

**STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**

**2001-02
ANNUAL REPORT**



**John G. Rowland
Governor**

**Pam Law
Commissioner**



A Message from the Commissioner:

The Department of Revenue Services (DRS) is instrumental in supporting the economic success of the State of Connecticut by fairly and equitably administering and collecting state taxes. DRS has earned and maintained a reputation as an outstanding tax agency that is committed to the creation of sound tax policy and procedures, and seeks to increase voluntary compliance through improved technology and customer service.

DRS embraced the development of technology to advance all aspects of Connecticut tax administration. The Agency also undertook initiatives to make filing and paying taxes easier while, at the same time, accelerating state revenues. Some of those programs include:

- *WebFile*. DRS employees created and implemented a free, web-based personal income tax filing program that allows most resident taxpayers to electronically file their own return from home. WebFile continues the DRS mission to provide taxpayers with efficient, user-friendly programs that encourage voluntary compliance while reducing the use of paper.
- *ITAS*. DRS secured funding for the first phase of the Integrated Tax Administration System (ITAS). When completed, ITAS will combine computer hardware and software to integrate taxpayer information allowing easier access and better case management.
- The 2002 Connecticut Tax Amnesty. DRS conducted the state's most successful tax amnesty program, collecting more than \$109 million in overdue tax revenues. The program added many new taxpayers to the rolls and provided DRS with information that can be used to improve educational, enforcement and compliance initiatives.

As always, DRS is committed to maintaining a standard of excellence to meet the changing needs of Connecticut taxpayers. We will continue to provide taxpayers with outstanding customer service in a cost-effective manner.

Sincerely,

Pam Law
Commissioner of Revenue Services

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OVERVIEW OF THE DEPARTMENT

*The Mission of the
Connecticut Department of Revenue Services
is to administer the tax laws of the State of Connecticut
and collect the tax revenues in the most cost effective manner;
achieve the highest level of voluntary compliance
through accurate, efficient and courteous customer service;
and perform in a manner which instills public confidence in the
integrity and fairness of the state's tax programs.*

DIVISIONAL FUNCTIONS AND ACTIVITIES

ADMINISTRATION DIVISION

The Administrative Services staff prepares and administers the Agency budget, controls and monitors expenses, and assists top management in strategic planning. It oversees all procurement, printing, budgetary, accounting, and facilities management for the Department. The Education Unit establishes, implements and evaluates personnel training and educational programs in support of management effectiveness, technical expertise and personal development of DRS employees. The Human Resource and Payroll Units administer the rules, regulations, contracts and directives of state employment and recruit staff for the Department.

APPELLATE DIVISION

The Appellate Division receives, acknowledges and reviews all taxpayer appeals. The Division's tax appellate officers and specialists conduct informal hearings, render final determinations, and negotiate settlement of tax controversies. Appellate Division personnel also provide litigation support to the Office of the Attorney General on cases appealed from the Department to Superior Court.

During Fiscal Year 2001-2002, the Appellate Division resolved 1,143 cases with settled account values of \$52.5 million. Additionally, another 48 determinations were issued by the Appellate Division from which taxpayers took appeals to the Superior Court. This equates to an appeal ratio of 4 percent.

AUDIT DIVISION

The Audit Division ensures that tax returns filed with DRS are reported accurately and are in compliance with Connecticut tax laws and regulations. Using various audit selection review tools, suspected noncompliant tax returns are selected for examination. Audit Division staff perform field and office audit examinations of selected tax returns to determine the extent of inaccuracies, assess underreported amounts, verify the extent of credits or refunds, and

educate those taxpayers about improvements in their levels of voluntary compliance.

During this fiscal year, the Audit Division conducted 92,495 field and office audits and generated \$429.8 million in assessments, a 22 percent increase from the prior year. Though not typical, the increase in dollars assessed can be attributed, in part, to our continuing quality improvement endeavors such as the adoption of the Malcolm Baldrige Quality Management Principles to maintain and continuously improve customer service excellence throughout the Division.

To enhance voluntary compliance, DRS's Audit Division continues its work with the Department of Labor and national vendors to develop software capable of allowing small, medium, and large employers the ability to file wage and tax information from their desktop computer with a single keystroke.

The Audit Division was instrumental in Connecticut hosting the annual conference of the North Eastern State Tax Officials Association (NESTOA); in attendance were tax officials from the northeastern states, representatives of private industry and tax practitioners. Current tax policies and procedures were exchanged with counterparts from other states and the private sector.

COLLECTIONS & ENFORCEMENT

The Collection & Enforcement (C&E) Division is responsible for collecting overdue taxes and enforcing state tax statutes and regulations for those who fail to voluntarily comply. Through innovative collection, compliance, and enforcement processes, C&E Division employees resolve and secure payment of taxes from taxpayers who unintentionally fail to file or pay, and those who refuse to voluntarily comply.

For Fiscal Year 2001-2002, C&E collected \$141,295,924 in overdue tax revenue. This

DIVISIONAL FUNCTIONS AND ACTIVITIES (cont.)

represents a 13.5% increase over the prior year. The division also increased the number of cases closed to 113,973, an improvement of nearly 7%. The turnover rate for Accounts Receivable assigned to Collections was 64 percent.

Achievements throughout the year included several improvements in the use of telephone technology. We created and deployed a Customer Service Survey, increased use of our predictive dialer system, and added improved information to the Interactive Voice Response System.

The C & E Hearings Unit continued to work with the Department of Mental Health and Addiction Services assessing civil penalties against cigarette retailers who sell cigarettes to minors. These efforts have reduced the "buy rate" from the original 80% when the program was first established, to a new low of only 10%.

Employees from the C & E Division were also instrumental in implementing the increase in the Connecticut cigarette tax. Operating on a very short schedule, they were able to design, procure, and distribute more than 15.5 million floor tax stamps. They then inspected nearly 3,000 cigarette vendors and distributors for compliance, completing more than ten times the number of projected inspections. When finished, the project produced more than \$8,000,000 in additional revenue.

An e-mail/fax database was developed for the service of tax warrants. In the closing months of the fiscal year more than 800 tax warrants were electronically served.

COMMUNICATIONS OFFICE

The DRS Communications Office supports the Department's mission to enhance voluntary compliance by supplying timely and accurate information to taxpayers, tax professionals, state agencies, and others. A key responsibility is conveying the Agency's commitment to excellent customer service and to fairness and equity for all taxpayers.

The comprehensive communications program includes the development, coordination, production and distribution of a wide range of media. Among these are executive communications, media releases, reports, newsletters, brochures, and promotions for the filing season and special programs that occur throughout the year. The office also coordinates seminar presentations, interviews, and public appearances by the commissioner and executive staff, providing audiovisual support and collateral materials.

DIVERSITY & EQUITY

The mission of the Office of Diversity and Equity is to encourage the full and fair utilization of its human resources by supporting the ongoing improvement of affirmative action, equal employment, diversity, and employee development programs to ensure all employees' talents and differences are valued.

During Fiscal Year 2001 -2002, DRS reached significant milestones in its diversity and equity goals. Twenty-two of our Upward Mobility candidates were promoted along their career paths. In six occupational categories, 100 percent of affirmative action hiring goal criteria was met. Seventy percent of our promotions met our hiring goal criteria.

INFORMATION SERVICES DIVISION

The Information Services Division is responsible for the analysis, design, development, maintenance, and integrity of all DRS tax information systems. The Division provides development support for all applications in response to legislative mandates and other Agency initiatives. The Division also provides technical support for all computer operations and desktop users within DRS.

The Division continues to support the expansion of electronic filing and payment options, including the implementation of Webfile for individual income tax filers during this past year. In addition, the Division has completed the migration of its email capabilities from the

DIVISIONAL FUNCTIONS AND ACTIVITIES (cont.)

state's Internet system to an internal one (Microsoft Exchange) for improved performance and security. A new digital printing system was also been implemented to enhance the efficiency and flexibility of the Department's high volume printing needs.

The Integrated Tax Administration System project was initiated in May 2002. The Division is working with Accenture and internal business staff on the design phases of the project. The implementation of Phase 1a (Sales and Use, Withholding and Corporation taxes) is targeted for December 2003. In conjunction with the ITAS implementation, the Division is also planning to upgrade the agency to Windows 2000 and Office 2000 during 2003.

LEGAL DIVISION

The Legal Division provides legal interpretations of Connecticut tax statutes and court rulings to the Commissioner, other divisions within DRS, taxpayers, and practitioners.

Additionally, the Legal Division is responsible for coordinating the litigation of tax cases with the Office of the Attorney General. With respect to contested succession tax matters, the Division's legal staff represents the Commissioner before the Probate Court and litigates appeals from the Probate Court to the Superior Court and Appellate Court levels.

The Legal Division drafts proposed legislation and regulations for submission to the legislature. It also reviews tax documents generated by DRS to ensure their compliance with relevant tax statutes.

OPERATIONS

The Operations Division is responsible for processing all state tax returns and corresponding documents, maintaining the internal accounting system and depositing all state tax revenue collected in a timely manner. In addition, the Operations Division administers

programs designed to ensure accuracy and validity of all taxpayer information.

During fiscal year 2001-2002, the Operations Division processed 6 million returns; 600,000 electronic fund transfers and deposited over \$9 billion. The Division also played an important role in implementing the Web File Program.

DRS continues to reduce the number of taxpayers filing paper returns by encouraging alternative filing methods like the Electronic Filing Program (ELF), Telefile and Fast-File. Participation in ELF increased by 26.1 percent. In addition, 16,000 taxpayers participated the WebFile program. The use of direct deposit and direct tax payments also increased. Lastly, an increasing number of taxpayers chose to pay their taxes by credit card, resulting in \$6.7 million in tax revenues collected by credit card transactions.

RESEARCH UNIT

The Research Unit analyzes and prepares reports of statistics generated from data DRS collected during taxpayer registration and filing. The Unit prepares and publishes the Annual Report and other special reports resulting from studies of topics pertinent to state tax policies. It also prepares and distributes statistical overviews of income tax and sales tax revenues collected.

The Unit acts as a liaison to the Connecticut General Assembly and is responsible for attaining passage of the Agency's legislative package, as well as working with various committees of cognizance to facilitate other legislative initiatives. The Unit coordinates disbursement of funds to the Connecticut Tourism districts, oversees the Neighborhood Assistance Act Tax Credit Program, and responds to information requests from other states, as well as Connecticut's legislative and executive branches of government.

DIVISIONAL FUNCTIONS AND ACTIVITIES (cont.)

SYSTEMS & INTERNAL CONTROL

The Systems and Internal Control Unit provides management with an independent view of operational examinations and serves as the DRS liaison to the state's Auditors of Public Accounts, the Internal Revenue Service, and other external agencies. Additionally, the Unit helps all Agency levels monitor, evaluate, and improve systems, internal controls, and policies and procedures. This includes recommending standards for maintaining confidentiality and security, and reviewing provisions to safeguard DRS assets.

TAXPAYER ADVOCATE OFFICE

DRS has an established a Taxpayer Advocacy program available to all taxpayers. The Taxpayer Advocate assists those taxpayers not in litigation or under enforcement action who have been unable to resolve their problems with DRS through normal channels.

TAXPAYER SERVICES DIVISION

The Taxpayer Services Division delivers Connecticut tax information to taxpayers through educational programs and direct assistance activities.

During the 2001-2002 fiscal year, the Division responded to 201,653 telephone inquiries, provided 2,221 replies to taxpayer letters, 7,710 replies to taxpayer inquiries by e-mail and assisted 21,312 walk-in taxpayers at the Hartford, New Haven, Bridgeport, Waterbury and Norwich regional offices. To meet the needs of a growing number of state taxpayers, Spanish language phone assistance was provided to 1,626 taxpayers during the income tax filing season. A Spanish version of answers to most commonly asked income tax questions was also posted on the DRS Web Site.

DRS expanded its electronic filing services to all five of its walk-in locations. Taxpayers could electronically file both their federal and state tax returns at the walk-in offices at no charge. The program also helps to reduce the cost to the state of processing and storing paper tax returns.

2,368 federal and state returns were prepared at DRS offices electronically in 2002, an increase of 13.7% over 2001.

Tax publications, forms and information are available electronically on the DRS' web site on the Internet. 572,500 people visited the DRS website in fiscal year 2002, an increase in web traffic of approximately 43% over the prior year. DRS-E-NEWS, our electronic newsletter, delivered timely notification about new tax forms, publications, and Department news to subscribers in Connecticut and throughout the United States.

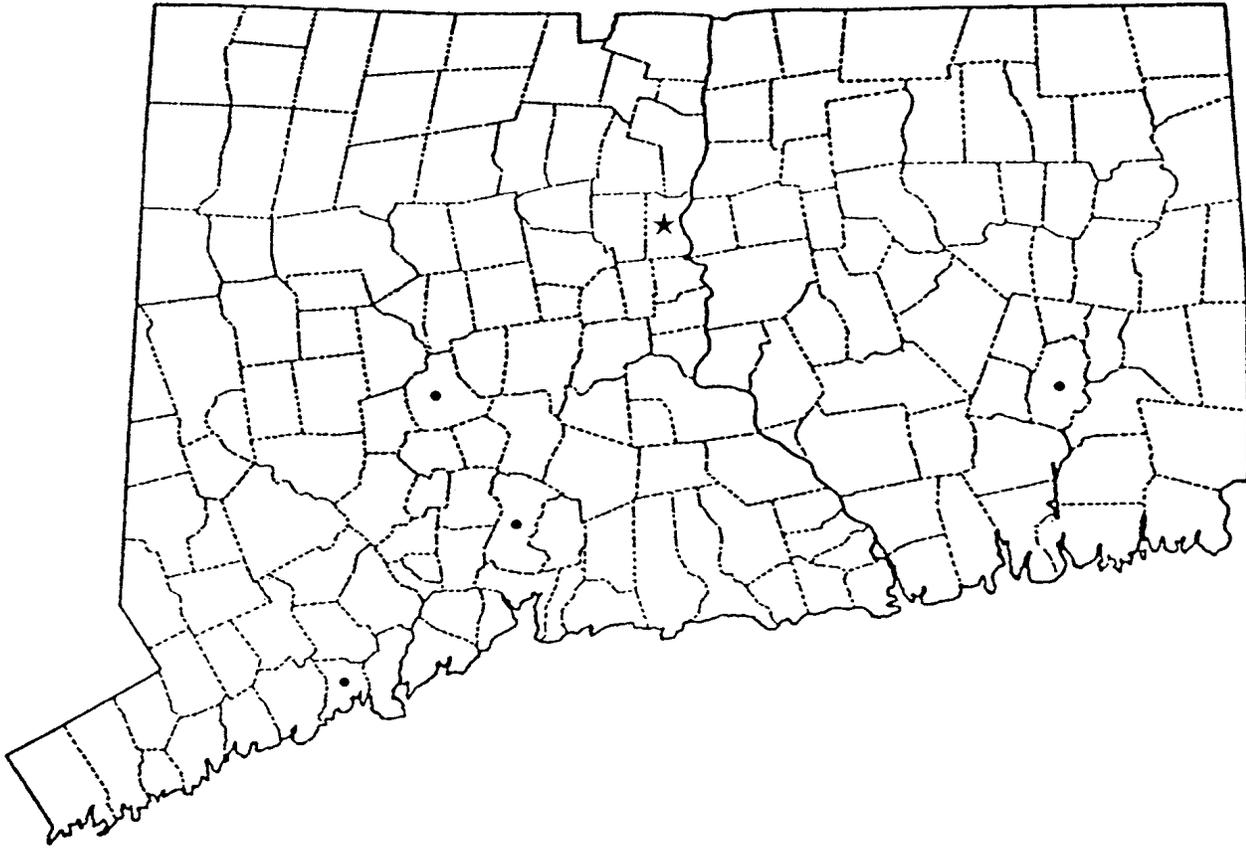
DRS provides automated tax information 24 hours a day by telephone at 1-800-382-9463 (Toll-free in-state) or 860-297-5962. Services for the hearing impaired are available through the Telecommunications Device for the Deaf at 860-297-4911. TAX FAX at 860-297-5698 allows callers to select any form and have it faxed to them. The DRS Web Site on the internet, <http://www.drs.state.ct.us>, has up-to-the minute tax information. Forms and instructions can be downloaded, previewed, and printed at no cost.

TAX PRODUCTS GROUP

The Tax Products Group (TPG) coordinates the development, production, testing, and distribution of written forms, publication and other informational and technical documents for DRS. TPG seeks to create clear, simple, and accurate tax products that facilitate voluntary compliance. These products include special notices, informational publications, policy statements, announcement, and tax return and instructions.

TPG has developed style standards to maintain consistency of documents, and strives to put tax law into plain language whenever possible. A distribution plan is developed for each tax product to ensure the right information reaches the right audience at the right time, and that the information is concise and easy to understand.

DEPARTMENT OF REVENUE SERVICES LOCATIONS



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www.drs.state.ct.us

FIELD OFFICES

BRIDGEPORT REGIONAL OFFICE

10 Middle Street
Bridgeport, Connecticut 06601
Phone: (860) 579-6251

NORWICH REGIONAL OFFICE

2 Cliff Street
Norwich, Connecticut 06360
Phone: (860) 889-2669

NEW HAVEN REGIONAL OFFICE

3074 Whitney Avenue, Bldg. #2
Hamden, Connecticut 06517
Phone: (203) 287-8243

WATERBURY REGIONAL OFFICE

55 West Main Street, Suite 100
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**LEGISLATIVE SUMMARY – 2002 GENERAL ASSEMBLY
REGULAR AND JUNE SPECIAL SESSIONS &
NOVEMBER 15, 2001 SPECIAL SESSION**

CIGARETTE TAX

Public Act 02-1

- Increases the tax on cigarettes from 25 mills to 55½ mills for each cigarette. The tax rate for a package of twenty cigarettes increases from 50¢ to \$1.11. Effective April 3, 2002.

Public Act 02-7, May 9 Spec. Ses.

- Prohibits cigarette dealers and distributors from stamping and selling cigarettes made by a manufacturer that has not complied with the Master Settlement Agreement. The bill also allows the Department of Revenue Services to make violators' names public.

CORPORATION BUSINESS TAX

Public Act 02-1, May 9 Spec. Ses.

