better in this past fiscal year and they are predicted to do a little better this time, but the fact that it could ever get to that situation, means it is not the kind of service that ought to be provided by government.

If we are to have, we are literally subsidizing bettors with State tax dollars in past years. What we are saying now is that the extent that we want to have

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this gaming, it should be run the by the private sector with the ability for strict regulation on the part of the State. That is an appropriate role for this State. Regulate those that are involved in gaming and in operating it, not operating it ourselves by State employees.

Certainly, I have some concern for those that are currently in those jobs and I think the amendment addresses that in two ways. One, the RFP which would be accepted if this bill goes through or they are required to offer positions to everyone that is there and perhaps, even more importantly, for those who would wish to stay within State service, this amendment specifically provides that they really have priority on many State jobs. I did speak with the Commissioner of Special Revenue and they are optimistic that all or most would be able to find positions as there is attrition and turnover.

So, while there maybe some temporary displacement, it is not aimed at doing any particular harm to particular individuals that work there. However, we have to make the tough decision. Is it an essential government service? No. Off track betting is as far away as you could possibly get from essential government service.

There is only one reason to have it and that is to raise revenue for the State of Connecticut that we would not otherwise, we would otherwise have to raise by taxes. It is sort of voluntary taxes. It is the only reason why we are in any kind of gaming.

For it to do that, it should be run as efficiently as possible, I believe a private contractor is the most efficient way to run this. I hope this is the start of us looking at a lot of state services when they are not essential state services to see what is the best way to run them.

I applaud the Chamber for, I hope, coming to the conclusion that privatization can work here and can work in other areas later, as well.

It is particularly beneficial that someone is actually willing to pay \$20 million to the State for the right to operate this franchise and on an ongoing basis, guaranteeing us a percentage of the handle so we will never again be in the situation of losing money on a book making operation.

I urge the members to all support this amendment, because one, it raises revenue for the State of Connecticut, two, it gets us out of a business that we shouldn't have been operating and allows us to regulate and three, has reasonable protection for those people

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who are currently employed in the system.

Thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Thank you, Representative Ward.

Representative Roy.

REP. ROY: (119TH)

Thank you, Mr. Speaker. I rise in support of this amendment especially that portion on the pari-mutuels. I will not repeat everything that the esteemed Representative Amann has so eloquently put before this Assembly, but I do wish to remind you that this amendment serves to protect an industry that has served Connecticut well for almost twenty years and does protect jobs.

And I ask all the members of this assembly to vote in favor of this amendment.

Thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Thank you, Representative Roy. Representative San Angelo.

REP. SAN ANGELO: (131st)

Thank you, Mr. Speaker. I also rise in support of the amendment, but a few questions to the proponent of the amendment, please.

DEPUTY SPEAKER PUDLIN:

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Ready yourself, Representative Mulready.

Proceed, Sir.

REP. SAN ANGELO: (131st)

Representative Mulready, could you explain to me why if it is a one time deal why we are implementing it in two years?

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

If I heard the question right, Mr. Speaker, it was why if it was a one time deal, the revenue is spread over two years? Is that correct?

REP. SAN ANGELO: (131st)

That is correct.

REP. MULREADY: (20th)

First, it will take the Commissioner of the Department of Revenue Services sometime to wind down the operation, pay bills, get an audit and so forth. So, he will be turning over the money and will be using the net proceeds during the course of the next two years.

But, If I could expand, Mr. Speaker, there is no question that aspect of it, the sale proceeds, is a one shot revenue.

DEPUTY SPEAKER PUDLIN:

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Representative San Angelo.

REP. SAN ANGELO: (131st)

Through you, Mr. Speaker. Could you explain to me why personnel costs are increasing in 95/96 and revenue is decreasing in 95/96?

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

I am having a little bit of difficulty hearing him, Mr. Speaker. Could he repeat the question?

DEPUTY SPEAKER PUDLIN:

Representative San Angelo, could you please repeat your question?

REP. SAN ANGELO: (131st)

Again, through you, Mr. Speaker. As I look at the fiscal note here, I see that personnel costs are increasing in years 95-96 and estimated revenues are decreasing in 95-96. Is that because of State contracts or what is the explanation for that?

DEPUTY SPEAKER PUDLIN:

Did you hear him, Representative Mulready?

REP. MULREADY: (20th)

I think I can explain both, Mr. Speaker. The handle from many of the pari-mutuel facilities has been

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decreasing year by year and the State's portion of that has been decreasing year by year, so that could account for the decreasing amount in the revenue loss column.

As for the increasing in the personnel cost savings column, there are additional expenditures, there are annual pay raises, there are normal increases in those costs.

DEPUTY SPEAKER PUDLIN:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Okay. Through you, Mr. Speaker. One other question. The new 3.5% tax, do you have the fiscal note as to what that is going to raise in revenue for the State?

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Mr. Speaker. I apologize for carrying on two conversations at once, and I do apologize to the Chamber for this, but would you repeat the question?

DEPUTY SPEAKER PUDLIN:

Representative San Angelo. Let's do it again.

REP. SAN ANGELO: (131st)

Again, through you, Mr. Speaker. I understand that after the sale of the OTB, there will be a new 3.5% tax

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based on the total amount wagered. Is there a fiscal note as to what the revenues generated from that will be?

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Mr. Speaker. It is my understanding that all of that is netted in the estimated revenue loss, in these revenue figures. So, in other words, there is not enough source of income that is not included in these figures. These figures include all the cash flow, both in flows and out flows.

REP. SAN ANGELO: (131st)

Okay. Well, I rise in support of this amendment, Mr. Speaker. One of the things that was pointed out in the committee when we discussed this issue, that although indeed the revenues of the OTB system have been declining, at the same time, the costs of administrating OTB has been increasing rapidly. The system is gradually working at a profitability as it is being currently run by the State of Connecticut.

I support this bill. I think it is high time that the State of Connecticut got out of this business. It should be run by a private institution and not by the State of Connecticut.

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I support the amendment and I encourage my colleagues to do so.

Thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Thank you, Representative San Angelo.

Representative Maddox of the 66th.

REP. MADDOX: (66th)

Thank you, Mr. Speaker. If I may, a few questions through you, to the proponent? He is done with lunch now.

Through you, Mr. Speaker. I was looking at the fiscal note with some interest and Representative Mulready maybe can do a little expanding upon it. When reviewing the combined impact of the amendment here, with the budget act, it shows that for the first year, the 94 fiscal year, it is a \$5 million gain. And then for fiscal year 95, it is a wash. But, obviously that proportion is \$13 million in 94 to create a \$5 million gain and \$7 million one shot in 95.

I would then be able to make the assumption and through you, Mr. Speaker, that we will then see approximately a \$7 million loss for fiscal year 96? Is that correct, through you, Mr. Speaker?

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

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REP. MULREADY: (20th)

Through you, Mr. Speaker. Just referring to the amendment we are talking about, are you trying to net that against Amendment "B" when you arrive at your figure of \$7 million?

REP. MADDOX: (66th)

I guess it is comparing exhibit two is what I am looking at. What it appears to me, through you, Mr. Speaker is that we have a \$13 million one shot that we are going to apply in fiscal year 94 for the sale of OTB. We are applying \$7 million in fiscal year 95. We have zero to apply in fiscal year 96. Therefore, if I did not apply this \$7 million again, it would be a \$7 million loss. So, the real cost of what I am getting at is to lower the tax, the effective tax rate to 2% on a pari-mutuel is a \$7 million cost to the State and it will be felt, if you will, beginning in fiscal year 96. Is that correct? Through you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Mr. Speaker, through the assumptions Representative Maddox has made, I think that is probably a fair assumption. However, I would point out the following and this, obviously, is a matter of opinion rather than

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a matter of fact.

If we don't do this, it is the expectation of many, that at least two and probably three of these facilities will close in the next year in which case, there will be zero revenue from those facilities.

So, if one wants to consider, on an opportunity cost basis, if you will, and compare that to the actual revenue loss, my belief is that we are way ahead of the game this year, next year and in ensuing years because we would get no revenue from those facilities in years to before and beyond.

To add one last item, I am not so sure, personally, that this bill is going to save them for much longer than a year or two, in any event. So, there is some uncertainty in the numbers under any circumstances.

REP. MADDOX: (66th)

Well, if I may in following up on that, through you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Proceed, Sir.

REP. MADDOX: (66th)

It was only a few weeks ago we adopted revenue estimates at the Finance Committee and then here on the floor of the House, respectfully, by an amendment offered by you, Representative Mulready.

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Did they contained in these revenue estimates, was not the assumption that these pari-mutuels would continue to as is in paying? Wasn't that correct? Through you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Mr. Speaker. That is a fair assumption, but I should also tell you, Representative Maddox, what I just expressed a moment ago was my personal opinion about these items, rather than opinions of revenue estimates of the Office of Fiscal Analysis, under which we all know the following, that one thing is certainly true. That you are really voting upon a total and that we all know that the elements that add up to those totals are going to be wrong in some manner or another and we just hope the total is right.

