



2019 LEGISLATIVE RECAP

A two-year, \$43 billion state budget was approved by both the House & Senate yesterday. <https://www.cga.ct.gov/2019/BA/pdf/2019HB-07424-R01-BA.pdf> Passed exclusively along party lines, the two year budget raises \$861.5 million in new revenue in the first year, and \$921.3 million in the second year, helping the state close a \$3.7 billion deficit.

The Democrat led majority concluded the budget deal one day before the June 5th end of session deadline. Republicans failure to produce a counter budget proposal and the Democrats failure to address transportation, leaves political pundits questioning the minority party's strategy and the divisive question of tolls, open ended.

Below is the list of issues CFA was actively engaged in as well as, a complete list of goods & services that saw a tax increase.

Minimum Wage:

HB 5004 analysis: <https://www.cga.ct.gov/2019/BA/pdf/2019HB-05004-R010870-BA.pdf>

The amended bill lengthened the three-year increase to 4.5 years beginning in October 2019. The new raise schedule is as follows:

- \$10.10 currently
- \$11 by Oct. 1, 2019
- \$12 by September 2020
- \$13 by August 2021
- \$14 by July 2022
- \$15 by June 2023

- Future increases past 2023 will be tied to the Employment Cost Index rather than the Consumer Price Index. The ECI is a measure of wage growth calculated by the federal Bureau of Labor Statistics and was cited to be more stable than CPI.

- There is a training wage in place for workers under the age of 18 (with the exception of emancipated minors). This provision allows businesses to pay young help a wage 15 percent less than the minimum for up to 90 days/200 hours.

Paid Family Leave:

SB 1 analysis: <https://www.cga.ct.gov/2019/BA/pdf/2019SB-00001-R01-BA.pdf>

- Under the legislation, benefits would become available on July 1, 2021. It would provide up to 12 weeks of replacement wages, payable on a sliding scale ranging up to a maximum of 95 percent for minimum-wage earners, capped at \$900 a week.
- Workers fund the program with a payroll tax of one-half of one percent.



- The payroll tax would impose an annual cost of \$156 for minimum-wage workers and a maximum of \$664.50 for those with six-figure incomes. Payroll subjected to the new tax would be limited to the amount of annual earnings subject to Social Security taxes, currently capped at \$132,900.
- The Connecticut policy is the most generous wage-replacement policy of any state. New York, by comparison, offers 55 percent wage replacement, which will increase to 67 percent, up to a cap, once the policy is fully phased in.
- New law also has one of the broadest definitions of a loved one covered under the policy, including care of siblings, grandparents, and any other blood relative or equivalent of a family member.

Bottle Bill:

HB 7294 language, as amended by the strike-all: <https://www.cga.ct.gov/2019/amd/H/pdf/2019HB-07294-R00HA-AMD.pdf>

Expansion was tabled in lieu of a study. A Commission made up of key stakeholders will be appointed during the 2020 session by the legislature to recommend changes to the current bottle law.

Plastic Bags (Budget):

§ 355 — PLASTIC SINGLE-USE BAGS

Imposes a 10-cent fee on single-use plastic bags provided at the point of sale until June 30, 2021 and bans them beginning July 1, 2021

From August 1, 2019, to June 30, 2021, the bill requires each store to charge a 10-cent fee for each single-use checkout bag provided to a customer at the point of sale. The store must indicate the number of single-use checkout bags provided and the total fee charged on the customer's transaction receipt. The fee is not subject to sales tax.

Beginning July 1, 2021, the bill prohibits store owners and operators from providing or selling single-use checkout bags to customers.

Scope

The fee and ban applies to "single-use checkout bags," which are plastic bags with a thickness of less than four mils that are provided to a customer at the point of sale. The bill exempts (1) bags provided to contain meat, seafood, loose produce, or unwrapped food items; (2) newspaper bags; and (3) laundry or dry cleaning bags.

"Store" means any entity considered a retailer for sales tax purposes that maintains a retail store in the state and sells tangible personal property directly to the public.

Municipal Ordinances

The bill specifies that it does not prohibit a municipality from enacting or enforcing an ordinance on (1) plastic single-use checkout bags that is at least as restrictive as the bill's provisions or (2) paper



single-use checkout bags, including enabling stores to charge a fee for paper bags distributed to customers.

Fee Administration and Enforcement

Under the bill, each store must report all fees it collects to the DRS commissioner with its sales tax return and remit the fees at the same time and in the same manner as is required for the sales tax.