- Amends Conn. Gen. Stat. §12-217(b) to provide that, for certain assets placed in service after September 10, 2001 and before September 11, 2004, the bonus depreciation allowed under I.R.C. §168(k) is not deductible for corporation business tax purposes;
- Amends Conn. Gen. Stat. §12-219 by adding a new section that provides that no tax credit allowed against the corporation business tax shall reduce a company's tax calculated under Conn. Gen. Stat. §12-219 to an amount less than \$250. In addition, Conn. Gen. Stat. §12-219(c) was amended to delete the exemption from the tax that was enacted for financial services companies to make the

companies subject to a minimum tax of \$250 and to provide that financial services companies may not apply any tax credits to reduce the tax below \$250;

- Clarifies the law regarding the payment of interest on late-filed and amended returns;
- Amends Conn. Gen. Stat. §12-223c to provide that each corporation included in a combined return shall pay the minimum tax and that no tax credit allowed against the corporation business tax shall reduce an included corporation's tax to an amount less than \$250; and
- Provides that the amount of credit allowable against the corporation business tax for any income year shall not exceed 70% of the amount of tax due from such taxpayer prior to the application of the tax credits.

Public Act 02-4, May 9 Spec. Ses.

- Amends the Research & Development tax credit to provide that any taxpayer entitled to a credit refund of more than \$1 million for the income years 2000 or 2001 that did not received its payment before July 1, 2002, will be entitled to receive a maximum refund of \$1 million in any one state fiscal year with the remaining amount paid equally over the next two state fiscal years. Effective July 1, 2002.

LEGISLATIVE SUMMARY (cont.)

INCOME TAX

Public Act 02-1, May 9 Spec. Ses.

- Amends the definition of “Connecticut adjusted gross income” to create a new addition modification for property placed in service after September 10, 2001, but prior to September 11, 2004, in taxable years ending after September 10, 2001, for any bonus depreciation under IRC §168k; and
- Delays, by two years, the annual increase to the single filer exemption, credit and Connecticut adjusted gross income thresholds used to calculate the reduction in the property tax credit. The exemption in effect for the 2001 taxable year will remain in effect for the through the 2003 taxable year. The increases will resume with the 2004 taxable year.

Public Act 02-126

- Exempts “specified terrorist victims” and their estates from the Connecticut income tax for the 2001 taxable year.

INSURANCE PREMIUMS TAX

Public Act 02-3

- Repeals the scheduled increase in the HUSKY credit against the health care centers tax from \$55.00 to \$73.50 per monthly average number of persons that are provided health care coverage by a health center. Effective for calendar years commencing on or after January 1, 2001.

MISCELLANEOUS

Public Act 02-70.

- The act makes the motor vehicle rental surcharge applicable to the rental of any rental truck in addition to the rental of any passenger motor vehicle. Effective July 1, 2002.

Public Act 02-1, May 9 Spec. Ses.

- The act imposes an annual tax of \$250 on each entity (S corporation, limited liability company treated as a partnership for federal income tax purposes, single-member limited liability company, limited liability partnership, and limited partnership), where the entity is required to file an annual report with the Connecticut Secretary of State. Effective July 1, 2002 and applicable to taxable years commencing on or after January 1, 2002; and
- Authorizes a tax amnesty program from September 1, 2002 through November 30, 2002. The tax amnesty allows both business and non-business taxpayers to apply for amnesty in connection with unreported and underreported tax liabilities or unpaid tax liabilities, and to pay their taxes without the application of a penalty.

MOTOR VEHICLE FUELS TAX

Public Act 02-1, May 9 Spec. Ses.

- Increases the tax rate on diesel fuel, propane, and natural gas sold or used in Connecticut from 18¢ per gallon to 26¢ per

LEGISLATIVE SUMMARY (cont.)

gallon. Effective for sales occurring on or after August 1, 2002.

PETROLEUM COMPANIES GROSS EARNINGS TAX

Public Act 02-4, May 9 Spec. Ses.

- Exempts from the petroleum products tax any first sale of petroleum products to be used as fuel for a fuel cell. Effective July 1, 2002.

SALES AND USE TAXES

Public Act 02-1, May 9 Spec. Ses.

This act makes various changes to the sales & use taxes:

- Excludes business analysis, management, management consulting and public relations services rendered in connection with an aircraft leased or owned by a certificated air carrier or in connection with an aircraft, which has a maximum take-off weight of 6,000 pounds or more. Effective for services rendered on or after January 1, 1994;
- Makes the furnishing of space for storage of personal property (self-storage) by a person engaged in the business of furnishing such space applicable to the sales and use taxes. Effective for sales of occurring on or after October 1, 2002; and
- Delays the phase out of the computer and data processing services sales tax exemption. The services remain taxable at the rate of 1% until July 1, 2004.

Public Act 02-4, May 9 Spec. Ses.

- Adds exclusion to community and antenna television services for noncable communications service purchased by a cable network as used in Conn. Gen. Stat §12-218(I). Effective August 15, 2002.

SUCCESSION TAX

Public Act 01-1, Nov. 15 Spec. Ses.

- Delays the reduction, in increments, and the ultimate repeal of the succession tax, for the net taxable estate passing to any Class B or Class C beneficiary. Effective for estates of persons dying on or after January 1, 1997.

CONNECTICUT COURT CASES

CONNECTICUT SUPREME COURT

In Vincenzo Verna et al. v. Commissioner of Revenue Services, 261 Conn. 102 (July 2002), the Connecticut Supreme Court construed the term “unimproved land” for purposes of applying the real estate conveyance tax. The court concluded that a blockhouse that remained on the plaintiff’s property at the time of its conveyance constituted an improvement to the property. Therefore, because of the presence of the blockhouse, the court held that the plaintiff’s property was not unimproved land for purposes of the real estate conveyance tax. Consequently, the court affirmed the trial court’s decision.

CONNECTICUT SUPERIOR COURT (TAX SESSION)

In Greenwich Hospital v. Commissioner of Revenue Services, No. CV 99 0498326S (July 30, 2001), the Superior Court granted the Department’s motion for partial summary judgment, ruling that the hospital gross earnings tax, which is a tax on the amount of a hospital’s total charges for all patient care services, applies to items of tangible personal property used by hospitals in performing patient care services.

In Greenwich Hospital v. Commissioner of Revenue Services, No. CV 99 0498326S (October 3, 2001), the Superior Court granted the Department’s Motion for Articulation. In granting the Department’s motion, the court held that its statement in its Memorandum of Decision of July 30, 2001 that “the attendant items of tangible personal property that are necessary for the hospital to complete its delivery of patient care services” is

synonymous with the definition of patient care services contained in Conn. Gen. Stat. §12-263a(8).

In Millward Brown, Inc. v. Commissioner of Revenue Services, No. CV 98 0492472S (August 8, 2001), the Superior Court ruled that because the taxpayer derived its income during the tax periods in question from the use of tangible personal property, the taxpayer properly apportioned its income using the three-factor formula of Conn. Gen. Stat. §12-218(c).

In Edward D. Sullivan, et al v. Commissioner of Revenue Services, No. CV 99 0495538S (August 10, 2001), the Superior Court upheld the Department’s real estate conveyance tax assessment on the taxpayer’s transfer of real property that he solely owned to a limited liability company of which he and his wife were the sole members. Although the taxpayer argued that the property was subject to a continuing partnership on the date of conveyance, the court found that the facts did not support this contention. Consequently, the court found that the real estate conveyance tax applied to the transfer.

In Rodney Viccari v. State of Connecticut, Commissioner of Revenue Services, No. CV 98 0492597S (September 5, 2001), the Superior Court ruled in favor of the taxpayer. Relying on two previous Connecticut Supreme Court cases involving the application of the use tax (Conn. Gen. Stat. §12-411) to boats purchased outside Connecticut, the court held that three conditions must exist in order for the tax to apply: First, there must be a purchase of tangible personal property; second, the purchase must have been made for the

CONNECTICUT COURT CASES (cont.)

purpose of storage, use or other consumption in this state; and third, there must have been such storage, use or other consumption. Based on the evidence and testimony presented in this case, the court found that the taxpayer did not purchase his boat with the intent to use it in Connecticut. Therefore, the court held the use of the boat in Connecticut was not subject to use tax.

In Andrew J. Mandell v. Commissioner of Revenue Services, No. CV 00 0504213S (October 15, 2001), the Superior Court ruled in favor of the taxpayer, finding that the real estate conveyance tax did not apply to the taxpayer's transfer of his property to a limited liability company of which he was the sole member. The court, in finding that, for tax purposes, the taxpayer owned the real property that was the subject of this appeal both before and after the conveyance of such property, held that there was no consideration paid by Mandell Properties, LLC to the taxpayer for the transfer of the property.

In Revere Ferris v. Commissioner of Revenue Services, No. CV 99 0498479S (October 18, 2001), the Superior Court, finding no distinction between the facts of this case and the facts in Andrew J. Mandell v. Commissioner of Revenue Services, ruled in favor of the taxpayer in this real estate conveyance tax case. The court found that, for tax purposes, the taxpayer owned the real property that was the subject of this appeal both before and after his conveyance of the property and that no consideration was paid in connection with the transfer of the property. The court therefore held that no tax was due. As in Andrew J. Mandell v. Commissioner of Revenue Services, the taxpayer in this case transferred his property

to a limited liability company, of which he was the sole member.

In Stewart J. Leonard, Sr. d/b/a Stewart Leonard's Diary v. Commissioner of Revenue Services, No. CV 98 0492503S (November 15, 2001), the Superior Court found in favor of the taxpayer in phase two of this bifurcated trial. The Department assessed a sales and use tax deficiency and a twenty-five per cent penalty against the taxpayer for the period from February 28, 1989 through March 31, 1992. Because the taxpayer had destroyed its original books and records, the examiner could not perform an audit of those books and records. The Department therefore based its assessment on amounts set forth in a plea agreement between the taxpayer and the federal government, establishing underreported income amounts for each of the years in question. Although there is no question that the taxpayer altered business records to change the amount of gross receipts reported for federal income tax purposes, the court found that the Department presented no evidence that the taxpayer altered or destroyed any business records involving the reporting or collection of Connecticut sales tax during the period in question. The court further found that the amounts in the federal plea agreement were arbitrary and for settlement purposes only. Accordingly, the court held that the Department's reliance on the taxpayer's plea agreement with the federal government was not a proper basis for the imposition of a sales tax deficiency assessment and twenty-five per cent penalty against the taxpayer for the period from February 28, 1989 through March 31, 1992.

CONNECTICUT COURT CASES (cont.)

In Stewart J. Leonard, Sr. d/b/a Stewart Leonard's Diary v. Commissioner of Revenue Services, No. CV 98 0492503S (March 27, 2002), the Superior Court articulated its basis for holding that the statute of limitations provided in Conn. Gen. Stat. §12-415(f) barred the Department from assessing sales and use taxes against the taxpayer and its basis for disallowing the Department's imposition of a fraud penalty under Conn. Gen. Stat. §12-415(d). According to the court, the basis for its holdings was that the Department failed to meet its burden of proving fraud or intent to evade Connecticut sales tax by the taxpayer.

In NERAC, Inc. v Commissioner of Revenue Services, No. CV 99 0493548S (November 30, 2001), the Superior Court ruled in favor of the taxpayer. The issue in this case was whether database information conveyed to the taxpayer on magnetic tapes was intangible or tangible personal property. The court, finding that the true object of the transaction was not tangible personal property in the form of magnetic tapes, but instead was the information contained on the tapes, held that the transaction was not subject to tax.

In Dennis Gavigan v. Commissioner of Revenue Services, No. CV 01 0508067S (January 18, 2002), the Superior Court granted the Department's motion to dismiss, finding that the taxpayer failed to properly serve its complaint. Because the taxpayer failed to have a sheriff serve its complaint on the Attorney General in accordance with the requirements of Conn. Gen. Stat. §12-730 and Conn. Gen. Stat. §52-64, the court held that it lacked subject matter jurisdiction to decide the case. In Air Tiger, Inc. v. Commissioner of Revenue Services, No. CV 99 0496956S (March 27, 2002), the Superior Court ruled in

favor of the Department. The court found that the taxpayer's gross receipts were not derived from air commerce or transportation but rather from payments it received from the leasing of an aircraft. Consequently, the court held that the lease payments the taxpayer received from the lease of such aircraft were subject to Connecticut sales tax pursuant to Conn. Gen. Stat. §12-407(2)(j). [Felicia: As instructed, I have added the appropriate statutory cite. In its decision, however, the court never specifically mentions Conn. Gen. Stat. §12-407(2)(j), which was the basis for the Department's assessment in this case. Rather, the court simply held that the rental payments at issue are subject to Connecticut sales tax.]

In Men's World, Inc. v. Commissioner of Revenue Services, No. CV 99 0494630S (March 27, 2002), the Superior Court ruled in favor of the taxpayer. The sole issue on appeal was whether a \$3 damage waiver charge made by the taxpayer with respect to its rental of formal wear was properly excludable from gross receipts in determining the rental cost of a tuxedo for purposes of Conn. Gen. Stat. §12-412(47). By not adding the damage waiver to the tuxedo rental fee, the taxpayer was able to keep the total rental fee below \$50, and thus exempt from tax under Conn. Gen. Stat. §12-412(47). Finding that the damage waiver charge was not insurance, but was an optional charge at the customer's election, the court concluded that the damage waiver charge was not part of the rental price of the tuxedo.

CONNECTICUT'S TAXES

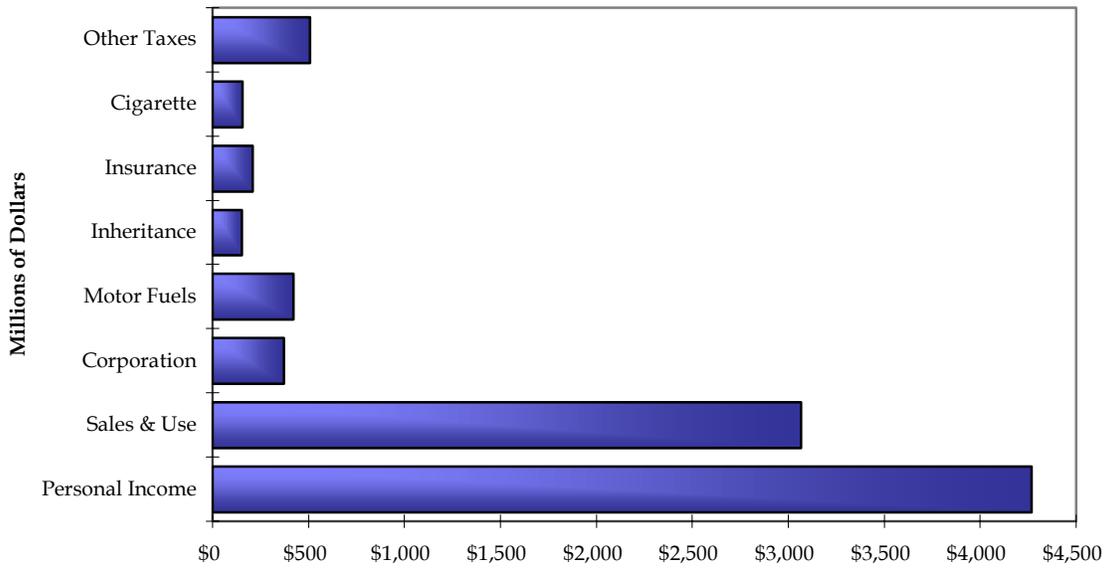
*The Department collected
over \$9.1 billion in revenue
for fiscal year 2001-02.*

*80 % of collections
were attributable to the Income Tax and
Sales & Use Tax.*

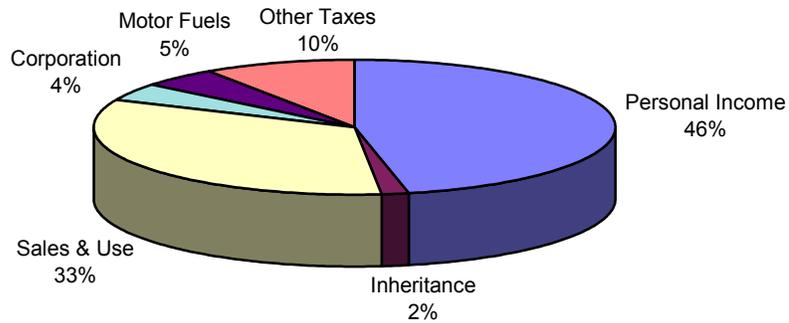
State Revenue Sources

Tax Type & Citation	Fiscal Year Ending		
	June 30, 2000	June 30, 2001	June 30, 2002
Admissions & Dues Tax <i>Ch. 225</i>	\$ 26,651,148	\$ 25,742,422	\$ 26,849,216
Alcoholic Beverages Tax <i>Ch. 220</i>	40,964,731	41,145,655	41,618,820
Automobile Rental Surcharge <i>Ch. 228h</i>	549,713	127,365	84,754.52
Capital Gains, Dividends & Interest Tax <i>Ch. 224</i>	139,123	189,620	167,042
Cigarette Tax <i>Ch. 214</i>	117,425,635	115,136,385	156,766,569
Community Antenna TV Systems Cos. <i>Ch. 211</i>	24,698,633	28,640,293	29,667,698
Connecticut Estate Tax <i>Ch. 217</i>	29,925,060	70,123,053	78,610,645
Controlled Substances <i>Ch. 228d</i>	962	87,135	147,547
Controlling Interest Transfer <i>Ch. 228b</i>	924,195	1,165,395	1,366,896
Corporation Business Tax <i>Ch. 208 & 209</i>	585,261,737	546,662,053	371,783,975
Dry Cleaners Surcharge <i>Ch. 211b</i>	766,029	922,830	906,281
Electric and Power Companies <i>Ch. 212</i>	28,376,064	27,865,890	30,882,437
Fiduciary Estate Tax <i>Ch. 218a</i>	5,178	5,265	5,215
Gas Companies <i>Ch. 212</i>	32,858,100	50,591,376	31,181,829
Gas and Electric Companies <i>Ch. 212</i>	79,978,795	73,393,178	74,762,744
Gift Tax <i>Ch. 228c</i>	32,765,696	28,206,636	19,953,803
Hazardous Waste Tax <i>Ch. 445</i>	994,813	390,114	83,223
Health Care Centers <i>Ch. 207</i>	37,187,076	28,893,604	41,280,791
Hospital Gross Earnings <i>Ch. 211a</i>	69,180,430	334,106	38,128
Income Tax <i>Ch. 229</i>	4,238,128,647	4,743,440,250	4,266,291,049
Insurance Companies, Domestic <i>Ch. 207</i>	26,874,578	26,332,115	31,063,908
Insurance Companies, Foreign <i>Ch. 207</i>	131,900,557	129,879,387	135,999,108
Motor Carrier Road Tax <i>Ch. 222</i>	10,078,118	10,274,045	8,780,096
Motor Vehicle Fuels Tax <i>Ch. 221</i>	496,658,719	407,559,662	421,805,196
Nursing Home Provider Tax <i>Ch. 228f</i>	492	0	0
Occupational Tax <i>Ch. 876</i>	5,914,532	5,937,106	5,947,456
Petroleum Tax (Oil Companies) <i>Ch. 227</i>	103,338,078	127,567,873	100,113,929
Railroad Companies <i>Ch. 210</i>	167,364	55,585	103,605
Real Estate Conveyance Tax <i>Ch. 223</i>	113,642,688	111,113,467	119,351,195
Sales and Use Taxes <i>Ch. 219</i>	3,106,764,984	3,184,327,113	3,064,794,682
Seed Oyster Tax <i>Ch. 491</i>	308	0	0
Solid Waste <i>Ch. 446d</i>	2,218,677	2,274,489	2,245,933
Steam Companies <i>Ch. 212</i>	184,515	0	0
Succession Tax <i>Ch. 216</i>	198,142,011	182,673,179	74,476,175
Telecommunications <i>Ch. 210a</i>	7	90	0
Tire Fee <i>Ch. 446d</i>	5,447	(14)	0
Tobacco Products <i>Ch. 214a</i>	4,951,833	4,492,025	4,443,667
Tourism Account Surcharge <i>Ch. 228e</i>	4,780,821	4,876,640	4,536,350
Unauthorized Insurers <i>Ch. 698d</i>	1,880,792	1,762,499	2,905,424
Unrelated Business Income Tax <i>Ch. 208a</i>	2,061,711	3,735,458	2,392,948
Total	\$9,556,347,998	\$9,985,923,344	\$9,151,408,334