REP. MADDOX: (66th)

Another area of the bill, through you, Mr. Speaker. Perhaps you could explain the rationale that we will lower the effective tax rate for the first \$50 million on the Plainfield Dog Track to 2%, however, if the Bridgeport Dog Track comes on line, that that will remain at 2%. Was is the rationale? Is a dog track not

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a dog track?

Through you, Mr. Speaker.

REP. MULREADY: (20th)

Through you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Proceed.

REP. MULREADY: (20th)

The economic rationale for that is very simple. In order to make that conversion, assuming it happens, there is about a \$40 million capital investment that will have to be made in Bridgeport to change from the Jai Alai to the dog track and this 2% flat rate, takes into account the amortization of capital investment so that is the reason for the graduated rate in one case on the existing facility and the flat rate in the Bridgeport facility.

REP. MADDOX: (66th)

Through you, Mr. Speaker. If the Bridgeport facility dog track were to come on line, it is going to have an effect upon the Plainfield Dog Track, obviously. People wanting that sort of entertainment, depending on where you live, let's say New Haven, for example, would might chose to go to Bridgeport versus off to Plainfield.

Why then, would the State of Connecticut want to be

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in the business then of basically creating an uneven playing field and subsidizing the Bridgeport Dog Track, really at the expense of the Plainfield Dog Track?

Through you, Mr. Speaker.

REP. MULREADY: (20th)

Through you, Mr. Speaker. I am not sure that I agree with the assumption. The assumption is that the State is, in fact, subsidizing one at the expense of the other. If the State wants to look at the health of both entities, and the State wants to therefore look at what is left after operating expenses pay out and cost to capital associated with those facilities, the Plainfield facility is a facility that has existed for a different number of years, has its capital costs, in place and presumably, has lower capital costs and lower carrying costs, therefore, than the Bridgeport facility would have after it were renovated.

It is also my understanding that this amendment is essentially the agreement that the Governor struck with the pari-mutuel facilities and therefore, presumably, all of the parties to that agreement felt that it was fair and equitable for all parties or else they wouldn't have agreed to it.

DEPUTY SPEAKER PUDLIN:

Representative Maddox.

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REP. MADDUX: (66th)

Thank you, Mr. Speaker. You are shedding some more light on this, Representative Mulready. Because I was somewhat having difficulty following your arguments there. You are saying, the Plainfield Dog Track seems to be fine and dandy and almost would make an argument they don't need the tax cut, yet on the other hand, they are in trouble. But, then you explain it for us that when the back deal was done at the Governor's Office, this was what was agreed upon.

I really have no further questions. I thank the gentleman for this. I must admit, ladies and gentlemen of the Chamber, I am not thrilled to see this item here. I think it is a smelly left over from the previous discussions we had all session on the gaming issue in the State.

And it really does concern me. I do actually have some concern also for the jobs. Everyone here and I offer through my friend, Representative Amann and Representative Caron and others, I understand their deep concern for the jobs in their districts and this is tough times and I guess we probably have to adopt this amendment and have no alternative.

But make no mistake about it, ladies and gentlemen. The handwriting is on the wall. These enterprises are

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going out of business. We are just prolonging the agony. I firmly believe that the casino, which hasn't been brought up is going to go and end up probably pushing the dog track out of business. And we can go and lower their effective tax rate to zero and maybe turn around and follow the OTB example and we will end up subsidizing them.

I hope not. But clearly, these are industries whose time has come and gone. And unfortunately, no longer being generally accepted in the marketplace. And if we learn nothing else from that, I guess when we look to other gaming activities down the road, maybe we need to take a look at the lesson that we have had with this experience for the last twenty years. It was good while it was here, but literally, the industry is just not here and it is dying. We are just prolonging that death and I do hope that the owners of these facilities will at least take care of the workers for the next two or three years and not create, through this tax break, gigantic golden parachutes for them to be fat and happy somewhere while the workers are left out and their respective communities are left out in the cold.

Thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Thank you, Sir.

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Will you remark further? Representative Beals.

REP. BEALS: (88th)

Thank you, Mr. Speaker. I support this amendment for all the reasons that are clearly articulated by Representative Ward.

I was delighted when I read about the agreement that the Governor was negotiating in the paper because it included a graduated tax and I suggest that we remember this when we revisit the income tax repair issue.

Thank you.

DEPUTY SPEAKER PUDLIN:

Thank you, Ma'am.

Representative Caron.

REP. CARON: (44th)

Thank you, Mr. Speaker and good afternoon.

DEPUTY SPEAKER PUDLIN:

Good afternoon.

REP. CARON: (44th)

Just a couple of comments. First of all, I certainly support the amendment. But the demise of the pari-mutuel industry in Connecticut referred to by Representative Maddox is greatly exaggerated.

It has certainly been known for the past number of years and certainly this will not make it whole. We

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may have an agony to deliver it, but I think it is an agony that the people that live in the various towns, Milford, Bridgeport, Plainfield, will have to enjoy for a number of years to come.

If there every is a time when these facilities feel that they have to close down, hopefully, the action is that the General Assembly takes this year will give us the chance and the opportunity to attract more manufacturing to our districts, more service companies, or to enhance our tourism industry.

I would also like to thank the members of the House of Representatives. I would like to thank you for your patience, your indulgence, in allowing us to bring our case to you. There are very many people here that when they heard the video slots proposal, were very concerned personally and professional with what they thought was an expansion of gambling. But even so, they were willing to listen to our story, they were willing to listen to our plight, and I think they were very willing to give us the benefit of the doubt.

Even though they are not sure that they could actually support it, I think, many of them, put themselves into a very difficult dilemma in trying to decide whether or not to actually vote for it and help the pari-mutuel workers of Connecticut. I thank you

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for that. It is very much appreciated.

I would also like to thank Representative Fritz, the Chairman of Public Safety Committee and the Ranking Member, Representative Fusco for their encouragement and their patience and sometimes, their toughness.

This has been very difficult. The Town of Plainfield has been living in fear ever since the Foxwoods Casino has started operation. We are in fear of many of our neighbors losing their jobs, we are afraid of the projected increase in the social services, we are concerned with the lost revenues derived from the dog track to the town and probably, mostly, we were concerned about the loss of dignity. It comes from having a job. It comes from supporting one's family. Having a job that allows one to pay ones way through college.

Because, believe it or not, 16, 17, 18 year olds can work in a pari-mutuel facility. And we had a rally here on the back steps of the Capitol about two weeks ago and these were young kids that were concerned about the jobs of their families and of themselves and exercised their rights to come up here and work for their future.

I would also like to emphasize that this proposal, perhaps not quite in its final form, but this was a

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proposal originally proposed by the administration for a tax relief for the pari-mutuel industry way back in the beginning of the session. There is no backroom deal cut other than an offer. Would you prefer to get 76 votes and a signature for tax relief this year or try and get a two-thirds number of votes for an override? I think the choice is rather easy.

Again, I don't want to take up too much of the Chamber's time. I know we all want to go along and vote, but I will say that I certainly appreciate all the efforts of all the people that have been involved in this and again, I appreciate your indulgence and your patience. And I urge adoption of the amendment.

Thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Representative Boughton.

REP. BOUGHTON: (109th)

Thank you, Mr. Speaker. I rise to speak in support of the amendment. Although not everything in the amendment makes me feel happy. If I remember right, OTB just in the past year, finally went profit making, making \$2 million in profit and now we turn around and sell it.

But section 18 is particularly nice to those residents of Danbury that I represent around Latins

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Cove on Lake Candlewood which have been fighting the expansion of the boat ramp there for the last year and one half. And now it is finally in a bill where DEP can't spend the money to expand that boat ramp, so that makes me want to vote for the bill.

But I think there are some other things in it that I am not too happy with and I am going to support it though. Thank you.

DEPUTY SPEAKER PUDLIN:

Thank you, Sir. Will you remark further on "C"? Representative DePino.

REP. DEPINO: (97th)

Thank you. Mr. Speaker, if I may? Just take the Chamber's time to say two very brief things.

One, I have mixed feelings. I am very supportive of the amendment for the savings of the jobs that this amendment will create in the pari-mutuel industry, specifically, at the Jai Alai's and the dog tracks. And I have been thoroughly convinced that those jobs were worth saving and I commend all the players who were involved here who kept people vital, at least for a few more years until the Connecticut economy can turn around and this state gets a better sense of where it is headed.

But I view, with some concern, the loss of jobs in

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the off track betting system, itself. Because we have many dedicated State people, State employees who have worked very diligently in off track betting for a number of years, I was convinced that off track betting was a part of the State that was on the mend.

I see in the file copy, for the amendment, that these employees will be given first preference to be hired back in the State. I would like to ask a brief question to the proponent of the amendment, if I may?

DEPUTY SPEAKER PUDLIN:

Ready yourself, Representative Mulready.

Proceed, Sir.

REP. DEPINO: (97th)

Thank you. Through you, Mr. Speaker, Representative Mulready, the file copy, of the amendment, section 14 talks about each permanent state employee displaced by the off track betting system shall be offered in seniority order, another state position, if qualified and there exists vacancies.

Do you know, currently, if there are any vacancies at all within the State of Connecticut that these employees might be able to fill, through you, Mr. Speaker?

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

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REP. MULREADY: (20th)

Through you, Mr. Speaker. No, I don't.

REP. DEPINO: (97th)

My colleague from North Branford, Representative Ward alluded to the fact, which I cannot find here, that the prospective vendor who will buy OTB will give first considerations for State employees. Could you elaborate a little bit on the opportunities current State employees at OTB will have when it sold? Through you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Mr. Speaker. It is my understanding that the party .. first of all, the department has a contract signed by the party who has offered \$20 million. And that it would go into effect when this bill becomes law.

It is my understanding and this may well be in more detail in the contract, which I don't have...first, by way of background, I think there are 60 full time employees and I am not sure if it is 74 or 174 part time employees. And it is my understanding that this part of the agreement that those people will be offered positions for which they are qualified and that it is

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the intent to hire as many of these people as possible.

DEPUTY SPEAKER PUDLIN:

Representative DePino.

REP. DEPINO: (97th)

Thank you. I will tell you, Mr. Speaker, and I appreciate the comments from Representative Mulready, but I think the State is in no position now to be placing permanent employees around other vacancies that may, may exist on our State payroll.

I personally don't feel that those vacancies are there and secondly, and most importantly, our OTB employees, as dedicated as they are, a lot of them really will lack the training for any future vendor to come in and hire them and that is a very serious problem.

If we are able to give our employees future training, where they could be employed again by a new vendor coming in that will operate OTB, that would make me feel a lot better in supporting this bill.

But, I will reluctantly vote for this because, I think, on balance, the voices of a majority of people in the pari-mutuel industry certainly have been heard by me, but it is my hope and I would like the record to indicate, that I am very reluctant in selling OTB, that we are disposing of a very credible and dedicated

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workforce that has honored the State of Connecticut for a long period of time.

Thank you.

DEPUTY SPEAKER PUDLIN:

Thank you, Representative DePino.

Representative Tavegia.

REP. TAVEGIA: (83rd)

Thank you, Mr. Speaker. First of all, I want to say that I rise and I am going to support this amendment, but I have to tell you, I have real reservations about this whole process.

It seems to me that although many of us who worked on the gaming bill and made a very sincere effort to look at the pari-mutuel industry, and looked to help them, by making them a part of the program, was in that bill.

Because we were concerned about their jobs, and what had happened because of the gaming business that was in Connecticut. But really bothered me about the process, was just like the Titanic, when saw it about to go down, they decided to find plan "b".

And that is what bothers me. That if you have an issue that you are a part of and it may not happen, then we better do something else, quickly.

And I think one of the things that bothers me about

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this bill is that the reason there is no fiscal note, is because the State is selling an asset to offset it and I think all of us in here are for jobs, all of us want to help this industry because I was one of the first people who decided to help them work on becoming part of the gaming bill because we were concerned about it.

But I have to tell you, the process is not what I thought it should be. And it bothers me that if we are going to look to other forms of tax relief in the future, how are we going to cover those loses? Are we going to continue in the years ahead to look for more assets that we can liquidate to cover that tax relief? How many assets do we have? Where are they going to come from?

And I think what is happening here maybe setting a very dangerous precedent by looking at liquidating assets to cover revenue losses by tax breaks that we may give in the future.

I am going to support this amendment, but I tell you, I really have some severe reservations about this entire process.

DEPUTY SPEAKER PUDLIN:

Representative Donovan.

REP. DONOVAN: (84th)

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Yes, Mr. Speaker. Mr. Speaker, I would like to speak on this amendment. I think this amendment speaks to the issue of privatization.

I think one of the things we talk about in privatization is when the State is looking at ways to save money. And one way is what we are doing by privatizing OTB, we are actually losing money that we are making. This is an industry that is making money.

It is kind of funny that what we are doing is that we are using, we are selling this, a profitable business that the State has in order to help a business that is losing money and I think it speaks to the problems of privatization that too often we are not looking at the real costs.

I am going to support this amendment only because of the workers that are involved. They are workers that work in the Jai Alai and stuff and are in danger of losing their jobs and I just hope that the OTB workers will retain their jobs at a decent salary.

Thank you.

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Mr. Speaker, can I clear up a misconception that has been referred to by each of the last two speakers?

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DEPUTY SPEAKER PUDLIN:

Please.

REP. MULREADY: (20th)

Each of the last two speakers talked about selling OTB in order to subsidize the pari-mutuel facilities. That in fact, is not true.

The OTB asset sale was a bill that was put forth by the Governor this year. That has been an amendment to a number of budget bills put forth by Representative Farr among others for a number of years. And it just so happens that for the sake of convenience, we married these two concepts in this amendment.

One literally has nothing to do with the other. The OTB sale is one concept. The tax break for the pari-mutuels who may need it, is another concept. So, I would not like to give the notion that we are selling assets to cover current cash flow problems from the pari-mutuel facilities.

I would also mention that in the case of the off track betting facilities, Mr. Speaker, we are imposing a tax, a three and one-half percent tax on the wagering in those facilities so that will be a stream of income from that facility on an ongoing basis.

And I would also add that those facilities in at least two of the last three years or maybe three of the

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last three years have lost money, so not only are we imposing a tax on the wagering, we are also getting rid of the money loser and getting a gain on the sale of the operation.

DEPUTY SPEAKER PUDLIN:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Thank you, Mr. Speaker. For the second time. A question through you to Representative Mulready, please?

DEPUTY SPEAKER PUDLIN:

Stand ready Representative Mulready. Proceed, Sir.

REP. SAN ANGELO: (131st)

Representative Mulready, through you, Mr. Speaker. Line 739 calls for the executive director to pay each municipality one percent of the gross revenues. Is that current law? Is the State paying that one percent now or not?

REP. MULREADY: (20th)

Through you, Mr. Speaker. Yes.

DEPUTY SPEAKER PUDLIN:

Representative San Angelo.

REP. SAN ANGELO: (131st)

And again, through you. Back to a question I asked earlier. Do you have a breakdown of what that revenue

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stream you were just talking about would be? That 3.5%. Do you have the breakdown, estimated revenue over the next two years?

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Mr. Speaker. No, I don't. But, perhaps by the time we finish debating this thing, I could make a call and see if I can get that number and add it at the end of the discussion.

REP. SAN ANGELO: (131st)

Thank you, Mr. Speaker. Thank you.

DEPUTY SPEAKER PUDLIN:

You are welcome, Sir.

Representative Lescoe.

REP. LESCOE: (49th)

Thank you, Mr. Speaker. I stand for this Chamber in favor of House Amendment "C" and I have a little bit of a different outlook than many of the people in this Chamber.

Within the area of Plainfield, Connecticut watching the handlers and the attendants throughout the years, it has dipped to an all time low. But I also, I for one, was against a casino in Ledyard, but now I have a different opinion because, yes it has provided jobs.

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Not only that, but construction and the increase of facilities in that area, I believe that Ledyard, Connecticut will be one of the top tourism spots in the United States in years to come.

With the Plainfield Dog Track only one half hour away, I believe also that we will see different revenues coming into the dog track.

A couple of years ago, we passed a bill for the Bridgeport Jai Alai, so we wouldn't move the dog track from Plainfield to Bridgeport, but we did give them a tax break.

As far as the pari-mutuels go, I agree that it is a very good investment for the State of Connecticut. It provides jobs, it saves jobs in an area that has around 9% unemployment rate. And I really believe even with Electric Boat and the problems we have, the Southeastern and Eastern Connecticut, hopefully will turn around in the next couple of years.

I hope everyone joins with us from Eastern Connecticut and approves House Amendment "C". Thank you.

DEPUTY SPEAKER PUDLIN:

Will you remark further on House "C"? Will you remark further? If not, staff and guests to the well of the House. Members, please be seated. The machine

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will be opened.

THE 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 PUDLIN:

Have all the members voted? And if your vote is properly recorded, the machine will be locked. The Clerk will take the tally.

The Clerk will announce that tally.

THE CLERK:

House Amendment Schedule "C to House Bill 6605	
Total number Voting	145
Necessary for Adoption	73
Those voting Yea	141
Those voting Nay	4
Those absent and not Voting	6

DEPUTY SPEAKER PUDLIN:

The amendment is adopted. Will you remark further?
Representative Mulready.

REP. MULREADY: (20th)

I have a couple more amendments and then I hope to yield to Representative Jones for another amendment.

These two, I think are very simple.

Would the Clerk please call LC07825 and I be given

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an opportunity to summarize?

DEPUTY SPEAKER PUDLIN:

Clerk, please call LCO7825, House Schedule "D".