DEPARTMENT OF REVENUE SERVICES
Tax Receipts: FY 2001-02



PERCENTAGE OF TAX RECEIPTS
By Major Tax Type
FY 2001-02



ADMISSIONS AND DUES TAX

Revenue	
FY 1999-00	\$ 26,649,619
2000-01	25,742,422
2001-02	26,849,216

Exemptions

Admissions charges:

- under \$1;
- of a non-profit organization;
- to motion pictures not more than \$5.00;
- to live performances at non-profit theaters or playhouses, Gateway Candlewood Playhouse, and Ocean Beach Park;
- to sporting or athletic activities in which patrons participate;
- to any carnival or to any amusement ride;
- to cabarets;
- to home games of the:
 - New Britain Rock Cats,
 - New Haven Ravens, and
 - Waterbury Spirit;
- to any event at the:
 - Hartford Civic Center,
 - New Haven Coliseum,
 - Connecticut Exposition Center,
 - New Britain Beehive Stadium,
 - New Britain Stadium,
 - New Britain Veterans Memorial Stadium,
 - Bridgeport Harbor Yard Stadium,
 - Stafford Motor Speedway,
 - Lime Rock Park,
 - Thompson Speedway,
 - Waterford Speedbowl,
 - Tennis Foundation of Connecticut or any successor organization, and
 - William A. O'Neill Convocation Center.

Dues:

- Annual dues under \$100;
- Lawn Bowling Clubs;
- Locker Rental Fees;
- Additional charges used to acquire open space land;
- Dues of a charitable, religious, governmental or non-profit educational institution; and
- Dues of any society, order or association operating under the lodge system or local fraternal organizations among students of a college or university.

ADMISSIONS AND DUES TAX (cont.)

Number of Taxpayers / Filing Frequency

Admissions	175 taxpayers / Monthly
Dues	220 taxpayers / Monthly

Basis and Rate

Admissions	6% of the admissions charge to motion picture shows. 10% of the admission charge to any other place of amusement, entertainment or recreation.
Dues	10% of membership dues or initiation fees to any social, athletic or sporting club organization.

Comparative Data

Tax Due	FY 2000-01	FY 2001-02
Motion Picture Admissions	\$ 4,906,361	\$ 4,537,517
Other Admissions	4,046,853	4,591,216
Dues	16,789,208	17,720,483
Total	\$ 25,742,422	\$ 26,849,216

ALCOHOLIC BEVERAGES TAX

A tax is imposed on all distributors of alcoholic beverages on the sale of alcoholic beverages within Connecticut. Distributors must report the total number of gallons of each alcoholic beverage sold during the month, the opening and closing inventories and the amount of tax due. Sales of alcoholic beverages are also subject to the Sales and Use Tax.

<u>Revenue</u>	
FY 1999-00	\$40,964,731
2000-01	41,145,655
2001-02	41,618,820

Exemption

Sales of malt beverages which are consumed on the premises of an establishment covered by a manufacturer's permit.

Number of Taxpayers/Filing Frequency

90 distributors/ Monthly

Basis and Rate

Beer	\$6.00 per barrel (31 gallons)
Beer	20¢ per gallon
Still Wines	60¢ per gallon
Small Wineries	15¢ per gallon
Sparkling Wines	\$1.50 per gallon
Alcohol	\$4.50 per proof gallon
Distilled Liquor	\$4.50 per gallon
Liquor Coolers	\$2.05 per gallon

Comparison of Gallonage

TYPE	FY 1999-00 (gallons)	FY 2000-01 (gallons)	FY 2001-02 (gallons)
Beer - barrels	214,506	204,777	198,427
Beer - gallons	51,759,690	51,257,075	53,179,648
Still Wine	9,902,560	10,246,319	10,331,809
Small Wineries	59,215	71,185	82,099
Sparkling Wine	465,296	408,367	386,701
Distilled Liquor	4,882,838	4,964,623	5,008,970
Liquor Cooler	91,861	124,762	109,308
Alcohol	35,054	36,261	34,639

CIGARETTE TAX

An excise tax is imposed on all cigarettes sold in Connecticut. Payment is indicated by affixing stamps or heat applied decals to each pack of cigarettes. The stamps are sold to licensed dealers and licensed distributors. Sales of cigarettes are also subject to the Sales and Use Tax.

Revenue	
FY 1999-00	\$117,425,635
2000-01	114,847,459
2001-02*	156,485,164

Exemptions

- Sales or purchases at military bases; and
- Cigarettes sold to any state institution other than a correctional institution.

Number of Taxpayers/ Filing Frequency

67 taxpayers/ Monthly

Basis and Rate*

55½ mills per cigarette, or \$1.11 per pack of twenty. Prior to April 3, 2002, the rate was 25 mills per cigarette, or 50¢ per pack of twenty.

CONTROLLED SUBSTANCES TAX

A tax is levied on marijuana and controlled substances which creates an economic burden on drug dealers. Payment of the tax is indicated by the affixing of stamps to the marijuana or controlled substance. The tax is due and payable immediately upon acquisition or possession of the drug in Connecticut by a dealer.

Revenue	
FY 1999-00	\$962
2000-01	87,135
2001-02	147,547

Basis and Rate

\$3.50 per gram of marijuana;
\$200 per gram of controlled substance; and
\$2,000 per 50-dosage unit of controlled substance not sold by weight.

CONTROLLING INTEREST TRANSFER TAX

A tax is imposed on the transfer of a controlling interest in a corporation, partnership, association, trust or other entity, where an entity owns an interest in Connecticut real property with a value of at least \$2,000. In a corporation, "controlling interest" means more than 50% of the combined voting power of all classes of stock in the corporation. For all other entities, "controlling interest" is an amount greater than 50% of the capital, profits or beneficial interest in that entity.

Revenue	
FY 1999-00	\$ 924,194
2000-01	1,165,395
2001-02	1,366,895

Exemptions

- Sales or transfers that effectuate a mere change of identity or form of ownership or organization where there is no change in the beneficial ownership of the entity;
- Sale or transfer of a controlling interest in any entity which possesses an interest in real property located in an enterprise zone;
- Transfers of land resulting from eminent domain proceedings;
- Mortgage deeds;
- Deeds to or by the United States of America, State of Connecticut or any political subdivision or agency thereof;
- Tax deeds;
- Deeds releasing any property which is a security for a debt or other obligation; and
- Deeds to any corporation, trust or other entity, of land to be held in perpetuity for educational, scientific, aesthetic or other equivalent passive uses (pending determination by the Internal Revenue Service).

Number of Taxpayers / Filing Frequency

20 transfers / The month following the month in which the transfer was made.

Basis and Rate

1.11% on the sale or transfer of a controlling interest. Also, an additional tax not to exceed 10% on the value of open space land, farmland and forestland, depending on the holding period, may be levied.

CORPORATION BUSINESS TAX

A corporation carrying on or doing business in Connecticut is subject to the Corporation Business Tax. Most corporations in Connecticut must file returns and pay corporation business tax although some corporations are exempt.

Corporations must calculate their tax under two alternative methods and remit the higher tax. If a corporation owes less than \$250 under both methods, it pays the minimum tax of \$250.

Revenue	
FY 1999-00	\$585,261,737
2000-01	546,662,053
2001-02	371,783,975

Basis and Rate

Net Income Base Method

The method under which the majority of Corporation Business Tax revenue is derived is the Net Income Base. Corporations compute their Connecticut Net Income by applying the adjustments allowed or required by Connecticut law to the federal taxable income of the corporation. Additions to the base include interest income wholly exempt from federal tax and unallowable deductions for corporation or franchise taxes paid to other states. Deductions from the federal base include 70% of the dividends received from domestic corporations in which ownership is less than 20% and capital loss carryover, if not deducted in computing federal capital gain.

2002 Conn. Pub. Acts 1 (May 9 Spec. Sess.) requires corporations to compute depreciation on their property without the bonus depreciation deduction recently allowed for federal tax purposes. For property placed in service after September 10, 2001 and before September 11, 2004, an additional 30% first-year deduction is allowed for federal purposes but not for the Connecticut Corporation Business Tax.

Connecticut uses an apportionment method to determine the portion of income taxable in the state. This method isolates what percentage of a corporation's economic activity takes place in Connecticut. Three factors: sales, payroll and property compare Connecticut to the nation to arrive at this percentage. The sales factor is double weighted.

CORPORATION BUSINESS TAX (cont.)

Special single-factor apportionment rules are currently provided for financial service companies. For income years beginning on or after January 1, 2001, manufacturers also apportion income using a single-factor formula. Broadcasters are allowed a single factor formula for income years beginning on or after October 1, 2001.

Connecticut Net Income is taxed at the rate of 7.5%.

Capital Base Method

The second and alternate method corporations must compute their tax under is the Capital Base. The capital base is the total value of the average capital stock, surplus and undivided profits, and surplus reserves, less the average values of deficits and stockholdings in private corporations. Multi-state corporations multiply their capital base by an apportionment fraction.

The capital base is taxed at a rate of 3.1 mils (\$0.0031) per dollar. Under the capital base method, a corporation is limited to a maximum tax of \$1,000,000. Financial service companies are excluded from the capital base and minimum tax.

Minimum Tax

If a corporation's calculation of the tax is less than \$250 under both of the two previous methods, it pays a minimum tax, which is currently \$250. The majority of corporations pay the minimum tax.

Combined Returns/Preference Tax

If a corporation is permitted to file a federal consolidated return, it may file a combined return in Connecticut. Filing a combined return allows a group of corporations engaged in business in Connecticut to file jointly. Their combined Connecticut tax liability is determined after each corporation individually apportions its income to Connecticut.

A preference tax is imposed on corporations filing a combined return. These corporations are not entitled to the first \$25,000 of tax savings over what they would pay if they file separately. Combined filers must determine the total tax due as if they were filing separately. The difference, up to \$25,000, between this amount and the total combined tax is the preference tax and must be added to the total combined tax.

CORPORATION BUSINESS TAX (cont.)

The total amount due for income year 2000 combined filers had they filed separate single returns would have been \$381.1M. The preference tax due by these filers was \$8.0M. The total tax due by combined filers was \$186.6M, including the \$8.0M in preference tax.

Subchapter S Corporations

Conn. Gen. Stat. §12-214(2)(J) exempts Subchapter S corporations from the Corporation Business Tax beginning with the 2001 income year.

Exemptions

- Cooperative housing corporations;
- Homeowners associations;
- Domestic international sales corporations;
- Insurance companies;
- Certain political organizations or associations exempt from federal income taxes under §527 of the Internal Revenue Code;
- Railroad companies subject to the gross earnings tax;
- Companies whose corporate headquarters are located in the insurance and financial services export zone in the City of Hartford and are conducting all of their business outside the United States;
- Connecticut passive investment companies formed by financial service companies to hold and manage loans secured by real property;
- Non United States corporations whose sole activity conducted in Connecticut is the trading of stocks, commodities and securities; and
- Subchapter S corporations.

Filing Frequency

Annually with four estimated installments.

CORPORATION BUSINESS TAX (cont.)

Number of Taxpayers

2000 Corporation Business Tax Returns

	Number of Taxpayers	Tax Due Before Credits	Tax Due After Credits
Single Filers			
Net Income	11,271	\$ 163,651,069	\$142,232,519
Capital Base	5,063	28,085,422	17,371,053
Minimum Tax	33,213	7,491,062	7,068,196
Subchapter S Filers			
Net Income	8,269	35,591,252	31,412,495
Capital Base	3,664	8,692,654	6,165,766
Minimum Tax	20,645	5,104,766	4,910,394
Combined Filers	1,191	186,607,274	92,248,091
Total	83,316	\$ 435,223,499	\$ 301,408,514

CORPORATION BUSINESS TAX CREDITS

The State of Connecticut offers many Corporation Business Tax credits which a corporation may take advantage of to reduce its liability to the state. Effective for income years beginning on or after January 1, 2002, the amount of tax credits allowable cannot exceed 70% of the amount of tax due or reduce the amount of tax to less than \$250.

Apprenticeship Training

Reference: Conn. Gen. Stat. §12-217g

A corporation that hires apprentices in the manufacturing or plastics trades may apply for a credit of up to \$4,800 per apprenticeship.

Corporations that hire apprentices in the construction trades may apply for a credit of up to \$1,000 per apprenticeship.

CORPORATION BUSINESS TAX CREDITS (cont.)

Clean Alternative Fuels

Reference: Conn. Gen. Stat. §12-217i as amended by P.A. 02-4 (May 9 Spec. Sess.)

The Clean Alternative Fuels credit enables a business to claim credits of 10% or 50% of its expenditures on vehicles, equipment and filling stations which enable use of clean alternative fuel. This credit is not available for income years commencing on or after January 1, 2004. Unused credit may be carried forward for three years.

A 10% credit is allowed for the incremental cost of purchasing vehicles exclusively powered by clean alternative fuels.

A 50% credit is available for the expenses of equipment used in a compressed natural gas, liquefied petroleum gas or liquefied natural gas filling or electric recharging station and the purchase of equipment needed to convert a vehicle to clean alternative fuel. The credit also applies to amounts spent directly on the construction of any filling station or improvements to any existing filling station in order to provide either compressed natural gas, liquefied petroleum gas or liquefied natural gas.

Computer Donation

Reference: Conn. Gen. Stat. §10-228b

A corporation business tax credit is available for the donation of new or used computers to a local or regional board of education or a public school. The amount of the credit shall not exceed 50% of the fair market value at the time of donation.

The amount of credit granted to any business firm cannot exceed \$75,000 annually. The total amount of credits allowed in any fiscal year is capped at \$1 million.

Displaced Workers Hired By Electric Suppliers

Reference: Conn. Gen. Stat. §12-217bb

Electric suppliers who hire workers displaced by the restructuring of the electric industry may claim a credit of \$1,500 for each displaced worker employed at least 6 months.

Donation of Open Space Land

Reference: Conn. Gen. Stat. §12-217dd

This credit is available in an amount equal to 50% of the use value of the donation of land to be permanently preserved as protected open space. Donations of land must

CORPORATION BUSINESS TAX CREDITS (cont.)

be made to the state, a political subdivision of the state, or a nonprofit land conservation organization and may include any discount in the sales price.

For income years beginning on or after January 1, 2000, unused credit may be carried forward for ten succeeding income years.

Electronic Data Processing Equipment

Reference: Conn. Gen. Stat. §12-217t

The Electronic Data Processing Equipment Property Tax credit provides a 100% credit for property tax owed and paid on electronic data processing equipment. Unused credits may be carried forward for five succeeding income years.

Employer Assisted Housing

Reference: Conn. Gen. Stat. §12-217p

This credit is available for monies paid to a revolving loan fund for employer assisted housing. This fund must be established and maintained by the corporation for 5 years. The program is administered by the Connecticut Housing Finance Authority and is capped at \$1 million per year. The credit is limited to \$100,000 annually per business firm and may be carried back or forward for five years.

Enterprise Zone or Entertainment District

Reference: Conn. Gen. Stat. §12-217e

The Enterprise Zone or Entertainment District Credit allows a business credit of 50% of its allocable tax for operating a manufacturing facility which meets certain employment criteria and is located within a designated enterprise zone or other area designated as having enterprise zone level benefits. Certification is required from the Department of Economic and Community Development. Corporations may claim this credit for 10 years beginning with the first year following the year of certification.

Enterprise Zone Credit For Qualifying Corporations

Reference: Conn. Gen. Stat. §12-217v

A credit is allowed to any qualifying corporation created on or after January 1, 1997 which hires at least 150 local employees qualifying under the Job Training Partnership Act to work within a designated Enterprise Zone. This credit is 100% of the corporation's tax liability for its first three years and 50% of its liability for the next seven.

CORPORATION BUSINESS TAX CREDITS (cont.)

Financial Institutions

Reference: Conn. Gen. Stat. §12-217u

This credit is available to financial institutions that construct a new facility and create a minimum of 1,200 new jobs. Each company must obtain an eligibility certificate from the Department of Economic and Community Development in order to claim this credit. Credit levels of 30%, 40% or 50% for years one through ten and 25% for years eleven through fifteen are based on the number of qualified employees. This credit may be taken for up to fifteen years.

Fixed Capital Investments

Reference: Conn. Gen. Stat. §12-217w

This credit is based on the amounts paid or incurred for any new tangible personal property that has a class life of more than four years, is not sold or leased within 12 months, and will be held and used in Connecticut for at least five years. Inventory, land, buildings and mobile transportation equipment are not included. The percentage of credit is 5% for income years beginning on or after January 1, 2000. Unused credits may be carried forward for five succeeding income years.

Hiring Incentive

Reference: Conn. Gen. Stat. §12-217y

This credit is available to companies that hire recipients of the Temporary Family Assistance (TFA) program. The employees must have been receiving TFA benefits for at least 9 months and have worked at least 30 hours per week to qualify. A corporation may claim a credit of \$125 for each full month that the worker is employed. Unused credits may be carried forward for five succeeding income years.

Historic Homes Rehabilitation

Reference: Conn. Gen. Stat. §10-320j

The Connecticut Historical Commission may allocate up to \$3 million in vouchers for this credit during any fiscal year. Owners of historic homes must incur qualified rehabilitation expenditures that exceed \$25,000 in order to qualify. After the work is performed and verified, a tax credit is allowed for 30% of the qualified rehabilitation expenditures. The credit is limited to \$30,000 per dwelling. Unused credits may be carried forward for four succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Housing Program Contribution

Reference: Conn. Gen. Stat. §8-395 as amended by P.A. 01-8 (June Spec. Sess.)

This tax credit program enables corporations to contribute to housing programs that benefit low and moderate income individuals and families. These programs are sponsored, developed or managed by nonprofit corporations and must be approved by the Connecticut Housing Finance Authority. The credit is the amount of the contribution, not to exceed \$75,000 per business. Unused credits may be carried back to the five preceding income years and forward for five succeeding income years.

Human Capital Investments

Reference: Conn. Gen. Stat. §12-217x

The Human Capital Investments credit is based on the amounts paid or incurred for various job training and work education programs, child care subsidies to Connecticut employees, day care facility establishment costs and donations to institutions of higher education for improvements to technology. The percentage of credit is 5% of the expenditures in income years beginning on or after January 1, 2000. Unused credits may be carried forward for five succeeding income years.

Insurance Reinvestment Fund

Reference: Conn. Gen. Stat. §38a-88a as amended by P.A. 01-6 (June Spec. Sess.)

A credit may be applied against the corporation business tax for investments made through a registered fund manager. These investments must be specifically earmarked for insurance businesses incorporated in Connecticut that occupy new facilities and create new jobs. The credit is 10% of amounts invested in qualified insurance businesses, beginning 3 years but not later than 7 years from the date of investment. For years 7 through 10, the credit increases to 20% of the invested amounts. Unused credits may be carried forward for five succeeding income years or assigned to another taxpayer.

Managers of eligible funds must have registered with the Commissioner of Economic and Community Development by July 1, 2000. No further credits will be allowed for investments in funds created on or after July 1, 2000.

Machinery and Equipment

Reference: Conn. Gen. Stat. §12-217o

This credit is based upon the incremental increase in expenditures for machinery and equipment acquired for and installed in Connecticut. The rate of credit is either 5% or 10% depending on the number of full time employees in Connecticut.

CORPORATION BUSINESS TAX CREDITS (cont.)

Manufacturing Facility in a Targeted Investment Community

Reference: Conn. Gen. Stat. §12-217e

A credit of 25% may be applied against the portion of the Corporation Business tax allocable to a manufacturing facility located in a targeted investment community. The Commissioner of Economic and Community Development must certify that the facility is operating in a designated area of high unemployment. The credit period lasts for ten years beginning with the first year following certification.

Neighborhood Assistance Act Program

Reference: Chapter 228a of the Conn. Gen. Stat.

The Connecticut Neighborhood Assistance Act tax credit program is designed to provide funding for municipal and non-profit organizations.

Businesses are granted a tax credit for contributing to certain programs approved by the Department of Revenue Services. Depending upon the nature of the program and the individuals served, credit is either 60% or 40% of the amount contributed. Unused credits may be carried back to the two preceding income years.

The program has several statutory limits that must be followed. A business is limited to receiving \$75,000 in tax credit annually. A non-profit organization is limited to receiving \$150,000 in contributions in the aggregate. Also, businesses' total charitable contributions must equal or exceed its prior year amount. The minimum contribution on which credit can be granted is \$250. The program has a \$5M cap which if exceeded, results in pro-ration of approved donations.

Research and Development Expenditures

Reference: Conn. Gen. Stat. §12-217n

A credit may be applied against the Corporation Business Tax for expenses of research and development conducted in Connecticut.

The amount allowed as credit increases ratably from 1% of the annual research and development expenses paid or incurred, where such expenses equal \$50 million or less, to 6% where expenses exceed \$200 million. The 6% credit is extended to qualified small businesses with a gross income that does not exceed \$100 million for income years beginning on or after January 1, 2000.

For income years beginning on or after January 1, 2000, qualified small businesses may exchange unused amounts of this credit with the state for a cash payment of 65% of the value of the credit or carry these amounts forward at full value. For income years beginning on and after January 1, 2002, credit refunds are limited to \$1.5 million in any one income year. Unused credits may be carried forward until fully taken.

CORPORATION BUSINESS TAX CREDITS (cont.)

Research and Development Grants to Institutions of Higher Education

Reference: Conn. Gen. Stat. §12-217l

This credit is available for 25% of the incremental increase in amounts spent by a corporation for a qualifying grant or combination of grants to any institution of higher education in Connecticut for the purposes of research and development related to advancements in technology.

Research and Experimental Expenditures

Reference: Conn. Gen. Stat. §12-217j

This is a tax credit based on the incremental increase in expenditures for research and experiments conducted in Connecticut. The amount of the credit equals 20% of the amount spent by the corporation directly on research and experimental expenditures that exceeds the amount spent in the preceding income year. Unused credits may be carried forward for fifteen succeeding income years.

For income years beginning on or after January 1, 2000, qualified small businesses may exchange unused amounts of this credit with the state for a cash payment of 65% of the value of the credit or carry these amounts forward at full value. For income years beginning on and after January 1, 2002, credit refunds are limited to \$1.5 million in any one income year.

Service Facility

Reference: Conn. Gen. Stat. §12-217e

This credit is available to companies with a service facility located in a Connecticut targeted investment community which hire new employees and have an eligibility certificate issued by the Commissioner of Economic and Community Development. The credit is based on the portion of tax allocable to such facility and the number of new employees working there. Credit percentages range from 15% to 50% depending on the number of new employees. The credit period is ten years.

Small Business Guaranty Fee

Reference: Conn. Gen. Stat. §12-217cc

Small businesses with less than \$5 million in gross receipts may claim this credit equal to the amount paid to the federal Small Business Administration as a guaranty fee to obtain guaranteed financing during the income year. Unused credits may be carried forward for four succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Traffic Reduction Programs

Reference: Conn. Gen. Stat. §12-217s

This is a 50% credit for traffic reduction program expenses related to the attainment of federal Clean Air Act standards. This credit is available for corporations employing 100 or more people located in a severe non-attainment area. The credit cannot exceed \$250 per participating employee.

Urban or Industrial Site Investment

Reference: Conn. Gen. Stat. §32-9t

This credit is available for income years beginning on or after July 1, 2000 for investments in eligible urban reinvestment projects and industrial site investment projects. Investments may be made directly or through a registered fund manager and must be certified by the Commissioner of Economic and Community Development. The credit is 10% of the qualified investments, beginning 4 years but not later than 7 years from the date of investment. For years 8 through 10, the credit increases to 20% of the invested amounts. Unused credits may be carried forward for five succeeding income years or assigned to another taxpayer.

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the number of corporation tax credits claimed and the amounts taken for each of the corporation credit programs utilized by businesses. The figures represent credit claimed on 2000 returns and reflect any credits carried forward from prior years and used in 2000.

Credit Claimed on 2000 Corporation Returns

Type of Credit	Number of Credits	Amount of Credit Claimed
Air Pollution Abatement	6	\$ 4,333
Apprenticeship Training	65	435,903
Child Day Care	14	23,540
Clean Alternative Fuels	9	122,454
Donation of Open Space Land	9	665,663
Electronic Data Processing	6,777	26,488,367
Employer Assisted Housing	9	156,273
Fixed Capital	7,114	50,790,548
Hiring Incentive	25	40,492
Housing Program Contribution	42	3,013,842
Human Capital	387	2,538,751
Industrial Waste Treatment	1	11,937
Insurance Reinvestment	6	6,210
Machinery and Equipment	1,040	6,538,797
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	139	1,079,806
Neighborhood Assistance	269	2,137,474
Research & Development	274	23,720,780
Research & Experimental Expenditures	161	15,797,584
SBA Guaranty Fee	21	20,128
Traffic Reduction	6	222,103
Total	16,374	\$133,814,985

DRY CLEANING SURCHARGE

The Dry Cleaning Surcharge is used to provide grants to dry cleaning establishments for the purposes of the containment and removal or mitigation of environmental pollution resulting from dry cleaning activity. The surcharge is also used to fund measures, which are approved by the Commissioner of Economic and Community Development, undertaken to prevent pollution. Monies collected are deposited into the Dry Cleaning Remediation Account, which is used to provide these grants.

Revenue	
FY 1999-00	\$ 766,029
2000-01	922,829
2001-02	906,281

Basis and Rate

1% of gross receipts at retail.

Number of Taxpayers/Filing Frequency

583 taxpayers/Quarterly

GIFT TAX

Gifts that are taxable for federal purposes are also subject to the Connecticut Gift Tax. The tax applies to the transfer of personal (tangible or intangible) and real property situated within the state by Connecticut residents and nonresidents. The Connecticut Gift Tax is being incrementally reduced to eventually apply only to those donors who make taxable gifts exceeding \$1 million in the aggregate during a calendar year.

Revenue	
FY 1999-00	\$32,765,696
2000-01	28,206,636
2001-02	19,953,803

Exemptions

- The first \$25,000 of gifts to any donee; and
- Gifts made by married couples may be considered as having been made one-half by each spouse. (Therefore, the first \$50,000 of gifts made by consenting spouses is exempt.)

Basis and Rate

2000 Conn. Pub. Acts 170 amended Conn. Gen. Stat. §12-642 to reduce the tax on gifts under \$1 million incrementally over a six-year period, starting with gifts made during calendar year 2001. The tax rates are shown below:

Amount of Taxable Gift Calendar Year 2001	Tax Rate
\$25,000 or less	exempt
Over \$25,000 but not over \$50,000	\$250 + 2% of amount over \$25,000
Over \$50,000 but not over \$75,000	\$750 + 3% of amount over \$50,000
Over \$75,000 but not over \$100,000	\$1,500 + 4% of amount over \$75,000
Over \$100,000 but not over \$675,000	\$2,500 + 5% of amount over \$100,000
Over \$675,000	\$31,250 + 6% of amount over \$675,000

Amount of Taxable Gift Calendar Year 2002	Tax Rate
\$50,000 or less	exempt
Over \$50,000 but not over \$75,000	\$750 + 3% of amount over \$50,000
Over \$75,000 but not over \$100,000	\$1,500 + 4% of amount over \$75,000
Over \$100,000 but not over \$700,000	\$2,500 + 5% of amount over \$100,000
Over \$700,000	\$32,500 + 6% of amount over \$700,000

GIFT TAX (cont.)

Amount of Taxable Gift Calendar Year 2003	Tax Rate
\$75,000 or less	exempt
Over \$75,000 but not over \$100,000	\$1,500 + 4% of amount over \$75,000
Over \$100,000 but not over \$700,000	\$2,500 + 5% of amount over \$100,000
Over \$700,000	\$32,500 + 6% of amount over \$700,000

Amount of Taxable Gift Calendar Year 2004	Tax Rate
\$100,000 or less	exempt
Over \$100,000 but not over \$850,000	\$2,500 + 5% of amount over \$100,000
Over \$850,000	\$40,000 + 6% of amount over \$850,000

Amount of Taxable Gift Calendar Year 2005	Tax Rate
\$950,000 or less	exempt
Over \$950,000	\$45,000 + 6% of amount over \$950,000

Amount of Taxable Gift Calendar Year 2006	Tax Rate
\$1,000,000 or less	exempt
Over \$1,000,000	\$47,500 + 6% of amount over \$1,000,000

Detail of Revenue

For Fiscal Year 2001-02, revenue collected amounted to \$19,953,803. Most of this revenue is attributed to calendar year 2001 returns with the remainder from audit or late return payments. A breakdown of calendar year 2001 returns is shown below.

2001 GIFT TAX RETURNS

Amount of Taxable Gift Due	# of Returns	Tax Due
\$25,000 or less	3,517	\$ 26
Over \$25,000 but not over \$50,000	1,348	683,958
Over \$50,000 but not over \$75,000	757	839,163
Over \$75,000 but not over \$100,000	432	857,039
Over \$100,000 but not over \$200,000	725	3,147,703
Over \$200,000 but not over \$300,000	210	2,014,150
Over \$300,000 but not over \$400,000	98	1,447,658
Over \$400,000 but not over \$500,000	38	776,545
Over \$500,000 but not over \$1,000,000	82	2,375,435
Over \$1,000,000	14	1,889,021
Total	3,704	\$ 14,030,698

INCOME TAX

A tax is imposed on the Connecticut taxable income of resident individuals, trusts, and estates at a rate of 4.5%. Nonresidents and part-year resident individuals, trusts and estates are also subject to the tax on income derived from or connected with sources within the State. Connecticut taxable income is defined as adjusted gross income for federal tax purposes with certain modifications and exemptions described below.

Revenue	
FY 1999-00	\$4,238,128,647
2000-01	4,743,440,250
2001-02	4,266,291,049

Number of Taxpayers/Filing Frequency

1.64 million taxpayers/ Annually

Taxpayers who expect to owe more than \$500 in income tax, in addition to income tax withheld, are required to file four estimated tax payments.

Basis and Rate

Filing Status	Connecticut Taxable Income	Rate of Tax
Single/	Not over \$10,000	3%
Married Filing Separate	Over \$10,000	\$300, plus 4.5% of the excess over \$10,000
Head of Household	Not over \$16,000	3%
	Over \$16,000	\$480, plus 4.5% of the excess over \$16,000
Joint	Not over \$20,000	3%
	Over \$20,000	\$600, plus 4.5% of the excess over \$20,000

INCOME TAX (cont.)

Exemptions

- \$12,500 for unmarried individuals, for taxable years commencing on or after January 1, 2001, but prior to January 1, 2002. For taxpayers with Connecticut AGI in excess of \$25,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$36,000.
- \$12,000 for married persons filing separately. For taxpayers with Connecticut AGI in excess of \$24,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$35,000.
- \$19,000 for heads of household. For taxpayers with a Connecticut AGI in excess of \$38,000, the exemption decreases by \$1,000 for each additional \$1,000 of Connecticut AGI. There is no exemption if the taxpayer earns more than \$56,000.
- \$24,000 for married persons filing jointly. The exemption for joint filers decreases by \$1,000, for taxpayers whose Connecticut AGI exceeds \$48,000, for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$71,000.
- Social Security benefits for single filers and married individuals filing separately whose federal adjusted gross income for the taxable year is less than \$50,000. Social Security benefits for married individuals filing jointly and head of household filers whose federal adjusted gross income for the taxable year is less than \$60,000.

Common Additions

- Interest on state and local obligations other than Connecticut;
- Exempt-interest dividends (other than those derived from obligations of the State of Connecticut or its municipalities);
- Pro rata share of certain S Corporation shareholder's loss;
- The total taxable amount of a lump sum distribution for the taxable year deductible from gross income in calculating federal adjusted gross income; and
- Loss on sale of Connecticut bonds.

Common Subtractions

- Interest on U.S. obligations;
- Dividends from certain mutual funds consisting of U.S. obligations;
- Social Security Benefit Adjustment;
- Refunds on state and local income taxes;
- Tier 1 and Tier 2 railroad retirement benefits and supplemental annuities;
- Pro rata share of certain S Corporation shareholder's income; and
- Gain on sale of Connecticut bonds.

INCOME TAX (cont.)

Withholding Requirement

Connecticut requires anyone who maintains an office or transacts business in Connecticut, and who is considered an employer for federal income tax withholding purposes, to withhold Connecticut income tax whether or not the payroll department is located in Connecticut.

Estimated Tax Payments

Taxpayers must make estimated payments if their Connecticut income tax (after tax credits) minus Connecticut tax withheld is more than \$500, and you expect your Connecticut income tax withheld to be less than your required annual payment.

Connecticut Alternative Minimum Tax

Taxpayers who are subject to, and required to pay, the federal alternative minimum tax are subject to the Connecticut Alternative Minimum Tax. The alternative minimum tax is computed on the lesser of 19% of the adjusted federal tentative minimum tax, or 5% of adjusted federal alternative minimum taxable income. The Connecticut Alternative Minimum Tax has been in effect since the 1993 income year.

Tax Credit For Property Taxes Paid To A Political Subdivision

Connecticut residents are eligible for an income tax credit for property taxes paid to a Connecticut political subdivision on a primary residence and/or privately owned or leased motor vehicle. The maximum credit for taxable years commencing on or after January 1, 2000 is \$500 per return. The credit cannot exceed the amount of qualifying property taxes paid or income tax liability. If an individual paid more than \$100 in property tax, a limitation based on filing status and Connecticut Adjusted Gross Income may apply.

Tax Credit For Income Taxes Paid To Qualifying Jurisdictions

Connecticut residents may claim an income tax credit if any part of their income was taxed by a qualifying jurisdiction. A qualifying jurisdiction includes another state of the United States, a local government within another state or the District of Columbia. A qualifying jurisdiction does not include the State of Connecticut, the United States or a foreign country or its provinces.

INSURANCE PREMIUMS TAX

Insurance companies are taxed in Connecticut on the total net direct premiums received from policies written on property or risks within the State. In addition, total net direct subscriber charges received on any new or renewal contract or policy by a health care center is also taxed. Persons who purchase insurance from unauthorized insurers are also subject to tax. Unauthorized insurers are defined as an insurer who has not been granted a certificate of authority by the Commissioner to transact the business of insurance in Connecticut, or an insurer transacting business not authorized by a valid certificate.

Revenue	
FY 1999-00	\$197,843,003
2000-01	186,867,605
2001-02	211,249,231

Exemptions

- Premiums sold for ocean and inland marine insurance of nonresident and foreign companies;
- Medicaid, Medicare, HUSKY Plan, and State Employee Health plans from health care centers subscriber charges; and
- New or renewal contracts or policies written to provide health care coverage to retired teachers, spouses or a surviving spouse, and to employees of a Connecticut municipality under a plan procured pursuant to Conn. Gen. Stat. §5-259(i), from net direct subscriber charges of health care centers.

Number of Taxpayers/Filing Frequency

1,400 insurance companies/ Annually
Quarterly estimated payments for domestic and foreign insurers and health care centers.

Basis and Rate

- 1.75% of net direct premiums received by domestic and foreign insurance companies.
- 4% of gross premiums charged by unauthorized insurers; and
- 1.75% of net direct subscriber charges of health care centers.

INSURANCE PREMIUMS TAX (cont.)