THE CLERK:

LCO7825, designated House "D" offered by
Representative Mulready.

REP. MULREADY: (20th)

Through you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

The gentleman has asked to summarize. Hearing no objection, please summarize.

REP. MULREADY: (20th)

Thank you, Mr. Speaker. Representative Young brought to my attention, as confirmed by Representative Belden that there was an error in House "B" in the reference to gas for that exemption for the gross receipts tax. And that we should be somewhat clearer when we refer to natural gas rather than just the word gas.

So, the first part of this amendment, in fact, does that.

The second part of the amendment, the Department brought to my attention. The Commissioner of the Department of Revenue Services brought to my attention, is in section 37 or so of House "C" which we just

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passed. There is an unclaimed money fund in the OTB and with the sale of that part of the negotiated price, was that that would go to the buyer, but that is included in all the fiscal notes and all the fiscal analysis, Mr. Speaker, so it doesn't change the fiscal structure of House "C" that we just passed, but both of those were errors in the drafting of the original amendments, so the purpose of this is just to clean those two things up, quickly.

So, I move adoption, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

The question is on adoption. Will you remark? Will you remark on the adoption of House "D"? Representative Farr.

REP. FARR: (19th)

Yes, I am at the unclaimed money funds, subsection J of this amendment. I understand this is part of the sales, but after this, does this say that the licensee keeps in effect, the money that would otherwise to the State forever? Through you, Mr. Speaker to Representative Mulready.

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Through you, Mr. Speaker. That is my understanding.

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That is part of the sale and that is part of the pricing of the tax, the 3.5% tax which by the way, thank you for giving me the opportunity to answer your question by Representative San Angelo, which the State's share will be about \$4.6 million a year as a projection from OFA. That was part of the agreement factored into all of the economic equations as part of the sale.

REP. FARR: (19th)

Thank you, very much.

DEPUTY SPEAKER PUDLIN:

Thank you, Sir. Will you remark further on House "D"? Will you remark further on "D"?

If not, let me try your minds. All those in favor of House "D", signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER PUDLIN:

Those opposed, nay. The ayes have it. House "D" is adopted.

Representative Mulready.

REP. MULREADY: (20th)

For my last amendment, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

We have been waiting, Sir.

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REP. MULREADY: (20th)

Eagerly, I am certain, Mr. Speaker.

I would ask the Clerk to call LCO8233, and I guess I can read it and I will explain it.

DEPUTY SPEAKER PUDLIN:

Will the Clerk please call LCO8233, House Schedule "E"?

THE CLERK:

LCO8233, designated House "E" offered by Representative Mulready.

DEPUTY SPEAKER PUDLIN:

Will the Clerk please read?

THE CLERK:

Strike section 24 in its entirety and renumber the remaining sections and internal references accordingly.

REP. MULREADY: (20th)

Mr. Speaker, this takes out that Bradley Field section. When we put this together, when we put this entire amendment "B" together, we sat down with the Republicans, went through various things and got some agreement. We met with some folks in the Senate and so forth and so on. There is another bill that does this little piece, so we will take it out here and address it in another bill.

So, I would move its adoption, Mr. Speaker.

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DEPUTY SPEAKER PUDLIN:

Question is on the adoption of House "E". Will you remark? Will you remark on the adoption of House "E"? If not, let me try you minds.

Those in favor of House "E", signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER PUDLIN:

Opposed, nay. The ayes have it.

Representative Mulready.

REP. MULREADY: (20th)

Mr. Speaker, may I yield to Representative Jones for purposes of what I consider to be an extremely friendly amendment?

DEPUTY SPEAKER PUDLIN:

Representative Jones, Sir. Do you accept the yield?

REP. JONES: (141st)

Yes, I do, Mr. Speaker. Good afternoon, Sir.

DEPUTY SPEAKER PUDLIN:

Good afternoon, Sir.

REP. JONES: (141st)

Mr. Speaker, the Clerk has an amendment, LC07824. May I ask that he call the amendment and I be given permission to summarize?

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DEPUTY SPEAKER PUDLIN:

Will the Clerk please call LCO7824, House Schedule "F"?

THE CLERK:

LCO7824, designated House "F" offered by Representative Jones.

DEPUTY SPEAKER PUDLIN:

Representative Jones, leave to summarize. Hearing no objection, proceed.

REP. JONES: (141st)

Thank you, Mr. Speaker. This amendment would exclude from the use tax, exclude from the Connecticut Use Tax, mail order purchases from a retailer outside of this state. The cost of which to the purchaser is \$200 or less.

I move adoption, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Question is on adoption of "F". Will you remark?

REP. JONES: (141st)

Yes, thank you Mr. Speaker.

I think it is important that all of us here the implications of this, Mr. Speaker. If we could have it quiet in the chamber.

DEPUTY SPEAKER PUDLIN:

Excuse me. Ladies and gentlemen. Please, ladies

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and gentlemen. Be quiet. (gavel)

Thank you, very much.

Representative Jones.

REP. JONES: (141st)

Thank you. As you all know, having received your income tax package this year, the Commissioner included in the package, a form for self assessment for your purchases out of the State of Connecticut, subject to the Use Tax, Connecticut's Use Tax at 6%.

Many people in this State, are failing to report small items so purchased. And thus, have become, in effect, scofflaws. The administrative burden of self assessment in this way is so significant that many of our constituents, I believe, would greatly support the intent of this amendment. This simply excludes the requirement, excludes from the Use Tax your requirement to report and pay sales and use tax on small purchases from out-of-state mail order houses. Small being defined as \$200 or less in a purchase.

I believe this will clarify for many of our citizens, including some of us present, the importance of filing this use tax payment on major items that we purchased out-of-state and bring into the State for use in our homes, such as furniture, appliances and so forth and will eliminate a burden on many citizens of

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keeping track of the small purchases during the year.

Now, I know you will be interested in the fiscal note on this proposed amendment. And the Office of Fiscal Analysis says that the revenue loss upon passage, would be a mere \$50,000. And the reason for that, Sir, is that I think that reflects the lack of compliance among our citizens, presently.

And so, I believe this is a good amendment. And it will make it clear to all of our citizens that we have the judgment to understand materiality and the burdens that would be placed on them if we failed to support this.

I thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Thank you, Sir. Will you remark on House "F"? Representative Belden.

REP. BELDEN: (113th)

Thank you, Mr. Speaker. Unfortunately, I am going to rise to oppose this amendment. I don't think it is friendly, as well intended as it is.

I think what this amendment, because of the effect that this amendment will be, that on our borders, we will have an emergence of mail order stores that you could not imagine. And they will say, drive over the border, buy your suit, buy your whatever, buy your

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toaster, here is your mail order form, we will send it to you next week and there will be no tax.

We have to do this even handed. We can't say that if you do it within our borders, it is one thing. That is the reason why the excise tax for things purchased outside the State was put on there in the first place.

There is a cause and effect here, ladies and gentlemen. That cause and effect is not good. We live in a competitive society. A very creative society. Let me tell you, the camera shop down near Grand Central Station in New York will now become a mail order house.

And so all the Connecticut consumers will stop in and buy their \$190 camera and be absolutely certain that they don't have to pay any taxes on it. This is a very anti-Connecticut business type of amendment.

I would urge the members to defeat this amendment, Mr. Speaker and I would ask that when the vote is taken that it be taken by roll.

DEPUTY SPEAKER PUDLIN:

Representative Belden has requested a roll call vote. All those in favor of a roll call vote, signify by saying Aye.

REPRESENTATIVES:

Aye.

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DEPUTY SPEAKER PUDLIN:

Twenty percent was not met. The vote will be taken by voice.

Representative Mulready.

REP. MULREADY: (20th)

Mr. Speaker, I have a comment, well a question to the proponent of the amendment.

DEPUTY SPEAKER PUDLIN:

Ready yourself.

REP. MULREADY: (20th)

Through you, Mr. Speaker. Representative Jones, can we assume that when you are talking about exclusive mail order purchases from a retailer outside of the State of Connecticut, the cost of which to the purchaser is \$200 or less that that is talking about the total amount? We are not talking about each item being \$200 or less? We are talking about if you do L.L. Bean and buy eight pairs of socks, that total is \$200 or less?

DEPUTY SPEAKER PUDLIN:

Representative Jones.

REP. BELDEN: (113th)

Yes. That is the intent of the amendment.

REP. MULREADY: (20th)

I wanted to make that clear, Mr. Speaker that we

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make sure we weren't doing just \$200 items which would pass some of the anti-competitor effects that I think that Representative Belden was concerned about.

Having said that, Mr. Speaker, I assume also, Representative Jones, that the intent of this amendment, for purposes of LCO in the event that it passes, was not to strike House "B" that we passed earlier, but rather since it was drawn to the original file, was merely to be an additive amendment to all those other items that we had passed, previously?

DEPUTY SPEAKER PUDLIN:

Representative Jones.

REP. BELDEN: (113th)

Yes. Through you, Mr. Speaker. That is correct and I think that is an important point to make. This amendment is drawn to the file copy and the LCO Commissioner should integrate it into the bill as amended with other amendments, in the course of this debate today. Thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Representative Mulready.

REP. MULREADY: (20th)

Okay. That's it for my questions, Mr. Speaker. Now, I would like to make an observation.

I agree with Representative Jones that there are an

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awful lot of people in the State of Connecticut that unintentionally and unknowingly, perhaps, have become tax scofflaws because they don't even realize that when they go into New York or go to Boston or wherever they happen to go, buy some items, and realize that, in fact when they bring them back to the State of Connecticut, that if those are taxable items in the State of Connecticut under the sales tax, they have an obligation to pay a use tax.

I also agree with Representative Belden that under certain circumstances, that the passage of this type of amendment as opposed to this specific amount with this specific amount, would in fact, cause some people, some business people, to take advantage of that circumstance, set up a special operation to garner a mail order sale for a variety of item that may in fact, hurt existing Connecticut businesses.

But, I think that under this amendment, we are talking about items of \$200 or less or less than \$200, \$199 or less, that we really don't provide that type of economic incentive to create special mail order situations outside the State of Connecticut that don't already exist and already aren't being used by our people.

I am not saying that no one individual's behavior

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may not be changed, but I think that the economic impact, for total purchases of \$200 or less is not going to be such that Representative Belden's concern is a very real one.

So, given those circumstances, Mr. Speaker, I would urge support to Representative Jones' amendment.

DEPUTY SPEAKER PUDLIN:

Question is on the adoption of "F". Will you remark, Representative Jones.

REP. JONES: (141st)

Mr. Speaker, in response to Representative Belden's concerns, I would like to point out that I don't think they are really that serious concerns. Remember, this amendment excludes mail order purchases. Which means, you have to go home and mail in your order. And there are literally dozens of catalogs now coming in the mail to virtually every Connecticut home from literally dozens of mail order houses that offer all kinds of merchandise. So, to suggest that people will open additional mail order facilities, they don't have to be across our borders, they can be in another state, hundreds of miles away.

It is not going to be a competitive environment that facilitates a location decision by a perspective seller. The issue is simple, anyone who can mail an

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order will be a competitor, which we already have literally dozens of such firms. I know, I have seen all the catalogs. And the Connecticut consumer can buy from any one of them.

The question is do we want on our books a use tax that the vast majority of all of our citizens are violating? And have no intention of paying up by self assessment. That is not good policy. What we want is to insist that they assess themselves and pay on significant purchases where the tax revenue is important to us and where there may well be continuing violations that should be enforced more vigorously than chasing down a \$10 or \$50 or \$100 purchase.

I believe this is good public policy and reflects the reality of what our constituents want.

DEPUTY SPEAKER PUDLIN:

Representative Maddox.

REP. MADDOX: (66th)

Thank you, Mr. Speaker. I do have a question for the proponent if he can answer or if not, the Chairman of Finance.

It exempts mail orders, as I understand in the amendment, through you, Mr. Speaker to Representative Jones.

My question would be, let's suppose, I myself

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actually have a small mail order business and I was located in the State of Connecticut, sell something to you, located in the State of Connecticut. Is that exempt? Through you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Representative Jones.

REP. JONES: (141st)

Through you, Mr. Speaker, no, you're a Connecticut seller.

DEPUTY SPEAKER PUDLIN:

Representative Maddox.

REP. MADDOX: (66th)

Okay, so it's only out of state. I guess the other question if the gentleman could maybe answer it for me, this would be my concern. You're absolutely right. The explosion in direct mail has been fairly great recently. In fact we're getting pretty targeted now. They print my little name halfway through the catalog and all this stuff.

With passage of this amendment, my concern would be they could print a little message in there, residents of Connecticut. Connecticut state law allows you not to pay taxes of \$200 aggregate on mail order purchases. Now well I understand your intent is aggregate level, there's no way that company X really is going to track

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in a given year that his is aggregate, and maybe you could explain on how that would, the competitive nature that that would not place Connecticut businesses at, through you, Mr. Speaker.

REP. JONES: (141st)

Through you, Mr. Speaker, could Representative Maddox rephrase the question? I'm not quite sure I understand what he's saying.

DEPUTY SPEAKER PUDLIN:

Representative Maddox, could you please rephrase that question?

REP. MADDOX: (66th)

Yes, my concern is similar to what Representative Belden raised, Representative Jones. A mail order house could simply direct a message to residents of Connecticut saying, listen Connecticut law says you don't have to pay sales tax on goods under \$200. I know it's an aggregate amount, but wouldn't that create then by them printing this in their material they're going to send to me some disadvantage to Connecticut retailers. How can we address that?

DEPUTY SPEAKER PUDLIN:

Representative Jones.

REP. JONES: (141st)

Through you, Mr. Speaker, I'm not sure I know. The

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fact is if mail order houses chose to put that into their advertising, I guess that it would simply expose to the public what our law is assuming this passes, and I don't know what the impact would be on Connecticut retailers. I suspect there are many things that enter into a decision as to whether or not you make a mail order purchase or make a local store purchase anyway.

REP. MADDOX: (66th)

Thank you, Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Thank you, sir. Will you remark further on "F"?

REP. MADDOX: (66th)

Mr. Speaker.

DEPUTY SPEAKER PUDLIN:

Representative Belden.

REP. BELDEN: (113th)

Mr. Speaker, very briefly, I know we can't benefit from our actions here, but I tell you if I wasn't here I'd be opening up a few stores in White Plains and Springfield, Westerleigh, because whether we like it or not, a number of our citizens do cross the border to buy goods on a regular basis, and what we're saying to them and to these businesses on our border areas, that if you can arrange to have a little catalog, guess what? We can get Connecticut residents a 6% break.

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I don't think that's what the business people of Stamford and Enfield and these other towns would like to have in order to compete for the sale of the many products that you can buy that are sales taxable under \$200. I guess probably this amendment is going to pass, and I'm not a prophet, but let me tell you, we will address this again. Thank you.

DEPUTY SPEAKER LYONS:

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

REP. JOYCE: (25th)

Thank you, Madam Speaker. Question, through you, to the proponent of the amendment please.

DEPUTY SPEAKER LYONS:

Please frame your question, sir.

REP. JOYCE: (25th)

I'm just wondering, through you, Madam Speaker, if someone from Connecticut buys merchandise from New York, would they be charged the New York sales tax? Through you, Madam Speaker.

DEPUTY SPEAKER LYONS:

Representative Jones.

REP. JONES: (141st)

Through you, Madam Speaker, it's my understanding that typically when you purchase over the counter, if

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you accept delivery over the counter, you pay the tax in the state where the purchase is made. If merchandise is shipped from an out of state store into Connecticut and that store or any chain of which it's a member has no place of business in Connecticut, the store will not charge you the New York tax.

However, you would be required to file a self assessment 6% use tax on that merchandise and make your own remittance to the Commissioner of Revenue Services.

REP. JOYCE: (25th)

Through you, Madam Speaker.

DEPUTY SPEAKER LYONS:

Representative Joyce.

REP. JOYCE: (25th)

How about a Connecticut mail order house. If they sell something to, if they sell merchandise to someone in New York, would they be required to charge the New Yorker the sales tax, the Connecticut sales tax, through you, Madam Speaker?

DEPUTY SPEAKER LYONS:

Representative Jones.

REP. JONES: (141st)

Through you, Madam Speaker; it's my understanding that mail order houses do not withhold or charge tax on sales out of their district in other states, and I

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believe you may referring to the national Bella Hess litigation in which states attempted to require mail order houses to withhold and remit state sales taxes for shipments into various states.

REP. JOYCE: (25th)

Thank you, Representative Jones. Thank you, Madam Speaker.

DEPUTY SPEAKER LYONS:

Thank you, sir. Will you remark further on the amendment before us? Will you remark? If not, let me try your minds. All those in favor, please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER LYONS:

Those opposed, nay.

REPRESENTATIVES:

No.

DEPUTY SPEAKER LYONS:

The ayes have it. The amendment is adopted and ruled technical. Will you remark further? Will you remark further on the bill as amended? Representative Hess.

REP. HESS: (150th)

Madam Speaker, the Clerk has an amendment LCO8890.

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Will the Clerk please call and may I be allowed to summarize?

DEPUTY SPEAKER LYONS:

The Clerk has in his possession LCO8890, which shall be designated House "G". Will the Clerk please call and the Representative has asked leave to summarize.

CLERK:

LCO No. 8890, offered by Representatives Hess and Lockton, designated House "G".

DEPUTY SPEAKER LYONS:

Representative Hess.

REP. HESS: (150th)

Yes, this amendment will reinstate the tax exemption for any gain on sale of a residence for taxpayer 65 years of age or older. I move adoption.

DEPUTY SPEAKER LYONS:

The question before the Chamber is on adoption. Will you remark? Representative Hess.