Comparative Data

	FY 1999-00	FY 2000-01	FY 2001-02
Domestic	\$26,874,578	\$26,332,114	\$31,063,908
Foreign	131,900,557	129,879,387	135,999,108
Health Care Center	37,187,076	28,893,604	41,280,791
Unauthorized	1,880,792	1,762,499	2,905,424
Total	\$197,845,002	\$186,867,605	\$211,249,231

TAX CREDITS

The State of Connecticut provides for several tax credits which may be applied against the Insurance Premiums Tax. Described below are the credits unique to the Insurance Premiums Tax. Please turn to page 36 for additional information on business tax credits.

Insurance Department Assessment Credit

Reference: Conn. Gen. Stat. §12-202

Certain local domestic insurance companies are allowed a credit against the insurance premiums tax in the amount of 80% of the Connecticut Insurance Department assessment paid during the calendar year if their admitted assets do not exceed amounts specified in Conn. Gen. Stat. §12-202.

Credit for Providers of HUSKY Coverage

Reference: Conn. Gen. Stat. §12-202b

Health care centers that provide health care coverage to persons under the HUSKY Plan Part A, HUSKY Plan Part B, or HUSKY Plus programs are allowed a credit against the Insurance Premiums Tax in the amount of \$55.00 per person based on the monthly average number of persons covered.

Calendar Year 2001 Insurance Business Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	41	\$12,252,811
Housing Program Contribution	2	831,452
Insurance Department Assessment	18	1,018,575
Insurance Reinvestment	14	2,696,054
Neighborhood Assistance	2	76,000
Health Care Coverage under the HUSKY Plan	1	1,639,154
Historic Homes	2	239,707

MOTOR CARRIER ROAD TAX

Since 1996, Connecticut has participated in the International Fuel Tax Agreement (IFTA), which is a cooperative agreement among most states and provinces of Canada to simplify the collection and reporting of fuel use tax by interstate motor carriers. Under IFTA, fuel tax returns are filed in the base jurisdiction of the motor carrier. The base jurisdiction of a motor carrier is where the vehicle is based for registration purposes and where operations are controlled and the vehicle is operated. For IFTA fuel tax reporting, a qualified motor vehicle is a vehicle that is designed to transport persons or property and that has: two axles and a gross vehicle weight or registered gross vehicle weight over 26,000 pounds; or three or more axles regardless of weight; or when used in combination, a combined gross vehicle weight over 26,000 pounds. Motor carriers who meet this qualification, and who travel solely within the State, are not required to file a return, but instead are subject to the tax at the time of purchase.

Revenue	
FY 1999-00	\$10,078,118
2000-01	10,274,045
2001-02	8,480,356

Exemption

Motor bus companies whose operations in Connecticut are exclusively for purposes of charter or special operations.

Number of Taxpayers/Filing Frequency

2,900 IFTA filers/Quarterly
3,500 Motor Carrier filers/Quarterly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	24¢
Diesel Fuel	18¢ (26¢ effective 8/1/02)
Natural Gas	18¢
Propane	18¢

MOTOR VEHICLE FUELS TAX

Motor fuel used or sold in Connecticut is subject to the Motor Vehicle Fuels Tax. "Fuel" includes gasoline, diesel, gasohol, propane, or any combustible gas or liquid which generates the power needed to propel a motor vehicle.

Revenue	
FY 1999-00	\$496,658,719
2000-01	407,559,662
2001-02	430,285,552

Exemptions

- Fuel sold to United States Government, the State of Connecticut, any Connecticut municipality or transit district, when such fuel is used in vehicles owned and operated, or leased and operated by any of these entities;
- Fuel sold exclusively for heating purposes and to furnish gas, water, steam or electricity, if delivered to consumers through mains, lines or pipes;
- Alternative fuels (compressed natural gas, liquefied petroleum gas, and liquefied natural gas);
- Aviation fuel and fuel sold to owners or operators of an aircraft, or to a licensed aviation fuel dealer whose place of business is located at an airport;
- Fuel used in school buses; and
- Diesel fuel sold exclusively for use in portable power system generators that are larger than one hundred fifty kilowatts.

Number of Taxpayers/Filing Frequency

700 taxpayers/Monthly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	24¢
Diesel Fuel	18¢ (26¢ effective 8/1/02)
Natural Gas or Propane	18¢

Comparative Data

	Number of Gallons Sold		
	FY 1999-00	FY 2000-01	FY 2001-02
Gasoline	1,374,425,596	1,430,548,750	1,485,866,361
Special Fuel	233,541,951	245,977,444	248,267,116
Gasohol	40,653,552	19,743,011	21,658,709
Total Gallons	1,648,621,099	1,696,269,205	1,755,792,186

MOTOR VEHICLE RENTAL SURCHARGE

The Motor Vehicle Rental Surcharge is imposed on the rental of each private passenger motor vehicle in Connecticut by a rental company for a period of less than 31 days. Rental companies must pay over the portion of the surcharge collected during the calendar year that exceeds the amount paid in personal property tax and the amount paid in titling and registration fees.

Effective July 1, 2002, 2002 Conn. Pub. Acts 70, makes the motor vehicle rental surcharge applicable to the rental of any rental truck, defined as either a vehicle rented without a driver that has a gross vehicle weight rating of 26,000 pounds or less and is used in the transportation of personal property but not for business purposes, or a trailer that has a gross vehicle weight rating of not more than 6,000 pounds.

Revenue	
FY 1999-00	\$ 549,713
2000-01	127,365
2001-02	84,755

Exemptions

- Motor vehicles delivered to a lessee outside Connecticut;
- Rentals by an agency of United States Government;
- Rentals of 31 days or more; and
- Rentals of motor vehicles by a person that is not a rental company.

Number of Taxpayers / Filing Frequency

256 taxpayers / Annually

Basis and Rate

3% of the total rental charges imposed by the rental company.

Comparative Data

Gross collections by rental companies during 2001 amounted to \$5,397,714. The \$5,312,959 difference between gross collections and the amount remitted was retained by rental companies to reimburse personal property taxes and titling and registration fees paid during 2001.

OCCUPATIONAL TAX

An occupational tax is levied against any person who has been admitted as an attorney by the judges of the superior court, and who is engaged in the practice of law in Connecticut.

Revenue	
FY 1999-00	\$5,914,532
2000-01	5,937,106
2001-02	5,947,456

Exemptions

- Judges and employees of the State of Connecticut;
- Any attorney who has retired from the practice of law;
- Any attorney serving on active duty with the United States Armed Forces for more than six months of a given year; and
- Any attorney employed by a political subdivision of Connecticut or any probate court.

Number of Taxpayers/Filing Frequency

13,217 Attorneys/ Annually

Basis and Rate

\$450 per practicing attorney

PETROLEUM COMPANIES GROSS EARNINGS TAX

A tax is levied on the gross earnings of companies distributing petroleum products in Connecticut. Petroleum products include gasoline, aviation fuel, kerosene, diesel fuel, benzol, distillate fuels, residual fuels, crude oil and derivatives of petroleum such as paint, detergents, antiseptics, fertilizers, nylon, asphalt, plastics and other similar products.

Revenue	
FY 1999-00	\$103,338,078
2000-01	127,567,873
2001-02	100,113,929

Exemptions

- Number 2 heating oil used exclusively for heating purposes or in a commercial fishing vessel;
- Bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil used in vessels displacing over 4,000 dead weight tons;
- Kerosene used exclusively for heating purposes, when the fuel is delivered via a truck with a metered delivery ticket, or to a centrally metered system serving a group of homes;
- Propane gas used exclusively for heating and used as a fuel for a motor vehicle; and
- Paraffin and microcrystalline waxes.

Number of Taxpayers/Filing Frequency

660 taxpayers/Quarterly

Basis and Rate

- 5% of the gross earnings from the sale or use of all petroleum products, with the exception of Number 2 heating oil used exclusively in vessels engaged in interstate commerce and Number 6 fuel oil used by manufacturers; and
- 1% of the gross earnings from the sale or use of Number 2 heating oil used exclusively in vessels engaged in interstate commerce and Number 6 fuel oil used by manufacturers. The tax rate on these products is being reduced by 1% per year until fully exempt on or after July 1, 2002.

PUBLIC SERVICE COMPANIES TAX

<u>Revenue</u>	
FY 1999-00	\$166,263,478
2000-01	180,546,412
2001-02	166,598,313

Exemptions

- All sales for resale of water, steam, gas, and electricity to public service corporations and municipal utilities.
- Gas and Electric sales to manufacturing in SIC codes 2000 through 3999.
- Natural Gas sold to out-of-state users or entities.
- Sales by a gas company of natural gas or propane used as a motor vehicle fuel.
- Retail sales of steam by utility companies.

Number of Taxpayers/Filing Frequency

117 taxpayers:

79 Public Utility Companies/Quarterly

26 Community Antenna TV Companies/Annually (April 1)

12 Railroad Companies/Annually (July 1)

Basis and Rate

Community Antenna TV	5%
Railroad	2 - 3.5%
Gas, Electric and Power	5%
Gas and Electric sales to residential customers	4%

Residential Credit

The electric, power, and gas companies claimed \$4,850,040 in Fiscal Year 2001-02 under the one-percent credit attributable to the sale of gas and electric power for residential use.

PUBLIC SERVICE COMPANIES TAX (cont.)

Manufacturing Companies Credit

\$9,209,303 was claimed in credit for Fiscal Year 2001-02 for gas and electric sales used directly by a company engaged in a manufacturing production process.

Comparative Data

	FY 98-99	FY 00-01	FY 01-02
Community Antenna TV Systems	\$24,698,633	\$28,640,293	\$29,667,698
Electric & Power Companies	28,376,064	27,865,890	30,882,437
Gas Companies	32,858,100	50,591,376	31,181,829
Gas and Electric Companies	79,978,795	73,393,178	74,762,744
Railroad Companies	167,364	55,585	103,605
Steam Companies*	184,515	0	0
Telecommunications**	7	90	0
Total Tax	\$166,263,478	\$180,546,412	\$166,598,313

* Tax on steam companies repealed July 1, 2000.

** Tax on telecommunications repealed on January 1, 1990.

Electric Restructuring

Effective for calendar quarters commencing on or after January 1, 2000, the gross receipts tax on generation services was eliminated. However, the rate on transmission and distribution services was increased to 6.8% for residential customers and to 8.5% for non-residential customers (other than manufacturers) as of the same date. Also, the Competitive Transition Assessment (CTA), the Systems Benefit Charge (SBC) and the charges for energy conservation and renewable energy are subject to the gross receipts tax.

REAL ESTATE CONVEYANCE TAX

Connecticut imposes a tax on the conveyance of real property. The tax is assessed on the full purchase price of the property and is determined by the classification of the property being conveyed. Payment of the tax is the responsibility of the seller of the property and must be paid before the deed can be recorded.

Revenue	
FY 1999-00	\$113,642,688
2000-01	111,113,467
2001-02	119,351,195

Exemptions

- Deeds which this state is prohibited from taxing under the constitution or laws of the United States;
- Deeds which secure a debt or other obligation;
- Deeds to which this state or any of its political subdivisions or their respective agencies is a party;
- Deeds of release of property which is security for a debt or other obligation;
- Deeds of partition;
- Deeds made pursuant to mergers of corporations;
- Deeds made by subsidiary corporation to its parent corporation for no consideration other than the cancellation or surrender of the subsidiary's stock;
- Conveyance of an interest in real property pursuant to a decree of the superior court;
- Certificates of devise or distribution;
- Transfers for no consideration between parents and children;
- An assignment with no consideration of any interest present or future, vested or contingent in real property which endures for a period of time and the termination of which is not fixed or ascertained by a specific number of years;
- An assignment with no consideration of the unexpired portion of a term or estate for life or of a term or estate for years;
- Tax deeds;
- Certain exempt corporation transfers;
- Any conveyances made on or after May 20, 1992, whereby the realty of a mutual savings institution is conveyed to a reorganized capital stock savings bank or a reorganized capital stock savings and loan association as defined in Title 36 of the Connecticut General Statutes;

REAL ESTATE CONVEYANCE TAX (cont.)

Exemptions (cont.)

- All transfers between spouses;
- Any deeds of property located in an entertainment district;
- Conveyances of burial rights;
- Land development rights to agricultural land under the state farmland preservation program; and
- Transfers or conveyances of real estate to effectuate a mere change of identity or form of ownership or organization where there is no change in beneficial ownership.

Basis and Rate

Classification	Rate
Unimproved Land	.5%
Nonresidential property other than Unimproved Land	1.0%
Residential Dwelling:	
Portion \$800,000 or less	.5%
Portion that exceeds \$800,000	1.0%
Residential Property other than Residential Dwelling	.5%
Delinquent Mortgage	.5%

Tables I and II on the following pages will show the number of conveyances by price of property and the conveyance tax revenue generated for the same price increments, respectively.

REAL ESTATE CONVEYANCE TAX (cont.)

TABLE I

Price of Property	FY 1999-00 Number of Conveyances	FY 2000-01 Number of Conveyances	FY 2001-02 Number of Conveyances
Under \$30,000.00	47,615	46,969	49,925
30,000 - 39,999.99	2,207	1,853	1,631
40,000 - 49,999.99	2,456	1,910	1,709
50,000 - 59,999.99	2,839	2,261	2,100
60,000 - 69,999.99	3,083	2,705	2,402
70,000 - 79,999.99	3,437	2,767	2,782
80,000 - 89,999.99	3,830	3,364	3,044
90,000 - 99,999.99	3,574	3,157	2,911
100,000 - 109,999.99	3,540	3,214	2,983
110,000 - 119,999.99	3,913	3,633	3,642
120,000 - 129,999.99	4,175	3,943	4,130
130,000 - 139,999.99	3,339	3,622	3,826
140,000 - 149,999.99	2,957	2,891	3,238
150,000 - 159,999.99	2,817	2,949	3,256
160,000 - 169,999.99	2,555	2,484	2,913
170,000 - 179,999.99	2,183	2,174	2,556
180,000 - 189,999.99	2,010	1,914	2,318
190,000 - 199,999.99	1,533	1,470	1,779
200,000 - 249,999.99	6,526	6,636	7,728
250,000 - 299,999.99	4,607	4,449	5,607
300,000 - 499,999.99	7,555	7,757	9,799
500,000 - 599,999.99	1,474	1,533	1,866
600,000 - 699,999.99	1,023	1,000	1,257
700,000 - 799,999.99	759	666	803
800,000 and over	2,550	2,574	2,805
Total	122,557	117,895	127,010

REAL ESTATE CONVEYANCE TAX (cont.)

TABLE II

Price of Property	FY 1999-00 Revenue Generated	FY 2000-01 Revenue Generated	FY 2001-02 Revenue Generated
Under \$30,000.00	\$412,770	\$356,975	\$322,630
30,000 - 39,999.99	377,806	321,273	281,589
40,000 - 49,999.99	533,664	426,761	382,180
50,000 - 59,999.99	767,396	612,752	578,590
60,000 - 69,999.99	998,249	873,957	773,230
70,000 - 79,999.99	1,279,159	1,028,486	1,038,554
80,000 - 89,999.99	1,613,572	1,418,287	1,287,869
90,000 - 99,999.99	1,679,318	1,493,621	1,378,515
100,000 - 109,999.99	1,855,209	1,684,205	1,561,385
110,000 - 119,999.99	2,248,083	2,074,272	2,089,515
120,000 - 129,999.99	2,598,049	2,465,499	2,593,597
130,000 - 139,999.99	2,251,916	2,439,448	2,571,648
140,000 - 149,999.99	2,153,287	2,100,881	2,350,610
150,000 - 159,999.99	2,197,774	2,288,970	2,533,077
160,000 - 169,999.99	2,120,403	2,062,101	2,412,601
170,000 - 179,999.99	1,927,632	1,915,841	2,255,523
180,000 - 189,999.99	1,878,381	1,784,939	2,143,780
190,000 - 199,999.99	1,498,446	1,450,433	1,745,674
200,000 - 249,999.99	7,440,234	7,559,823	8,794,701
250,000 - 299,999.99	6,408,582	6,188,393	7,781,100
300,000 - 499,999.99	14,793,095	15,037,343	19,019,049
500,000 - 599,999.99	4,206,708	4,349,753	5,285,783
600,000 - 699,999.99	3,489,821	3,420,674	4,215,221
700,000 - 799,999.99	3,026,741	2,670,929	3,159,792
800,000 and over	43,956,749	44,186,655	42,566,874
Total	\$111,713,044	\$110,212,271	\$119,123,087

REPEALED TAXES

CAPITAL GAINS, DIVIDENDS AND INTEREST INCOME TAX

The tax on capital gains, dividends and interest income was eliminated for income years commencing on or after January 1, 1992. This income is now combined with all other income and subject to the Personal Income Tax. The revenue collected represents late payments and revenue generated through assessment and compliance programs.

Revenue collected for Fiscal Year 2001-02: \$ 167,042

HAZARDOUS WASTE ASSESSMENT

The assessment imposed on generators of hazardous waste was eliminated as of July 1, 2000. The revenue collected represents late payments and revenue generated through assessment and compliance programs.

Revenue collected for Fiscal Year 2001-02: \$ 83,223

HOSPITAL GROSS EARNINGS TAX

A tax was imposed on the gross earnings of each hospital in Connecticut. This tax has been repealed for calendar quarters commencing on or after April 1, 2000. The revenue collected represents late payments and revenue generated through assessment and compliance programs.

Revenue collected for Fiscal Year 2001-02: \$ 38,128

FIDUCIARY ESTATE TAX

The Fiduciary Estate Tax, which has been repealed since 1991, was a tax on the income produced from an estate. A small amount of revenue continues to be received from payments from estates whose income years commenced prior to January 1, 1991, or from assessments.

Revenue collected for Fiscal Year 2001-02: \$ 5,215

SALES AND USE TAXES

Connecticut levies sales and use taxes on the gross receipts of retailers from the sale of tangible personal property at retail, from the rental or leasing of tangible personal property, and on the gross receipts from the rendering of certain business services.

Revenue	
FY 1999-00	\$3,106,764,984
2000-01	3,184,327,113
2001-02	3,064,794,682

Basis and Rate

6% on the gross receipts from the sale, rental or leasing of tangible personal property, and the rendering of certain business services (general rate);

4.5% on the sale of a motor vehicle to a nonresident member of the United States armed forces serving on active duty in Connecticut;

1% on computer and data processing services;
The tax on these services is completely phased out on July 1, 2004;

12% on the rental of rooms in a hotel or lodging house.

Exemptions

Conn. Gen. Stat. §12-412 provides for various exemptions from the sales and use taxes for the sale of, storage, use or other consumption of numerous goods and services.