REP. HESS: (150th)

Yes, as I stated, this amendment will restore, it's putting back in place a tax exemption that taxpayers that are 65 years of age or older had enjoyed before it was removed when the personal income tax was instated. At this time the federal and state laws allow you to

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deduct 125,000 of that sale. This amendment will permit you to deduct the full amount of the gain on sale. Taxpayers 65 years of age and older have enjoyed this benefit all along, and it had been removed, and I would like to reinstate it, and I move adoption.

DEPUTY SPEAKER LYONS:

Thank you, madam. Will you remark further on the amendment? Representative Mulready.

REP. MULREADY: (20th)

Madam Speaker, I oppose this amendment on two grounds, one is philosophical. Why should we give tax breaks to a certain class of citizens regardless of means, but on a more practical ground, I oppose it because it's got a \$2 million note on it, a \$2 million fiscal hit on it this year, and I'm not so sure that's such a good idea, and I think it's important enough in rejection of this, that we shouldn't take any chances, and I ask for a roll call vote.

DEPUTY SPEAKER LYONS:

The question before the Chamber is on a roll call vote. All those in favor, please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER LYONS:

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In the opinion of the Chair, the necessary 20% has been reached. Will you remark further on the amendment? Will you remark? Representative Hess.

REP. HESS: (150th)

Madam Speaker.

DEPUTY SPEAKER LYONS:

Please proceed.

REP. HESS: (150th)

I would just like to restate, I would just like to say again that this tax exemption had been in existence. It was on the laws before the personal income tax was there, so the State was willing to give the exemption before. I just want to reinstate it.

DEPUTY SPEAKER LYONS:

Thank you, madam. Will you remark further on the amendment that is before us? If not, will staff and guests please come to the Well. Will members take 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.

SPEAKER RITTER:

Have all the members voted, and is your vote properly recorded? If so, the machine will be locked.

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Clerk will take the tally.

Representative Chase.

REP. CHASE: (120th)

Thank you, Mr. Speaker. In the affirmative,
please.

SPEAKER RITTER:

Representative Chase in the affirmative.

The Clerk will announce the tally.

CLERK:

House Amendment Scheduled "G", to House Bill
6605.

Total Number Voting	144
Necessary for Adoption	73
Those Voting Yea	60
Those Voting Nay	84
Those absent and not Voting	7

SPEAKER RITTER:

The amendment's defeated. Will you remark further
on the bill as amended? Representative Maddox.

REP. MADDOX: (66th)

Thank you, Mr. Speaker. Mr. Speaker, I do have
two amendments to hopefully clean up this legislation.
First, Clerk has an amendment LC09026. Would he please
call and I be allowed to summarize?

SPEAKER RITTER:

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Will the Clerk please call LCO9026, House "H"?

CLERK:

LCO No. 9026, designated House "H", offered by
Representatives Maddox and Beamon.

SPEAKER RITTER:

Summarization has been requested. Hearing no
objection, proceed, sir.

REP. MADDOX: (66th)

Yes, I would direct members' attentions to lines
157 and 159 which is the new language. It adds
language in that basically provides for a minimum
guarantee level of an employment in order for the tax
decrease on the pari-mutuels to occur. I would move
adoption.

SPEAKER RITTER:

Question's on adoption of "H". Will you remark?

REP. MADDOX: (66th)

Yes, Mr. Speaker, if I may. Ladies and
gentlemen, it is somewhat my concern with the rollback
to 2% on the parimutuels tax that we could be creating
a situation that might be advantageous for the owners
of their pari-mutuels to put a great deal of money in
the bank and what about the commitment to the
employees' jobs.

We are told and I believe by the proponents rightly

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so that this can be a jobs preservation bill, at least in the short run. What this amendment seeks to do is simply say that they must maintain at least 90% of the total workforce that they had as of January 1, '93 in order to qualify for the wage rollback to 2%. I think it provides us with some guarantees that as long as the state is going to go and give them a break on the tax, they are going to then make a commitment and will be a legislative commitment to maintain employment levels, and I would it would be something that would be adopted. Thank you, Mr. Speaker.

SPEAKER RITTER:

Question is on the adoption of "H". Will you remark? Representative Mulready.

REP. MULREADY: (20th)

Mr. Speaker, I note from time to time there are inconsistencies in the philosophical leanings of some of our members. In this particular case, Representative Maddox, champion of the free market in most circumstances, is now trying to guarantee jobs. I think the goal of the amendment is laudatory. We certainly want to preserve jobs in the State of Connecticut.

However, to the extent that this amendment passes and to the extent that these struggling pari-mutuel

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facilities find themselves in the position where they are required to carry what in effect would be excess payroll due to some kind of arbitrary formula, we might in fact have a counter productive circumstance which is that they may not be able to make money, and may therefore be driven out of business in all of the jobs, rather than 90% of them will be lost, or 10% of them, so given that, Mr. Speaker, would urge rejection of the amendment, and I would ask for a roll call vote.

SPEAKER RITTER:

The gentleman has asked for a roll call. All those in favor of a roll call on House "H", signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER RITTER:

20% has been met. When the vote is taken, it will be taken by roll. Will you remark further on "H"? Representative Maddox.

REP. MADDOX: (66th)

Thank you, Mr. Speaker. If I can just have the members' attention for a while, because we'll get rid of this amendment quickly. Ladies and gentlemen, I offered this amendment to be very honest somewhat halfheartedly because I must admit I really can't say

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that I believe that we ought to be legislating this either, and momentarily I will be asking permission of the Chamber to withdraw that, but I did that to highlight something.

Don't any of you believe for a moment that we're going to give these great wonderful pari-mutuels a tax break, and they're going to guarantee employment, because if it suits their needs next week, they'll turn around and layoff a third of the employees, and that's why I offered that, and with that, Mr. Speaker, I would request permission of the Chamber to withdraw this amendment.

SPEAKER RITTER:

The gentleman requests of the Chamber to withdraw the amendment. Hearing no objection, House "H" is withdrawn.

REP. MADDOX: (66th)

Mr. Speaker.

SPEAKER RITTER:

Will you remark further on the bill as amended?
Representative Maddox.

REP. MADDOX: (66th)

Yes, Mr. Speaker. I do have an amendment, however, I'm fairly serious on I would like to call. Clerk has an amendment LC05177. Would he please call and read.

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SPEAKER RITTER:

Would the Clerk please call LCO5177, House "I"?

CLERK:

LCO No. 5177, designated House "I", offered by
Representative Chase, et al.

Delete section 1 in its entirety and renumber the
sections accordingly

SPEAKER RITTER:

Will you remark on "I"? Representative Maddox.

REP. MADDOX: (66th)

I first move adoption, Mr. Speaker.

SPEAKER RITTER:

Question's on adoption. Will you remark?

REP. MADDOX: (66th)

Yes, Mr. Speaker. Ladies and gentleman, much of the
debate and discussion today has been on all the
amendments that have been added. This bill when it
gets done is going to be several hundred pages it seems
thick, but I had a serious concern myself on Section 1
of the bill.

What Section 1 of the bill does is it basically
goes and puts the sales tax on stamps for a better
analogy, would say that the sales tax will now be
applied to postage and handling and shipping freight.
I myself do not believe that we should be putting the

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postage on these items and raising the taxes on the residents of the State of Connecticut by \$1 million.

Representative Mulready, in a previous amendment of course supported Representative Jones amendments to encourage mail order items, and I hope he would consider this amendment in that same friendly vein. Thank you, Mr. Speaker.

REP. MULREADY: (20th)

Mr. Speaker.

SPEAKER RITTER:

Representative Mulready.

REP. MULREADY: (20th)

My first observation is that when Representative Maddox moves some amendments that he's fairly serious about, or very serious about, maybe I'll get inclined to support them. In this particular case, since he's only fairly serious, I think I need to oppose the amendment.

Actually, Mr. Speaker, on a more serious note, this is an item of great confusion for retailers in the State of Connecticut, partly because of the point of delivery of the item being sold. We met with the number of members of some of the retail chains including some of the larger retail chains, and they in fact wanted some level of certainty to what happened

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here.

Now obviously they would prefer the level of certainty to be that under no circumstances does the tax apply to transportation charges, but they were willing to live with this because it in fact gives them certainty, and it imposes it prospectively as of July 1 of this year so that there's no uncertainty about the past either, so we do have the all be it lukewarm support of the retail community in this particular bill, and so therefore, Mr. Speaker, I would urge its rejection, and I would ask for a roll call vote.

SPEAKER RITTER:

Seriously? The gentleman has asked for a roll call vote. Let me try your minds. All those in favor of a roll call, signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER RITTER:

An anemic 20% has been met. When the vote is taken, it will be taken by roll. Representative Maddox.

REP. MADDOX: (66th)

I would agree with almost everything Representative Mulready said. He's correct. There's a great source of confusion with the retailers, so how are we going to

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resolve it? We're going to tax everybody. I'm sorry, ladies and gentlemen. I think we're taxing people enough in this state. We charge a sales and use tax on the item. Why do we have to charge a sales and use tax on the stamps and the postage and the freight and the shipping to get it here?