The table that follows provides a summary of the major exemptions claimed by businesses during Fiscal Year 2001-02, and the amount of revenue forgone for each exemption monitored. Note that the revenue forgone for each item is computed at the 6% rate.

2001-02 SALES TAX EXEMPTIONS

Deductible Item	Total Deduction (in millions)	Revenue Forgone (in millions)
Sale for Resale - Goods	\$61,657.6	\$3,699.5
Sale for Resale - Leases and Rentals	1,462.8	87.8
Sale for Resale - Labor and Services	1,444.1	86.6
Newspapers/Magazines by Subscription	1,163.5	69.8
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Carriage of Interstate Freight	136.5	8.2
Food Products for Human Consumption	4,458.4	267.5
Fuel for Motor Vehicles	2,293.6	137.6
*Electricity/Gas/Heating Fuel (residential)	1,338.1	80.3
*Electricity (\$150 monthly per business)	56.9	3.4
*Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	357.4	21.4
Aviation Fuel	39.4	2.4
Sales of Tangible Personal Property to Farmers	102.5	6.2
Machinery/Materials/Tools/Fuel - Mfg. Product	1,561.5	93.7
Machinery/Materials/Equip. - Printing	75.9	4.6
Machinery/Materials/Tools/Fuel - Comm. Fishing	114.1	6.8
Out-of-State - Sale of Goods	31,845.8	1,910.7
Out-of-State - Leases/Rentals	470.5	28.2
Out-of-State - Labor and Services	5,584.6	335.1
Sales of Motor Vehicles, Vessels to Nonresidents	463.4	27.8
Prescription Medicines - Sale of Goods	2,728.1	163.7
Non-Prescription Medicines and Diabetic Equipment - Sale of Goods	175.8	10.6
Charitable/Government/Religious - Sale of Goods	6,154.8	369.3

*For Utility and Heating Companies Only

2001-02 SALES TAX EXEMPTIONS (cont.)

Deductible Item	Total Deduction (in millions)	Revenue Forgone (in millions)
Charitable/Government/Religious - Leases and Rentals	173.7	10.4
Charitable/Government/Religious - Labor and Services	3,384.9	203.1
Pollution Abatement	70.2	4.2
Non-Taxable Labor and Services	9,991.7	599.5
Business Services/Parent Owned Subs.	300.5	18.0
Trade-ins of Like-Kind Personal Property	739.8	44.4
Taxed Goods returned within 90 days	135.8	8.1
Oxygen, Plasma, Prostheses, etc.	140.5	8.4
Printed Material for Future Delivery Out of State	31.5	1.9
Clothing/Footwear under \$75	2,317.2	139.0
Material for Non-commercial Production of Clothing	9.9	0.6
Funeral Expenses up to \$2,500	59.3	3.6
Repair or Replacement Parts/Repair Services to Aircraft	80.8	4.9
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the 6% and 3% Rates)	41.6	2.5
Sales of Machinery, Equipment, Tools, Supplies and Fuel used in the Biotechnology Industry	56.9	3.4
Sales of Repair and Maintenance Service to Vessels	54.0	3.2
Computer and Data Processing Services (Difference between the 6% and 1% Rates)	811.8	48.7
Sales to Direct Payment Permit Holders	220.8	13.2
Sales of College Textbooks	18.1	1.1
Clothing Under \$300 for One Week in August	30.2	1.8
Other Adjustments	12,080.5	724.9
TOTAL	\$ 154,435.0	\$9,266.1

SALES AND USE TAXES (cont.)

Number of Taxpayers/Filing Frequency

168,125 Taxpayers
 24,490 Taxpayers / Monthly
 64,100 Taxpayers / Quarterly
 79,535 Taxpayers / Annually

Comparative Data

Table I provides a summary of all gross receipts reported under the sales and use taxes attributable to various components. Note that the figures are gross, and do not necessarily represent taxable receipts.

Table I:
(In Millions)

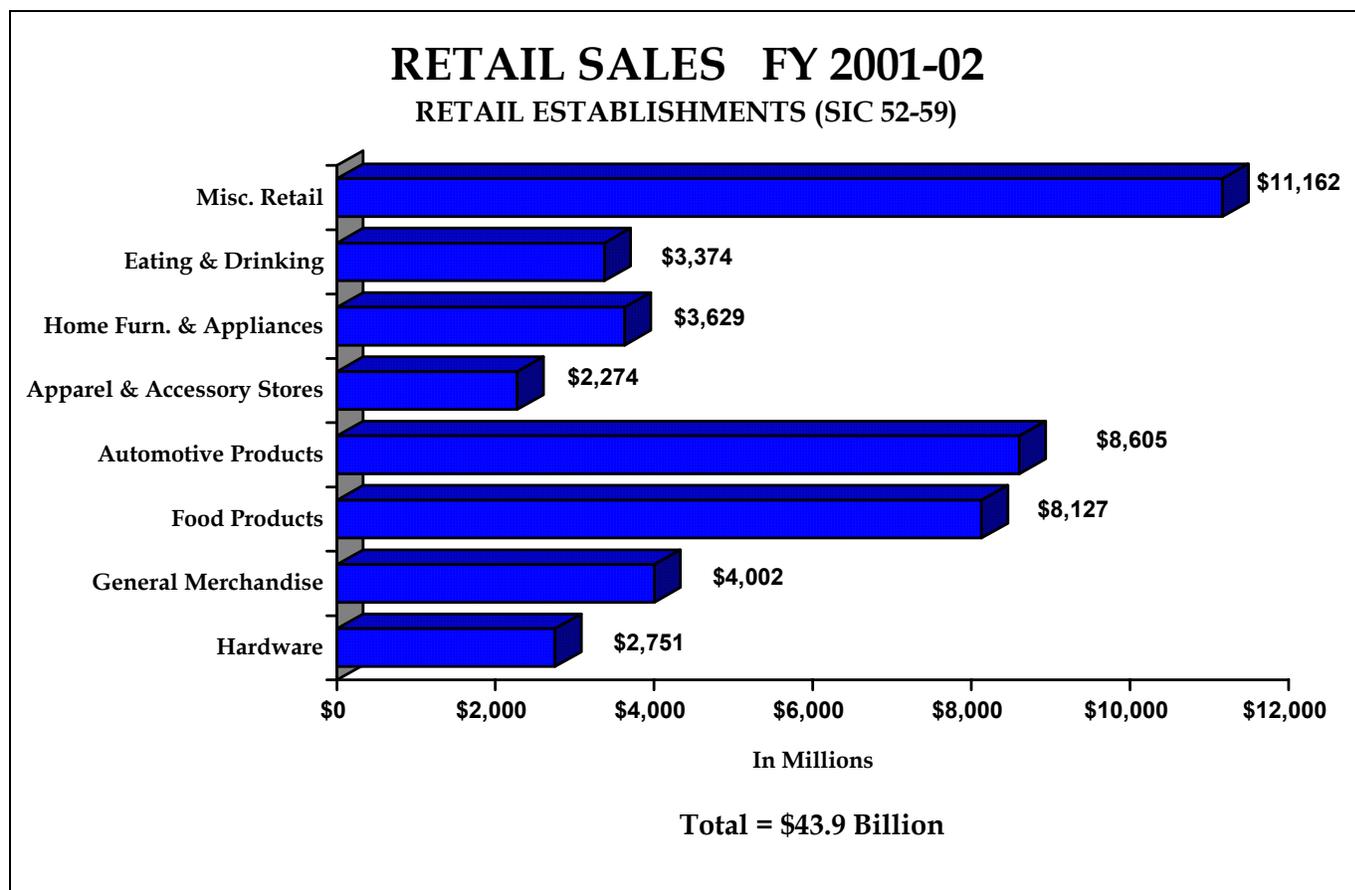
Gross Receipts Attributable to:	FY 1999-00	FY 2000-01	FY 2001-02
Sales of Tangible Personal Property	\$157,838.5	\$167,286.3	\$164,754.9
Leasing/Rental of Tangible Personal Property	3,466.2	3,910.1	3,819.4
Rendering of Services	31,808.4	35,174.6	29,576.5
Business Use Purchases	2,996.3	2,846.7	2,804.5
Room Occupancy	573.1	607.2	555.9

Table II, on the following page, provides a summary of retail sales of goods for the state of Connecticut for the past three fiscal years. The figures reflect fluctuations in sales of durable and non-durable goods. Durable goods are usually more expensive items expected to last more than three years, such as automobiles and large household appliances. These sales are provided by selected major groups within the Standard Industrial Classification (SIC) system. Approximately half of all the sales and use tax revenue is generated by the retail trade sector.

SALES AND USE TAXES (cont.)

TABLE II: Retail Sales Volume - Fiscal Years 2000-2002
(In Millions)

	FY 1999-00	FY 2000-01	FY 2001-02
Hardware (SIC 52)	\$ 2,418	\$ 2,376	\$ 2,751
General Merchandise (SIC 53)	3,744	3,024	4,002
Food Products (SIC 54)	7,139	7,521	8,127
Automotive Products (SIC 55)	8,712	8,531	8,605
Apparel & Accessory Stores (SIC 56)	2,195	2,237	2,274
Home Furniture, Furnishings, & Appliances (SIC 57)	4,299	3,971	3,629
Eating & Drinking Establishments (SIC 58)	3,148	3,327	3,374
Misc. Retail Stores (SIC 59)	10,975	11,247	11,162
TOTAL (SIC 52-59)	\$42,630	\$42,234	\$43,924



SALES AND USE TAXES (cont.)

Table III provides total sales and use taxes revenues of the Standard Industrial Classification (SIC) major industrial categories for fiscal years 2000 through 2002. The revenues are from regular payments and represent 93% of the total sales and use taxes collected in FY 2001-02. The figures do not include any audit or late return payments.

TABLE III: Sales & Use Tax - From Regular Payments
Fiscal Years 2000-2002
(In Millions)

	SIC Code	FY 1999-00	FY 2000-01	FY 2001-02
<i>Hardware</i>	52	\$ 127.2	\$ 126.0	\$ 148.8
<i>General Merchandise</i>	53	136.6	107.1	141.3
<i>Food Products</i>	54	95.2	106.4	117.6
<i>Automotive Products</i>	55	354.1	370.4	384.2
<i>Apparel & Accessory Stores</i>	56	52.4	45.2	42.1
<i>Home Furniture, Furnishings, & Appliances</i>	57	133.9	131.3	128.2
<i>Eating & Drinking Establishments</i>	58	175.0	185.1	194.2
<i>Misc. Retail Stores</i>	59	312.6	348.2	316.3
Subtotal RETAIL Sales & Use Tax Revenue	52-59	\$ 1,387.0	\$ 1,419.7	\$ 1,472.7
CONSTRUCTION	1500-1799	114.3	127.6	104.6
MANUFACTURING	2000-3999	169.7	186.7	178.8
WHOLESALE	5010-5199	151.8	169.8	155.6
SERVICES (PERSONAL & BUSINESS)	7000-8999	616.6	626.8	445.3
ALL OTHER BUSINESSES		493.9	520.3	500.9
TOTAL SALES & USE TAX REVENUE		\$ 2,933.3	\$ 3,050.9	\$ 2,857.9

SEED OYSTER TAX

The Seed Oyster Tax is levied on seed oyster harvesters. The tax was established to provide funding for the seeding of state shellfish beds. All revenue collected from the tax is deposited into a special fund used for the Shellfish Program administered by the Department of Agriculture's Aquaculture Division. A parasitic blight has destroyed recent harvests resulting in decreased revenue.

	Revenue
FY 1999-00	\$ 308
2000-01	0
2001-02	0

Number of Taxpayers / Filing Frequency

21 harvesters / Quarterly

Basis and Rate

10% of the retail value of harvested seed oysters.

SOLID WASTE TAX

The Solid Waste Tax is levied on the owners of commercial resources recovery facilities that process municipal solid waste to reclaim energy.

	Revenue
FY 1999-00	\$ 2,218,677
2000-01	2,274,489
2001-02	2,245,933

Number of Taxpayers / Filing Frequency

8 taxpayers / Quarterly

Basis and Rate

\$1.00 per ton of solid waste processed.

SUCCESSION AND ESTATE TAXES

The Connecticut Succession Tax is levied on the transfer of property after death, and varies, depending on the size of the estate and the relationship of the decedent to the survivor. Class AA transfers are to a surviving spouse. Class A transfers are to immediate family, such as parents or children. Class B transfers are to other relatives, including siblings, nieces and nephews. All other transfers, excluding qualifying exempt organizations, are Class C. The Compromise Class represents transfers whose tax liability was determined by the Department of Revenue Services where contingencies as to the ultimate beneficiary could not be currently determined.

Due to legislative changes enacted during the 1995 Legislative Session and the November 2001 Special Legislative Session; the Succession Tax will be phased-out and will be eventually repealed for all classes. Transfers to any Class A beneficiary are now completely exempt for estates of decedents dying on or after January 1, 2001. Class B transfers are being reduced incrementally and will be fully exempt for estates of decedents dying on or after January 1, 2004. The phase-out for Class C transfers began in 2001, with full exemption for estates of decedents dying on or after January 1, 2006.

The Connecticut Estate Tax is levied if the amount that the federal government allows as a tax credit for state death taxes exceeds the amount of the Connecticut Succession Tax paid. The Connecticut Estate Tax recovers the full amount of the federal credit allowed on the transfer, yet it does not increase the tax burden paid by an estate. In its absence, additional tax in the same amount would be paid to the federal government. Federal legislation has begun to phase-out the federal credit for state death taxes, thereby eliminating the basis of the Connecticut Estate Tax by 2005.

	Succession Tax Revenue	Estate Tax Revenue
FY 1999-00	\$198,142,011	\$ 29,925,060
2000-01	182,673,179	70,123,053
2001-02	74,476,175	78,610,645

Succession Tax Exemptions

- All Class AA and A transfers;
- First \$600,000 for Class B transfers;
- First \$200,000 for Class C transfers; and
- All transfers to charitable, literary, scientific, historical, religious and government organizations.

SUCCESSION AND ESTATE TAXES (cont.)

Number of Transfers/Filing Frequency

2,735 Succession Tax Transfers

Class AA:	111
Class A:	519
Class B:	794
Class C:	883
Compromises:	95
Exempt Organizations	333

873 Estates Subject to Connecticut Estate Tax

Both returns due six months following date of death.

Basis and Rate

Connecticut Succession Tax		Connecticut Estate Tax
Class AA	Exempt	Allowable federal credit
Class A	Exempt	
Class B	12.87% - 14.30%	
Class C	14.30% - 20.02%	

Comparative Data

A significant amount of the tax liability of current year Succession Tax Returns is remitted in prior fiscal years. Current year collections include a significant amount of prepayments that will apply against upcoming tax returns.

Connecticut Succession Tax Liability

Class	FY 1999-00	FY 2000-01	FY 2001-02
	<i>In Millions of Dollars</i>		
Class A	\$ 124.4	\$ 75.8	\$ 44.8
Class B	47.2	34.4	31.2
Class C	36.0	41.9	26.5
Compromise	<u>26.5</u>	<u>22.7</u>	<u>11.9</u>
Total	\$234.1	\$174.8	\$ 114.4

TOBACCO PRODUCTS TAX

An excise tax is imposed on all non-cigarette tobacco products such as cigars, stogies, snuff, pipe and chewing tobacco. The tax is imposed when the tobacco products are manufactured, imported, or purchased by distributors. Distributors must be licensed annually and remit the tax on a monthly basis.

Revenue	
FY 1999-00	\$4,951,833
2000-01	4,464,835
2001-02	4,418,839

Exemptions

- Tobacco products exported from the State; and
- Tobacco products sold to the federal government.

Number of Taxpayers/Filing Frequency

230 distributors/Monthly

Basis and Rate

20% of the wholesale sales price. Snuff tobacco products are taxed at a rate of 40¢ per ounce.

TOURISM ACCOUNT SURCHARGE

A surcharge is levied on the rental and leasing of passenger motor vehicles for a period of thirty consecutive calendar days or less. Revenues generated by the surcharge are deposited into the "Tourism Account" to be allocated for purposes of the strategic marketing plans and challenge grants required under Conn. Gen. Stat. §32-300.

Revenue	
FY 1999-00	\$4,780,821
2000-01	4,876,640
2001-02	4,536,350

Exemption

The rental or leasing of a motor vehicle pursuant to a written agreement, which has a term of more than thirty days.

Number of Taxpayers / Filing Frequency

19 taxpayers / Monthly
237 taxpayers / Quarterly

Basis and Rate

\$1.00 per rental/leasing day or portion thereof, of passenger motor vehicles.

UNRELATED BUSINESS TAXABLE INCOME TAX

The Unrelated Business Taxable Income Tax is imposed on any trade or business conducted by a tax-exempt organization that does not substantially relate to its tax-exempt purpose. The tax is paid at the same rate as the Corporation Business Tax. For most taxpayers, the due date is either April 15 or May 15, depending on the entity. Foreign trusts however, generally have a due date of June 15.

Revenue	
FY 1999-00	\$ 2,061,711
2000-01	3,735,458
2001-02	2,392,948

Number of Taxpayers / Filing Frequency

264 organizations / Annually

Basis and Rate

7.5% of the unrelated business income of the organization.
No minimum tax is required.

Credits

For the 2000 income year, 21 taxpayers claimed \$8,125 in Electronic Data Processing Property Tax Credits.

TABLES & CHARTS

TOURISM DISTRICTS

Conn. Gen. Stat. §32-305 provides for the funding of 11 tourism districts and five related entities. All of Connecticut's 169 municipalities are participants in this program. A portion of the \$66.7M in room occupancy tax collections are distributed to the tourism districts and related entities based upon a statutory formula.

The amounts remitted to the 11 tourism districts and related entities are computed based upon the following considerations, and are allocated to the district in which the municipality is located:

1.5% of the gross receipts from hotel room rentals in towns with populations of less than 65,000;

3.5% of the gross receipts from hotel room rentals in towns with populations of 65,000 but less than 75,000. Also, the receipts of the town with the most tourist attractions will be computed at this percentage; and

4.5% of the gross receipts from hotel room rentals in towns with populations of 75,000 or more.