By deleting this section, we will then be setting in statute, yes. Will it resolve the confusion? We don't want to tax stamps, and postage and freight. I think we should adopt the amendment, Mr. Speaker.

SPEAKER RITTER:

Question is on the adoption of House "I". Will you remark further? Will you remark on "I"? If not, staff and guests to the Well of the House. 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 RITTER:

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

Will the Clerk please announce that tally?

CLERK:

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House Amendment Schedule "I", to House Bill
6605.

Total Number Voting	145
Necessary for Adoption	73
Those Voting Yea	63
Those Voting Nay	82
Those absent and not Voting	6

SPEAKER RITTER:

House "I" is defeated. Will you remark further on
the bill as amended?

REP. SIMMONS: (43rd)

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

SPEAKER RITTER:

Ready yourself, Representative Mulready.
Representative Simmons.

REP. SIMMONS: (43rd)

Thank you, Mr. Speaker. It's my understanding that
since 1987 the municipal take from OTB moved from .4%
to 1%, and that the municipal take for dogs for a
population under 50,000 was .5% whereas for a city
with a population over 50,000 it was 1%. Is that
correct, through you, Mr. Speaker?

SPEAKER RITTER:

Representative Mulready.

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REP. MULREADY: (20th)

Through you, Mr. Speaker, I'm not aware of what it was previously. It's my understanding that currently it's 1%, and it will stay at 1%.

REP. SIMMONS: (43rd)

Thank you. Is there anything in the bill, in particular involving the sale of OTB, but is there anything in the bill that would change the percentage of municipal take, through you, Mr. Speaker?

REP. MULREADY: (20th)

Through you, Mr. Speaker, it is my understanding that the take to the municipality stays the same, that it's 1% of that 3 1/2% tax. 1% goes to the municipality and 2 1/2% goes to the state.

SPEAKER RITTER:

Representative Simmons.

REP. SIMMONS: (43rd)

Thank you, Mr. Speaker. With regard to the sale price of OTB, there's a division, 13 million goes into the general fund, and another 7 million, I guess, goes into a non-lapsing account. Wouldn't municipalities benefit directly in any way from the sale? In other words, would they receive a percentage of the gross revenues or other revenues from the sale of OTB? Through you, Mr. Speaker.

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REP. MULREADY: (20th)

Through you, Mr. Speaker, I don't believe so. I believe that's all state funds.

REP. SIMMONS: (43rd)

Thank you, Mr. Speaker. I had the privilege for a couple of years of serving on the Public Safety Committee. I feel that privatizing OTB is really the way to go. However, I think it is important that municipalities in which these activities are located continue to receive some impact fees by virtue of the fact that they absorb some of the costs of maintaining these facilities. That being the case, I would certainly support the bill as amended. Thank you, Mr. Speaker.

SPEAKER RITTER:

Thank you, Representative Simmons. Will you remark further on the bill as amended? Will you remark further on the bill? If not, staff and guests to the Well of the House. 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 RITTER:

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

Would the Clerk please announce that tally?

CLERK:

House Bill 6605, as amended by House Amendment Schedules "A", "B", "C", "D", "E" and "F".

Total Number Voting	143
Necessary for Passage	72
Those Voting Yea	141
Those Voting Nay	2
Those absent and not Voting	8

SPEAKER RITTER:

The bill, as amended, passes. The Clerk will not return to the Call of the Calendar, Calendar 691.

CLERK:

On Page 12, Calendar 691, Substitute for Senate Bill 228, AN ACT ESTABLISHING ENFORCEMENT REQUIREMENTS WITH RESPECT TO ASBESTOS-CONTAINING MATERIALS IN SCHOOLS. Favorable Report of the Committee on Education.

SPEAKER RITTER:

Representative McGrattan of the 42nd.

REP. MCGRATTAN: (42nd)

Mr. Speaker, I move acceptance of the Joint

JOINT
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REP. CLEARY: The number of years you go back, you said there is a diminishing return and have more difficulty in finding those records. Would you have any numbers as to any years between the three and seven that would be revenue production.

If we were to pick five years instead of reducing it all at once to three years to see if there were any major problems.

TREASURER BORGES: I wouldn't have them off hand but I'm sure we could develop them and it would probably be a guesstimate.

REP. CLEARY: Because, I'd personally be a little more comfortable with a five year number than a particular three years which is recommended and I'd like to see what those numbers look like.

TREASURER BORGES: Okay.

REP. CLEARY: Thank you.

SEN. MALONEY: Thank you.

Anything further.

Frank, we all wish you well.

TREASURER BORGES: Thank you.

SEN. MALONEY: Next we have Commissioner Crystal.

COMM. CRYSTAL: Good morning gentleman, Senator Maloney, members of the Committee, I'm Alan Crystal, Commissioner of Revenue Services.

With me is Rich Nicholson, Director of our Legal Division.

We are presenting 11 bills to you today all of which we are urging your favorable consideration. I'll highlight some of them and then respond to your questions.

The SB685 would permit the payment of taxes by the use of credit cards. This will give taxpayers an alternate means to make their payments. It would

SB 687, 787, 788 - p. 198

HB 6607 - p. 207

HB 6603, 6604, 6606, 6807 - p. 199

HB 6605 - p. 203

REP. FUCHS: Good morning, Commissioner. I'm Jo Fuchs of the 136th District. With regard to SB685, AN ACT CONCERNING THE PAYMENT OF TAXES BY CREDIT CARD, it sounds like a good idea to me, but I notice that in your hometown and mine they tried this and they discontinued it and I wondered if you were aware of why or if you had done a study across the state if this has been done and if it's failed or worked or --?

COMM. CRYSTAL: Well, I do know that there are 14 other taxing jurisdictions in the country, certainly that are doing it, several states and indeed in the Town of Milford I believe they're doing it because I got a letter from the tax collector there who thinks it's the greatest thing since sliced bread, but I haven't got any evidence beyond that.

One thing I didn't mention is that under the proposal, the taxpayer would bear the cost of using the credit card. The state would not be obliged to pay the discount.

SEN. MALONEY: Representative Gelsi.

REP. GELSI: Commissioner, on HB6605, I'll give you an example. I go buy a living room set and the transportation cost was not charged on the sales tax as I bought the living room set. Would the transporter now be required to pay the six percent sales tax on transporting furniture to my home?

COMM. CRYSTAL: No, sir, it is not the transporter who would be paying this. What we're talking about is whether the freight separately stated is part of the transaction or not.

If the -- in the normal, as I have experienced it, purchase of furniture, it's usually a delivered purchase, a store delivers that to your house and obviously in the delivered price is included the transportation cost to them and you pay a sales tax on the gross amount.

Transactions can be unbundled and what has happened in the past is that people start invoicing separately for the goods and separately for the

transportation and we're never certain when title passes and who's it is and therefore when the tax is due.

This bill would make the person who has the sales price that includes the delivery charges in the same spot as somebody who has the store arrange for delivery for them. It would reapply put in the position where if the purchaser would anticipate escaping or avoiding the sales tax on the freight, they would have to arrange for the transportation, pick it up themselves and pay the bill.

REP. CLEARY: Good morning, Commissioner.

COMM. CRYSTAL: Good morning.

REP. CLEARY: In regards to SB787, would those pronouncements have any time frames? You're saying that that's necessary because statutes are passed and there isn't time to write regulations. Is there any temporariness to those pronouncements? Are they for a six month or for a twelve month period to give your office an opportunity to pass regulations or would they just be in effect forever as if they were regulations?

COMM. CRYSTAL: There really is no time frame. As a practical matter, we have not been geared to get to the point of bringing the regulations to the Regulations Review Committee. That is a more formal process and a special notice which tells people how we view it in general.

REP. CLEARY: Okay, so then in effect these would be ongoing -- would have the ongoing power of regulations without going to Regs Review?

COMM. CRYSTAL: An indeterminate time period, yes.

REP. CLEARY: Okay. The next item is in regards to SB6603. We are requiring for all building permits that at the time of the permit that the contractor supply you with out-of-state or in-state, is it both Social Security and employer numbers and is there within that any provision for job size? Would we be putting an additional burden on small contractors that could have, asking for a building

permit for a \$5,000 home renovation to have to come up with all these additional things for all of the subcontractors at the time of permit?

COMM. CRYSTAL: No, there is no provision for that, but usually people have a pretty good idea what their Social Security number is and it shouldn't be an awful lot of effort to put that down and among the reasons, besides the tax evasion reason, is that there have been numerous non-Connecticut vendors of services and we can fine them for the purpose of taxation and they are taking away Connecticut jobs.

REP. CLEARY: I can understand your intent, but I'm looking at a contractor going to pull a building permit that may not even know over the scope of the job, the subcontractors and whatnot that might be involved at the time of permit and that's what this is requesting at the time of the pulling of the building permit, that all that information be available and I just question whether that's feasible.

COMM. CRYSTAL: Well, it's certainly feasible for those he's aware of at the time he takes out the permit.

REP. CLEARY: Okay, the next item would be on HB6604. I'm just reading a line and it may be completely out of context in regards to carry over of unused tax credits. Is the proposal that that is only to do with R & D tax credits or is that there would be no carry back of any corporate tax credits within your department and only a carry forward?

COMM. CRYSTAL: This is with respect to all credits.

REP. CLEARY: So that's a major piece of legislation and is there a dollar amount to go along with that?

COMM. CRYSTAL: There probably is, but I don't have that.

REP. CLEARY: Okay. So that's not just to do with R & D. That's to do with any tax credit in the State of Connecticut that a corporation is eligible for. Currently each different creditor, a number of them

have at least three year carry back provisions and you're proposing to eliminate all of that and that they only be good going into the future?

COMM. CRYSTAL: Yes.

REP. CLEARY: That's a major impact on Connecticut's businesses. The next item is on HB6605. Again, do we have how much revenue that we expect to produce by including freight into the sales tax program that we're not currently collecting?

COMM. CRYSTAL: No, we do not.

REP. CLEARY: Okay. Possibly we'd be able to get an estimate and if there is an abuse in this area that we're trying to plug, then maybe we'd be able to find out how much money we really expect because in effect this is going to be a sales tax revenue enhancement within the particular program?

COMM. CRYSTAL: I would think you're right. We raised it principally because we have all these arguments on audit and wanted to settle the issue, but this is an additional --.

REP. CLEARY: I can understand that, but it is also a tax increase to the taxpayers of the State of Connecticut through an enhancement.

The next item is on HB6606, penalties and interest, there is a line on the bottom of the first paragraph that says there's a modification in what the state shall pay on tax refunds, but I don't see what the particular language is. We're going to have a specific statute that is going to require the State of Connecticut to pay people interest on their refunds?

RICH NICHOLSON: The intention is to amend Section -- I think it's Section 86 of the Income Tax Act. I'm not sure what the new section is, the codified section, to provide that interest would be paid on refunds for taxes paid on or after April 15th if the commissioner is not paid the refund within 60 days of the receipt of the return.

UNDER SECRETARY DOUGLAS M. CUTLER: We do. We have that. We do that compilation within OPM, correct.

REP. SAMOWITZ: How would this change affect under the listings or variables (inaudible mic not on).

UNDER SECRETARY DOUGLAS M. CUTLER: It wouldn't change it at all. All it does is that we have two laws that we have to comply with. One is the personal property declaration and the second one is our report to the Finance Committee.

What this would allow us to do is that we basically would maintain the same definitions that we are required to have on personal property, but when that changes, it does not necessarily change in the language that we are required to report to the Finance Committee. So this would just give us the general definition of personal property, but we would still continue to use the other definition as it is required to be submitted on the personal property declaration form.

SEN. MALONEY: Further questions? Thank you, Mr. Cutler.

UNDER SECRETARY DOUGLAS M. CUTLER: Thank you.

SEN. MALONEY: We go to the public portion of the speakers list and Ms. O'Brien is the first witness.

MARIE O'BRIEN: Good morning, Mr. Chairman and members of the committee. For the record, my name is Marie O'Brien and I'm here on behalf of United Technologies Corporation. I'd like to make some general comments on proposals before you which will change Connecticut's tax laws. The first one is HB6604, AN ACT CONCERNING TAX CREDITS FOR RESEARCH AND DEVELOPMENT EXPERIMENTS CONDUCTED IN CONNECTICUT, THE CARRYOVER OF UNUSED TAX CREDITS, etc.

Many existing businesses will be required to make substantial investments in research and development that will not benefit at all from the new Connecticut incremental research and experimental credit. Due to a variety of circumstances, in our particular case, it's cuts in defense spending, it's unprecedented industry problems, the size of

HB6604 does require some clarification on the carryover of any credits. Again, I did hear some of the questions and responses to Commissioner Crystal. The bill calls for credits to be carried forward or backward for five calendar or fiscal years until the full credit has been allowed. The federal model and the model in many other states is a 15-year carryover with very clear guidelines, the credits are to be given to the fifth preceding year, for instance, and then carried forward.

HB6604 should also be extended to net operating losses. Currently Connecticut corporate income tax law provides for a five-year carryover period. I think if you were to look at some of the data sources from some companies like Peat Marwich and others, you'll find that the majority of states that adopted carryover periods which generally range from 10 to 15 years and I would urge your support for these changes.

In addition, there are two other bills that I'd like to make some comments, HB6606, AN ACT rev HB 6605
PROMOTING SIMPLICITY IN THE DETERMINATION OF THE MEASURE OF SALES AND USES TAXES. I don't believe there is simplicity written in the bill. I think you need to take a very good look at that language. I believe that there is an undue burden on commerce and there is a tax increase in this particular bill. There is an exemption for transportation charges. I believe the bill will expand the sales tax base by including those transportation charges and at this particular time we don't feel that that is something that we'd like to see.

Finally, HB6810, AN ACT CONCERNING CHANGES TO THE CORPORATION BUSINESS TAX ACT TO PREVENT REVENUE LOSS WHEN COMPANIES CEASE TO DO BUSINESS IN CONNECTICUT. We find that it is an unduly complex law change. We believe it is inequitable. You need to take a look at the reverse situation and that is companies that are going to be coming into Connecticut who may be experiencing similar laws or they do exist in other states and we believe that this particular proposal is not based on sound tax policy and that there would be some unintended results in the state and to revenue loss to the state.

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STATE OF CONNECTICUT

DEPARTMENT OF REVENUE SERVICES



ALLAN A. CRYSTAL
COMMISSIONER

February 11, 1993

TO: The Honorable Richard T. Mulready
The Honorable James H. Maloney
Members of the Finance, Revenue & Bonding Committee

FROM: Allan A. Crystal, Commissioner 
Department of Revenue Services

RE: Department of Revenue Services Legislation

The Department of Revenue Services urges your favorable consideration of the following bills.

Senate Bill 685 - An Act Concerning The Payment Of Taxes By Credit Card.

Enabling taxpayers to pay their taxes by credit card would have several benefits for both the state and the taxpayer. A taxpayer would have the option of remitting payment by an alternate means, and could possibly avoid late payment or other penalties with the state while at the same time taking advantage of the float time afforded credit card users. In addition, the state would not be faced with the potential problems associated with bad checks or delinquencies.

Senate Bill 687 - An Act Concerning The Use Of Heat-Applied Decals And Metering Machines For Purposes Of The Cigarette Tax And The Licensing And Reporting Requirements For Cigarette Dealers, Distributors And Vending Machine Owners.

This bill will eliminate additional licensing requirements and registration fees for cigarette vending machine dealers, (who will be licensed as dealers or distributors), and clarify the licensing requirements and registration fee structure for cigarette dealers and distributors. Additionally, in anticipation of the fact that the sole manufacturer and repairer of metering machines used for stamping cigarette packages plans to withdraw from that business, this bill will phase out the use of such metering machines and phase in the use of heat-applied decals in their place.

HB 6603, 6604 - p. 250

HB 6606, 6607, 6807 - p. 252

HB 6605 - p. 251

HB 6810 - p. 253

conducting research and development experiments in Connecticut. This bill will also lessen the current fiscal impact of tax credits by requiring that any unused tax credits be carried forward only, and not backward. Additionally, this bill will clarify that the term "gross receipts" has the same meaning when it is used in section 12-218 for purposes of the single-factor apportionment fraction for businesses whose income is not derived from the manufacture, sale or use of tangible personal or real property, as when it is used elsewhere in the same statute for purposes of the three-factor apportionment formula.

House Bill 6605 - An Act Promoting Simplicity In The Determination Of The Measure Of Sales And Use Taxes And The Ownership Of Sales Taxes Collected By A Retailer From Retail Customers.

This bill will simplify an area of the sales tax law that has posed problems for retailers and their customers by providing that all freight and delivery charges made by the seller of tangible personal property are to be included in the measure of sales tax (currently freight and delivery charges may be excluded from gross receipts if title passes before delivery). Determining when title passes can be difficult under existing law because often it is not expressed clearly in contracts. The state of New York currently has this provision in its statutes. This is in no way an attempt to enumerate transportation services for Sales Tax purposes.

This bill will also extend a rule of convenience for determining the measure of tax for sales of mobile manufactured homes to sales of modular homes; provide that the measure of use tax for property fabricated either inside or outside Connecticut shall be the sales price of the materials from which such property is fabricated; and establish that any tax collected by a retailer (but not yet paid to the state) belongs to the State, and not to the retailer. This will benefit the State in cases where a retailer files for bankruptcy because often the bankruptcy trustee tries to assert that the collected taxes are property of the estate, and therefore can be used to pay private creditors. The same provisions will apply equally to any use tax collected by an out-of-state retailer authorized to collect use tax from Connecticut customers.