The monies are used to promote tourism at the state and regional levels. A listing of the tourism districts and entities is as follows:

GREATER FAIRFIELD

Bridgeport-Darien-Easton-Fairfield-Greenwich-Monroe-New Canaan-Norwalk-Stamford-Stratford-Weston-Westport-Wilton

GREATER WATERBURY

Beacon Falls-Middlebury-Naugatuck-Oxford-Seymour-Thomaston-Waterbury-Watertown-Wolcott

GREATER NEW HAVEN

Ansonia-Bethany-Derby-East Haven-Hamden-Milford-New Haven-North Branford-North Haven-Orange-Prospect-Shelton-Trumbull-West Haven-Woodbridge

CONNECTICUT VALLEY

Branford-Chester-Clinton-Cromwell-Deep River-Durham-East Haddam-East Hampton-Essex-Guilford-Haddam-Killingworth-Madison-Meriden-Middlefield-Middletown-Old Saybrook-Portland-Wallingford-Westbrook

SOUTHEASTERN CONNECTICUT

Bozrah-Colchester-East Lyme-Franklin-Griswold-Groton-Ledyard-Lisbon-Lyme-Montville-New London-North Stonington-Norwich-Old Lyme-Preston-Salem-Sprague-Stonington-Voluntown-Waterford

TOURISM DISTRICTS (cont.)

LITCHFIELD HILLS

Barkhamsted-Bethlehem-Bristol-Canaan-Colebrook-Cornwall-Goshen-Hartland-Harwinton-Kent-Litchfield-Morris-New Hartford-New Milford-Norfolk-North Canaan-Plymouth-Roxbury-Salisbury-Sharon-Southbury-Torrington-Warren-Washington-Winchester-Woodbury

CENTRAL CONNECTICUT

Berlin-Cheshire-New Britain-Plainville-Southington

GREATER HARTFORD

Andover-Avon-Bolton-Burlington-Canton-East Hartford-Ellington-Farmington-Glastonbury-Hartford-Hebron-Manchester-Marlborough-Newington-Rocky Hill-Simsbury-South Windsor-Tolland-Vernon-West Hartford-Wethersfield

NORTHEAST CONNECTICUT

Ashford-Brooklyn-Canterbury-Chaplin-Columbia-Coventry-Eastford-Hampton-Killingly-Lebanon-Mansfield-Plainfield-Pomfret-Putnam-Scotland-Sterling-Thompson-Union-Willington-Windham-Woodstock

HOUSATONIC VALLEY

Bethel-Bridgewater-Brookfield-Danbury-New Fairfield-Newton-Redding-Ridgefield-Sherman

CONNECTICUT NORTH CENTRAL

Bloomfield-East Granby-East Windsor-Enfield-Granby-Somers-Stafford-Suffield-Windsor-Windsor Locks

The statutes also provide for the funding of the following entities:

Capital City Economic Development Authority (90% of the amount attributable to room occupancy tax receipts from sales in Hartford);

Greater Hartford Arts Council (10% of the amount attributable to room occupancy tax receipts from sales in Hartford);

New Haven Coliseum Authority (75% of the amount attributable to room occupancy tax receipts from sales in New Haven)

Stamford Center for the Arts (75% of the amount attributable to room occupancy tax receipts from sales in Stamford); and

Maritime Center Authority (75% of the amount attributable to room occupancy tax receipts from sales in Norwalk.)

TOURISM DISTRICTS (cont.)

The following table reflects all amounts paid to the tourism districts and related entities based on hotel occupancies for the period July 1, 2001 through June 30, 2002, as compared to payments made for the period July 1, 2000 through June 30, 2001:

District and/or Entity:	FY 2000-01	FY 2001-02
Greater Fairfield	\$1,863,226.63	\$1,501,596.44
Greater Waterbury	566,291.58	421,204.02
Greater New Haven	1,134,099.39	1,023,103.31
Connecticut Valley District	767,066.90	716,245.33
Southeastern Connecticut	1,888,496.85	1,888,496.85
Litchfield Hills District	408,618.69	348,365.18
Central Connecticut	160,851.20	148,620.14
Greater Hartford Tourism District	1,095,387.97	1,011,169.30
Northeast Connecticut Visitors District	112,023.57	112,023.57
Housatonic Valley District	1,201,652.42	1,033,250.46
Connecticut North Central Tourism	737,969.81	700,086.84
Greater Hartford Arts Council	161,240.65	139,837.15
New Haven Coliseum Authority	826,341.47	786,353.50
Capital City Economic Development	1,452,793.48	1,258,534.76
Norwalk Maritime Center Authority	825,140.23	742,480.47
Stamford Center for the Arts	2,496,999.18	1,893,055.27
Total Payments	\$15,698,200.02	\$13,724,422.59

2001 Conn. Pub. Acts 6, June Special Session, caps allocations to the tourism districts at the amounts received for fiscal year ending June 30, 2001. The balance of funds not allocated will be transferred to the General Fund. Effective for fiscal year ending June 30, 2002 and thereafter, these amounts will be segregated from room occupancy gross receipts and allocated to the following entities: Connecticut Historical Society \$40,000; Department of Economic & Community Development \$50,000; Connecticut Commission on the Arts \$50,000; Connecticut Historical Commission/Historical Resource Inventory \$30,000; Central Tourism Account \$500,000; and Connecticut Film, Video and Media Office \$400,000. Disbursements to the tourism districts for the 2001-02 fiscal year exceeded the cap imposed under 2001 Conn. Pub. Acts 6, June Special Session, by \$145,798.71. Therefore, \$145,798.71 of money that would have gone to the districts was retained in the General Fund.

The amounts received by the related entities (Greater Hartford Arts Council, New Haven Coliseum Authority, Capital City Economic Development Authority, Norwalk Maritime Center Authority, and Stamford Center for the Arts) will not be affected by the legislative change in 2001 Conn. Pub. Acts 6, June Special Session.

PENALTY AND INTEREST RECEIPTS

Failure to pay taxes and file tax returns in a timely manner results in a penalty to the taxpayer of \$50. If the taxpayer is subject to a penalty for late payment, the late filing penalty is not applicable. The penalty for late payment of the tax is \$50 or 10% of the tax due, whichever is greater. The penalty for the Personal Income Tax is 10% of the balance due. The penalty for the late payment of Sales and Use taxes is 15% of the amount due, or \$50, whichever is greater. The penalty for failure to pay the use tax with the CT-1040/1040EZ income tax returns is 10%, reduced from 15%, to parallel the rate for the income tax.

Interest is also charged on any amount of tax due that is not paid on or before the due date. Interest is charged on a monthly basis at a rate of 1% per month or 12% annually.

The charts below reflect total penalty and interest revenue paid for the past three fiscal years, and the breakdown by major tax type for the same fiscal years, respectively.

Penalty and Interest Revenue All State Taxes (in Millions)

Fiscal Year	Combined Penalty & Interest	Penalty	Interest
1999-00	61.1	14.5	46.6
2000-01	69.7	15.7	54.0
2001-02	59.6	14.1	45.5

Penalty and Interest Revenue By Major Tax Source (in Millions)

Tax Type		FY 1999-00	FY 2000-01	FY 2001-02
Corporation Tax	Penalty	\$ 0.6	\$ 0.8	\$ 0.4
	Interest	18.8	16.2	21.6
Income Tax	Penalty	6.2	7.1	7.2
	Interest	8.4	11.9	7.4
Sales & Use Taxes	Penalty	5.7	5.8	5.2
	Interest	15.9	16.2	13.9

TAX REFUNDS

The Department of Revenue Services issues refunds to taxpayers when an overpayment of tax liability has been made. The refund is charged to the fund to which such tax, penalty or interest was previously credited. Due to statutory allowances, refunds for Motor Fuel Taxes are allowed in certain cases involving fuel sold to a Connecticut motorbus company or a company engaged in livery service.

Refunds of the Personal Income Tax owed to any person or entity with a debt obligation to the state may be withheld to offset the outstanding debt. There were 1,901 offsets in Fiscal Year 2001-02, totaling \$1,266,040.

Listed below are the refund amounts by tax type, and the total amount of taxes refunded for Fiscal Years 2000-01 and 2001-02.

AMOUNT OF TAXES REFUNDED

TAX TYPE	FY 2000-01	FY 2001-02
Income Tax	\$513,886,992	\$ 581,084,230
Corporation Business	162,261,294	202,402,817
Corp. R&D Credit Buyback	0	21,932,908
Sales & Use	24,706,805	20,347,682
Succession Tax	21,713,630	10,649,547
Motor Fuel	5,814,229	5,824,932
Petroleum Companies	436,388	3,333,864
Real Estate Conveyance	69,792	2,822,111
Foreign Insurers	4,011,602	2,372,524
Cigarettes	610,727	1,836,587
Motor Carrier	1,566,369	1,743,729
CT Estate Tax	661,006	1,700,277
Domestic Insurers	2,574,737	1,431,278
Health Care Centers	2,309,544	1,081,185
Hospital Gross Earnings	290,730	872,745
Gift Tax	831,653	872,427
Tobacco Distributor	*	719,249
Unrelated Business Income	324,185	387,246
Controlling Interest	*	270,593
Room Occupancy	220,529	258,987
Special Motor Fuel	171,358	207,781
Admissions, Dues & Cabaret	1,964,888	30,737
Occupational	19,149	25,245
Gas Companies	*	18,672
Alcoholic Beverages	14,894	17,617
Miscellaneous	430,547	22,433
Total	\$744,891,048	\$862,267,403

* *Included in Miscellaneous*

2001-02 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Number of Conveyances		Tax Remitted
	Taxable	Exempt	
ANDOVER	117	13	\$50,608
ANSONIA	595	33	301,623
ASHFORD	213	15	85,162
AVON	803	39	1,049,444
BARKHAMSTED	148	8	74,916
BEACON FALLS	203	9	160,785
BERLIN	675	59	461,450
BETHANY	238	31	162,289
BETHEL	640	38	566,080
BETHLEHEM	119	9	70,048
BLOOMFIELD	653	31	632,946
BOLTON	174	10	93,569
BOZRAH	73	10	23,152
BRANFORD	1,198	83	905,385
BRIDGEPORT	3,660	328	1,901,734
BRIDGEWATER	76	4	98,325
BRISTOL	2,037	125	1,153,198
BROOKFIELD	655	50	758,815
BROOKLYN	276	63	146,819
BURLINGTON	342	23	225,302
CANAAN	62	8	33,905
CANTERBURY	181	25	64,096
CANTON	394	31	304,230
CHAPLIN	72	10	24,169
CHESHIRE	903	75	762,451
CHESTER	158	7	111,955
CLINTON	645	30	401,892
COLCHESTER	619	52	360,539
COLEBROOK	70	4	34,861
COLUMBIA	224	16	126,492
CORNWALL	141	16	138,662
COVENTRY	483	47	240,786
CROMWELL	655	27	428,538
DANBURY	2,718	178	2,430,979
DARIEN	709	38	2,707,528
DEEP RIVER	202	13	128,240
DERBY	453	29	289,003
DURHAM	237	26	175,319
EAST GRANBY	214	14	127,227
EAST HADDAM	517	24	361,132
EAST HAMPTON	580	39	340,202
EAST HARTFORD	1,408	125	942,406
EAST HAVEN	1,153	79	605,888

2001-02 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Number of Conveyances		Tax Remitted
	Taxable	Exempt	
EAST LYME	765	50	\$543,691
EAST WINDSOR	410	24	342,563
EASTFORD	78	3	30,570
EASTON	270	30	432,964
ELLINGTON	497	52	331,848
ENFIELD	1,255	149	796,579
ESSEX	335	18	363,784
FAIRFIELD	1,885	123	3,659,515
FARMINGTON	1,097	71	995,606
FRANKLIN	108	11	50,553
GLASTONBURY	1,349	121	1,265,486
GOSHEN	255	18	165,687
GRANBY	416	39	320,998
GREENWICH	2,018	135	14,923,921
GRISWOLD	461	28	183,833
GROTON	1,083	74	641,664
GUILFORD	922	53	969,405
HADDAM	292	28	166,556
HAMDEN	1,921	148	1,309,943
HAMPTON	93	12	36,990
HARTFORD	2,007	288	1,462,592
HARTLAND	66	9	31,443
HARWINTON	239	29	102,967
HEBRON	364	20	246,380
KENT	163	14	141,533
KILLINGLY	627	61	303,483
KILLINGWORTH	285	20	233,916
LEBANON	350	33	138,846
LEDYARD	547	23	351,791
LISBON	151	15	53,269
LITCHFIELD	323	39	231,115
LYME	138	13	160,884
MADISON	714	44	842,485
MANCHESTER	1,702	116	1,777,011
MANSFIELD	395	37	193,574
MARLBOROUGH	224	15	178,520
MERIDEN	1,954	274	998,504
MIDDLEBURY	249	20	212,558
MIDDLEFIELD	142	19	81,373
MIDDLETOWN	1,369	98	770,368
MILFORD	2,024	161	1,896,357
MONROE	624	40	747,925
MONTVILLE	720	55	298,023

2001-02 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Number of Conveyances		Tax Remitted
	Taxable	Exempt	
MORRIS	115	13	\$74,270
NAUGATUCK	1,022	78	474,759
NEW BRITAIN	1,668	132	652,351
NEW CANAAN	717	58	3,633,934
NEW FAIRFIELD	541	29	624,365
NEW HARTFORD	318	18	152,181
NEW HAVEN	2,877	429	1,763,170
NEW LONDON	725	69	376,052
NEW MILFORD	1,315	91	1,036,846
NEWINGTON	1,057	30	639,287
NEWTOWN	1,120	75	1,633,643
NORFOLK	116	16	52,896
NORTH BRANFORD	451	32	254,383
NORTH CANAAN	131	12	48,137
NORTH HAVEN	691	59	664,096
NORTH STONINGTON	235	10	114,245
NORWALK	2,688	150	4,401,550
NORWICH	1,247	102	511,527
OLD LYME	493	23	456,115
OLD SAYBROOK	491	49	392,337
ORANGE	457	46	515,546
OXFORD	432	35	367,398
PLAINFIELD	572	54	224,363
PLAINVILLE	630	40	308,446
PLYMOUTH	484	43	222,031
POMFRET	170	12	84,738
PORTLAND	411	26	241,355
PRESTON	192	14	75,719
PROSPECT	250	16	151,059
PUTNAM	301	32	163,954
REDDING	324	39	595,026
RIDGEFIELD	973	36	2,152,602
ROCKY HILL	656	25	601,841
ROXBURY	126	9	250,783
SALEM	209	17	110,302
SALISBURY	209	15	252,589
SCOTLAND	59	7	27,484
SEYMOUR	698	43	371,932
SHARON	167	12	273,181
SHELTON	1,490	87	1,337,447
SHERMAN	179	14	185,396
SIMSBURY	812	39	896,378
SOMERS	309	22	180,363

2001-02 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Number of Conveyances		Tax Remitted
	Taxable	Exempt	
SOUTH WINDSOR	895	66	\$733,096
SOUTHBURY	888	66	756,794
SOUTHINGTON	1,547	142	1,180,008
SPRAGUE	98	13	36,810
STAFFORD	456	33	188,237
STAMFORD	3,587	227	7,373,491
STERLING	186	7	74,427
STONINGTON	784	58	674,320
STRATFORD	1,714	108	1,342,482
SUFFIELD	496	36	350,186
THOMASTON	333	17	162,337
THOMPSON	349	29	128,010
TOLLAND	504	37	363,847
TORRINGTON	1,416	109	717,468
TRUMBULL	988	58	1,178,829
UNION	36	8	11,860
VERNON	889	79	518,075
VOLUNTOWN	97	10	34,481
WALLINGFORD	1,338	111	877,605
WARREN	85	7	120,386
WASHINGTON	219	16	411,578
WATERBURY	2,982	303	1,189,841
WATERFORD	817	67	634,801
WATERTOWN	702	72	402,390
WEST HARTFORD	2,027	72	1,692,234
WEST HAVEN	1,606	150	789,121
WESTBROOK	835	23	292,697
WESTON	380	38	1,338,950
WESTPORT	1,131	86	4,099,216
WETHERSFIELD	887	36	526,471
WILLINGTON	205	14	102,498
WILTON	578	29	1,561,390
WINCHESTER	437	49	233,235
WINDHAM	596	47	251,006
WINDSOR	918	54	739,526
WINDSOR LOCKS	446	19	212,999
WOLCOTT	600	33	309,255
WOODBRIIDGE	296	42	332,513
WOODBURY	444	28	399,906
WOODSTOCK	393	36	185,411
TOTAL	117,893	9,117	\$119,123,087

**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN*
FISCAL YEARS ENDING JUNE 30, 2001 AND 2002
(IN THOUSANDS)**

TOWN	Retail Sales FY 2000-01 (SIC 52-59)	Retail Sales FY 2001-02 (SIC 52-59)	Sales & Use Tax FY 2000-01 (All Businesses)	Sales & Use Tax FY 2001-02 (All Businesses)	SUT Collections % Change FY 02/FY 01
ANDOVER	\$5,846.5	\$5,547.6	\$554.0	\$495.7	-10.52%
ANSONIA	264,301.9	298,246.8	9,789.0	10,607.9	8.37%
ASHFORD	4,823.3	5,306.0	434.1	470.0	8.27%
AVON	324,987.6	354,943.3	14,194.9	14,398.0	1.43%
BARKHAMSTED	24,301.4	23,095.9	1,109.0	1,060.4	-4.38%
BEACON FALLS	6,695.3	6,009.8	861.6	624.0	-27.58%
BERLIN	592,921.7	591,981.2	50,141.1	51,216.5	2.14%
BETHANY	10,073.5	8,267.4	964.7	869.2	-9.90%
BETHEL	85,701.9	93,042.1	7,092.4	7,117.2	0.35%
BETHLEHEM	5,435.8	6,239.1	526.8	585.4	11.12%
BLOOMFIELD	268,066.7	292,216.8	16,929.5	15,562.3	-8.08%
BOLTON	15,400.0	15,011.6	1,721.5	1,754.5	1.92%
BOZRAH	7,562.4	7,483.4	918.5	987.9	7.56%
BRANFORD	736,965.6	877,039.2	30,525.4	31,596.4	3.51%
BRIDGEPORT	761,106.5	727,347.5	72,276.2	61,737.7	-14.58%
BRIDGEWATER	7,252.5	6,276.4	400.0	416.3	4.08%
BRISTOL	404,768.4	364,566.3	28,066.9	25,712.3	-8.39%
BROOKFIELD	413,545.8	592,598.2	19,762.6	21,978.7	11.21%
BROOKLYN	26,938.0	28,316.0	1,433.1	1,514.8	5.70%
BURLINGTON	7,765.8	6,935.2	676.9	769.2	13.64%
CANAAN	17,726.5	18,302.6	1,550.8	1,320.0	-14.88%
CANTERBURY	9,397.8	9,093.4	420.9	666.5	58.35%
CANTON	164,814.7	159,391.7	9,793.0	9,299.0	-5.04%
CHAPLIN	640.6	760.6	189.3	178.2	-5.86%
CHESHIRE	315,026.5	303,050.5	15,786.6	14,917.7	-5.50%
CHESTER	14,844.5	13,683.9	1,213.5	1,115.3	-8.09%
CLINTON	130,690.7	144,769.5	7,261.5	7,378.7	1.61%
COLCHESTER	135,760.3	147,420.5	4,865.1	5,259.6	8.11%
COLEBROOK	1,043.5	954.4	95.1	88.3	-7.15%
COLUMBIA	35,154.8	43,119.9	2,102.4	2,582.5	22.84%
CORNWALL	25,116.8	26,016.3	1,588.1	1,656.8	4.33%
COVENTRY	22,627.0	30,859.7	1,588.6	1,626.5	2.39%
CROMWELL	52,600.5	55,693.2	6,029.5	5,685.6	-5.70%
DANBURY	4,115,691.3	4,422,511.4	120,768.3	109,541.6	-9.30%
DARIEN	\$390,287.2	\$412,760.6	\$23,811.8	\$23,754.2	-0.24%

NOTE: Large retailers with more than one establishment usually report all of their sales and use taxes from their primary location; therefore, the figures for various towns may not reflect actual business activity.

**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN*
FISCAL YEARS ENDING JUNE 30, 2001 AND 2002
(IN THOUSANDS)**

TOWN	Retail Sales	Retail Sales	Sales & Use Tax	Sales & Use Tax	SUT Collections
	FY 2000-01 (SIC 52-59)	FY 2001-02 (SIC 52-59)	FY 2000-01 (All Businesses)	FY 2001-02 (All Businesses)	% Change FY 02/FY 01
DEEP RIVER	10,578.5	10,702.3	949.6	1,009.2	6.28%
DERBY	320,356.4	324,667.2	14,212.7	12,095.8	-14.89%
DURHAM	15,946.7	22,877.3	1,371.1	1,644.1	19.91%
EAST GRANBY	7,763.0	17,682.3	2,237.2	2,333.1	4.29%
EAST HADDAM	30,751.4	30,405.7	1,819.2	1,970.7	8.33%
EAST HAMPTON	31,857.0	27,268.1	1,767.4	1,765.7	-0.10%
EAST HARTFORD	770,741.8	761,168.1	47,612.6	42,325.1	-11.11%
EAST HAVEN	160,821.2	168,576.2	9,107.6	9,327.3	2.41%
EAST LYME	76,730.6	81,087.0	4,890.2	4,814.0	-1.56%
EAST WINDSOR	164,069.0	146,740.9	7,503.7	6,499.3	-13.39%
EASTFORD	6,445.1	7,358.0	449.2	487.6	8.55%
EASTON	6,639.8	6,566.7	851.5	763.6	-10.32%
ELLINGTON	96,580.8	135,127.1	5,246.3	5,521.6	5.25%
ENFIELD	360,289.4	365,462.9	20,104.6	19,910.3	-0.97%
ESSEX	43,833.4	49,840.7	4,194.0	4,058.6	-3.23%
FAIRFIELD	599,699.2	669,179.6	38,135.8	39,826.8	4.43%
FARMINGTON	388,824.3	588,507.1	29,179.8	25,596.0	-12.28%
FRANKLIN	16,307.1	9,097.4	1,206.1	1,216.3	0.85%
GLASTONBURY	230,273.4	250,864.6	19,955.0	17,797.8	-10.81%
GOSHEN	3,860.5	3,906.7	362.5	360.4	-0.58%
GRANBY	35,967.0	31,217.2	2,848.8	2,543.5	-10.72%
GREENWICH	1,256,352.2	1,276,554.3	74,754.9	68,041.6	-8.98%
GRISWOLD	31,344.8	29,155.2	1,542.7	1,415.9	-8.22%
GROTON	271,131.3	282,040.4	23,272.9	40,822.0	75.41%
GUILFORD	135,357.5	139,328.4	7,696.5	7,676.1	-0.27%
HADDAM	20,229.7	22,813.9	1,372.7	1,359.8	-0.94%
HAMDEN	397,058.5	308,695.7	24,592.5	24,492.6	-0.41%
HAMPTON	13,726.3	1,444.8	111.2	99.1	-10.88%
HARTFORD	1,556,339.4	1,561,028.7	173,538.5	137,761.4	-20.62%
HARTLAND	2,569.2	1,605.7	214.8	215.7	0.42%
HARWINTON	7,815.2	7,235.8	668.0	709.7	6.24%
HEBRON	21,239.5	23,314.9	1,139.1	1,094.6	-3.91%
KENT	29,246.7	32,943.4	1,672.4	1,824.1	9.07%
KILLINGLY	81,682.7	81,393.9	4,697.0	4,799.0	2.17%

NOTE: Large retailers with more than one establishment usually report all of their sales and use taxes from their primary location; therefore, the figures for various towns may not reflect actual business activity.

**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN*
FISCAL YEARS ENDING JUNE 30, 2001 AND 2002
(IN THOUSANDS)**

TOWN	Retail Sales FY 2000-01 (SIC 52-59)	Retail Sales FY 2001-02 (SIC 52-59)	Sales & Use Tax FY 2000-01 (All Businesses)	Sales & Use Tax FY 2001-02 (All Businesses)	SUT Collections % Change FY 02/FY 01
KILLINGWORTH	20,816.1	19,028.2	959.2	935.5	-2.47%
LEBANON	6,280.1	6,208.9	600.8	554.0	-7.79%
LEDYARD	43,173.8	42,327.3	6,177.8	5,737.5	-7.13%
LISBON	43,185.0	42,158.4	1,186.5	1,299.4	9.52%
LITCHFIELD	96,401.0	102,543.1	5,969.1	6,125.0	2.61%
LYME	11,009.9	12,868.7	596.6	577.3	-3.23%
MADISON	123,338.5	134,157.5	8,542.5	8,097.3	-5.21%
MANCHESTER	1,568,932.5	2,131,051.3	64,436.8	84,668.9	31.40%
MANSFIELD	34,388.8	65,877.2	3,013.2	3,048.6	1.17%
MARLBOROUGH	21,032.8	22,508.1	1,480.1	1,510.8	2.07%
MERIDEN	418,111.6	413,399.0	31,597.1	26,909.6	-14.84%
MIDDLEBURY	68,722.6	74,542.5	4,018.7	4,004.6	-0.35%
MIDDLEFIELD	8,772.4	8,357.9	969.6	882.7	-8.96%
MIDDLETOWN	335,167.5	552,426.2	27,333.6	29,519.6	8.00%
MILFORD	590,383.4	633,994.3	41,585.7	40,616.0	-2.33%
MONROE	91,106.2	114,899.9	8,980.0	9,514.8	5.96%
MONTVILLE	38,866.7	65,605.3	4,441.0	5,419.1	22.02%
MORRIS	3,323.4	3,461.0	640.7	652.0	1.76%
NAUGATUCK	111,353.4	109,903.2	7,305.6	6,914.7	-5.35%
NEW BRITAIN	441,026.1	429,064.7	34,185.8	28,834.9	-15.65%
NEW CANAAN	273,817.2	202,219.8	12,489.6	10,970.8	-12.16%
NEW FAIRFIELD	29,225.6	30,052.1	1,307.8	1,313.3	0.42%
NEW HARTFORD	16,777.2	19,331.5	898.8	863.8	-3.89%
NEW HAVEN	715,968.6	939,084.9	174,450.2	138,731.5	-20.48%
NEW LONDON	370,314.2	382,720.2	27,763.2	22,914.4	-17.46%
NEW MILFORD	193,101.2	211,200.1	13,727.6	13,207.9	-3.79%
NEWINGTON	387,944.0	404,988.7	20,324.6	20,031.5	-1.44%
NEWTOWN	94,182.2	102,275.6	5,778.8	5,887.9	1.89%
NORFOLK	4,818.2	3,548.7	517.6	468.7	-9.45%
NORTH BRANFORD	36,628.3	35,474.7	4,045.8	4,244.9	4.92%
NORTH CANAAN	25,210.4	21,169.1	1,534.1	1,628.8	6.17%
NORTH HAVEN	1,124,979.8	1,249,463.1	68,505.1	75,328.4	9.96%
NORTH STONINGTON	18,147.8	15,773.7	846.6	1,025.9	21.18%
NORWALK	838,463.6	761,812.3	89,625.4	87,685.8	-2.16%

NOTE: Large retailers with more than one establishment usually report all of their sales and use taxes from their primary location; therefore, the figures for various towns may not reflect actual business activity.

**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN*
FISCAL YEARS ENDING JUNE 30, 2001 AND 2002
(IN THOUSANDS)**

TOWN	Retail Sales FY 2000-01 (SIC 52-59)	Retail Sales FY 2001-02 (SIC 52-59)	Sales & Use Tax FY 2000-01 (All Businesses)	Sales & Use Tax FY 2001-02 (All Businesses)	SUT Collections % Change FY 02/FY 01
NORWICH	445,616.0	456,122.5	29,224.3	23,628.6	-19.15%
OLD LYME	29,667.9	29,541.6	2,252.7	2,356.4	4.60%
OLD SAYBROOK	176,012.3	187,184.5	11,853.8	11,847.3	-0.05%
ORANGE	140,213.4	178,805.8	25,142.2	24,524.7	-2.46%
OXFORD	27,484.8	26,036.8	2,358.8	2,178.2	-7.66%
PLAINFIELD	76,330.6	88,077.1	5,148.0	5,231.4	1.62%
PLAINVILLE	233,841.3	248,503.4	16,394.3	17,282.6	5.42%
PLYMOUTH	46,445.4	50,052.5	2,522.4	2,900.3	14.98%
POMFRET	9,177.8	13,336.1	610.4	701.9	14.99%
PORTLAND	75,546.9	81,626.3	3,661.6	3,741.0	2.17%
PRESTON	41,048.0	47,001.7	1,032.6	1,057.2	2.38%
PROSPECT	23,847.7	29,208.9	1,945.2	1,952.0	0.35%
PUTNAM	88,831.7	93,244.4	7,078.1	5,162.9	-27.06%
REDDING	12,268.0	13,782.2	1,462.0	1,629.4	11.45%
RIDGEFIELD	225,044.1	205,561.3	13,446.0	13,672.4	1.68%
ROCKY HILL	79,305.1	95,501.5	16,481.3	13,945.7	-15.38%
ROXBURY	7,273.7	6,577.8	445.2	399.2	-10.33%
SALEM	7,656.0	7,421.0	701.4	764.4	8.98%
SALISBURY	42,438.4	32,169.4	3,039.2	2,866.1	-5.70%
SCOTLAND	860.6	906.6	91.2	96.7	6.03%
SEYMOUR	302,433.9	250,225.3	15,497.8	12,738.3	-17.81%
SHARON	307,531.5	60,482.4	2,245.5	822.8	-63.36%
SHELTON	959,838.1	798,886.6	49,464.3	41,852.0	-15.39%
SHERMAN	5,578.6	5,562.5	368.7	348.5	-5.48%
SIMSBURY	174,732.7	180,286.5	12,324.4	11,920.9	-3.27%
SOMERS	29,282.5	25,410.9	1,757.5	1,959.1	11.47%
SOUTH WINDSOR	164,705.6	183,502.7	14,751.9	15,943.1	8.07%
SOUTHBURY	69,300.3	79,660.6	6,330.4	5,728.0	-9.52%
SOUTHINGTON	271,963.4	280,092.9	17,747.0	15,674.4	-11.68%
SPRAGUE	2,398.7	2,784.7	335.3	350.8	4.62%
STAFFORD	133,653.0	139,689.6	10,106.1	9,310.6	-7.87%
STAMFORD	1,407,803.0	1,412,798.9	131,251.4	113,505.9	-13.52%
STERLING	2,794.4	2,058.1	183.1	169.0	-7.70%
STONINGTON	140,715.4	144,101.4	11,510.5	11,303.6	-1.80%

NOTE: Large retailers with more than one establishment usually report all of their sales and use taxes from their primary location; therefore, the figures for various towns may not reflect actual business activity.

**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN*
FISCAL YEARS ENDING JUNE 30, 2001 AND 2002
(IN THOUSANDS)**

TOWN	Retail Sales FY 2000-01 (SIC 52-59)	Retail Sales FY 2001-02 (SIC 52-59)	Sales & Use Tax FY 2000-01 (All Businesses)	Sales & Use Tax FY 2001-02 (All Businesses)	SUT Collections % Change FY 02/FY 01
STRATFORD	566,012.1	547,244.1	35,451.8	35,769.4	0.90%
SUFFIELD	36,851.2	46,026.4	4,047.2	4,848.4	19.80%
THOMASTON	31,268.3	32,146.9	3,592.1	3,377.6	-5.97%
THOMPSON	10,768.1	9,219.3	2,505.5	2,706.9	8.04%
TOLLAND	30,663.3	31,817.4	2,178.9	2,122.8	-2.57%
TORRINGTON	316,905.3	444,511.4	23,977.3	22,729.7	-5.20%
TRUMBULL	169,440.3	180,088.5	12,544.1	12,950.0	3.24%
UNION	6,901.0	7,362.8	329.5	375.7	14.02%
VERNON	241,111.4	264,011.3	17,862.7	16,174.2	-9.45%
VOLUNTOWN	4,707.6	5,229.6	312.3	337.0	7.91%
WALLINGFORD	414,765.5	413,775.8	35,218.3	31,283.3	-11.17%
WARREN	892.7	852.6	197.2	202.2	2.54%
WASHINGTON	33,257.1	32,602.7	2,643.2	2,619.9	-0.88%
WATERBURY	836,426.6	848,264.1	54,034.7	46,294.9	-14.32%
WATERFORD	330,812.3	366,502.1	16,742.2	21,141.9	26.28%
WATERTOWN	372,481.9	353,941.5	14,353.1	14,660.6	2.14%
WEST HARTFORD	698,515.6	654,652.8	37,658.2	37,087.0	-1.52%
WEST HAVEN	266,915.7	295,494.8	22,735.2	21,609.5	-4.95%
WESTBROOK	59,623.9	64,177.7	5,312.0	5,659.0	6.53%
WESTON	29,510.5	14,770.6	2,406.3	1,633.8	-32.10%
WESTPORT	1,233,435.2	1,297,286.4	39,013.3	38,291.4	-1.85%
WETHERSFIELD	157,338.0	166,134.3	22,657.2	19,906.3	-12.14%
WILLINGTON	50,433.9	13,263.6	1,665.4	1,665.6	0.01%
WILTON	358,621.4	298,118.1	21,041.8	15,330.6	-27.14%
WINCHESTER	55,178.6	54,449.9	3,088.2	3,199.6	3.61%
WINDHAM	143,792.4	150,489.2	9,734.1	8,018.3	-17.63%
WINDSOR	284,364.2	167,479.4	16,718.1	12,437.0	-25.61%
WINDSOR LOCKS	158,792.7	78,389.2	14,598.9	12,781.2	-12.45%
WOLCOTT	42,009.0	36,996.2	2,909.0	2,937.0	0.96%
WOODBIDGE	33,196.6	25,393.7	8,909.8	5,887.8	-33.92%
WOODBURY	67,722.3	68,405.2	5,742.5	5,178.2	-9.83%
WOODSTOCK	36,052.6	43,418.5	2,207.2	2,374.6	7.58%
OUT OF STATE	4,580,760.3	4,517,468.8	529,212.7	491,920.2	-7.05%
TOTAL	\$42,234,450	\$43,924,403	\$3,050,921	\$2,857,926	-6.33%

NOTE: Large retailers with more than one establishment usually report all of their sales and use taxes from their primary location; therefore, the figures for various towns may not reflect actual business activity.

NATIONWIDE COMPARISON OF TAX RATES

STATE	CORPORATION TAX RATES (%)	SALES AND USE TAX RATES (%)	MOTOR FUEL TAX RATES (¢ PER GAL)	CIGARETTE TAX RATE (¢ PER PACK)
Alabama	6.5	4.0	16.0	16.5
Alaska	9.4	None	8.0	100.0
Arizona	6.968	5.60	18.0	58.0
Arkansas	6.5	5.125	21.5	31.5
California	8.84	5.75	18.0	87.0
Colorado	4.63	2.9	22.0	20.0
Connecticut	7.5	6.0	25.0	111.0
Delaware	8.7	None	23.0	24.0
Florida	5.5	6.0	4.0	33.9
Georgia	6.0	4.0	7.5	12.0
Hawaii	6.4	4.0	16.0	100.0
Idaho	7.6	5.0	25.0	28.0
Illinois	7.3	6.25	19.0	98.0
Indiana	7.9	5.0	15.0	55.5
Iowa	12.0	5.0	20.0	36.0
Kansas	4.0	4.9	21.0	70.0
Kentucky	8.25	6.0	15.0	3.0
Louisiana	8.0	4.0	20.0	24.0
Maine	8.93	5.0	22.0	100.0
Maryland	7.0	5.0	23.5	100.0
Massachusetts	9.5	5.0	21.0	76.0
Michigan	2.0	6.0	19.0	75.0
Minnesota	9.8	6.5	20.0	48.0
Mississippi	5.0	7.0	18.0	18.0
Missouri	6.25	4.225	17.0	17.0
Montana	6.75	None	27.0	18.0
Nebraska	7.81	5.0	24.5	34.0
Nevada	None	6.5	24.0	35.0
New Hampshire	8.5	None	18.0	52.0
New Jersey	9.0	6.0	10.5	150.0
New Mexico	7.6	5.0	17.0	21.0
New York	7.5	4.0	8.0	150.0
North Carolina	6.9	4.0	24.2	5.0
North Dakota	10.5	5.0	21.0	44.0
Ohio	8.5	5.0	22.0	55.0
Oklahoma	6.0	4.5	16.0	23.0
Oregon	6.6	None	24.0	68.0
Pennsylvania	9.99	6.0	12.0	31.0
Rhode Island	9.0	7.0	28.0	132.0
South Carolina	5.0	5.0	16.0	7.0
South Dakota	None	4.0	22.0	33.0
Tennessee	6.0	6.0	20.0	13.0
Texas	4.5	6.25	20.0	41.0
Utah	5.0	4.75	24.5	69.5
Vermont	9.75	5.0	19.0	93.0
Virginia	6.0	3.5	17.5	2.5
Washington	None	6.5	23.0	142.5
West Virginia	9.0	6.0	20.5	17.0
Wisconsin	7.9	5.0	27.3	77.0
Wyoming	None	4.0	13.0	12.0

**2001-02 ANNUAL REPORT
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