Any unpaid fees are subject to the penalties and interest that apply under existing law to unpaid sales tax (e.g., a penalty of 15% of the tax owed plus 1% interest). The bill allows the DRS Commissioner to collect the fees, as if they were taxes due to the state, in the same manner in which he may collect other taxes, including levying warrants on the property of people who owe fees to the state. The bill additionally applies to the fee certain enforcement-related provisions that apply to the sales tax under existing law, including provisions on deficiency assessments, hearings, appeals, and penalties for willful violations.

The bill allows, at the close of FYs 20 and 21, the comptroller to record as revenue for each such fiscal year the amount of fee revenue DRS received within five business days from the last day of July immediately following the end of the fiscal year.

EFFECTIVE DATE: August 1, 2019

Sugar Tax:

A tax of 1.5 cents per ounce on sugary beverages was scrapped amid strong opposition from coalition of small business owners, soft drink companies, grocery stores and urban lawmakers.

Payroll Tax (Budget):

The budget directs the Department of Revenue Services to conduct a study of establishing a payroll tax to potentially replace the state income tax.

§ 385 — PAYROLL TAX INFORMATION RETURN AND ANALYSIS

Requires DRS to collect data necessary to evaluate the implementation of an employer payroll tax; establishes a payroll commission to (1) hold informational forums on the tax, (2) analyze the data DRS collects, and (3) report its findings, recommendations, and estimates to the Finance Committee.

Wage Base Assumptions and Other Recommendations:

The commission must analyze the data collected from the information return forms to establish the wage base on which to impose a payroll tax. It must use the wage base it establishes for any of the estimates or calculations described below that require a wage base.

The analysis must also (1) give an opinion on whether the tax may be imposed on the federal government or on tribal nations for wages paid to Connecticut employees and (2) recommend whether the tax should be levied on the state, municipalities, local or regional boards of education, or certain federally tax-exempt organizations for wages paid to Connecticut employees.



The analysis must also recommend how to treat minimum wage employers and employees under a payroll tax by examining the costs and impacts of the following:

1. redefining “minimum fair wage” to include the portion of the payroll tax imposed on the employer that is attributed to an employee’s wages,
2. exempting wages of less than a threshold amount (the commission must specify a recommended threshold for this option),
3. providing a credit for employers for the amount of payroll tax paid on behalf of minimum wage employees,
4. leaving the minimum wage unadjusted, or
5. any other option the commission deems reasonable.

Tobacco 21:

HB 7200 analysis: <https://www.cga.ct.gov/2019/BA/pdf/2019HB-07200-R01-BA.pdf>

Connecticut is poised to raise the legal age to purchase tobacco products from 18 to 21 with an overwhelming vote in the state Senate endorsing the bill. The measure won passage in the House in May and now heads to Gov. Ned Lamont, who has pledged to sign it.

EFFECTIVE DATE: October 1, 2019

Real-time Sales Tax:

Pulled from budget.

Meals & Beverage Tax (Budget):

§§ 323 & 324 — SALES AND USE TAX ON MEALS AND BEVERAGES

The bill increases, from 6.35% to 7.35%, the sales and use tax rate on sales of (1) meals sold by eating establishments, caterers, or grocery stores and (2) liquors, soft drinks, sodas, and beverages ordinarily dispensed at, or in connection with, bars and soda fountains. It does so by imposing a 1% sales and use tax rate on such sales that applies in addition to the 6.35% sales and use tax.

By law, a “meal” is food sold in ready-to-eat form or wrapped as “take-out” or “to-go” to be eaten elsewhere. An “eating establishment” includes a restaurant, cafeteria, grinder shop, pizzeria, drive-in, fast food outlet, ice cream truck, hot dog cart, refreshment stand, sandwich shop, private and social club, cocktail lounge, tavern, diner, snack bar, and hotel or boarding house that furnishes both lodging and meals to its guests (CGS § 12-412 (13)).

Existing law, unchanged by the bill, directs a portion of the revenue generated by the 6.35% sales and use tax rate to the (1) Special Transportation Fund and (2) beginning in FY 22, municipal revenue sharing account. Under the bill, the revenue from the additional 1% rate on meals and beverages is not subject to this revenue diversion.

EFFECTIVE DATE: October 1, 2019, and applicable to sales occurring on or after that date.

i-Lottery Study (Budget):



§ 364 — REVENUE FROM ONLINE LOTTERY GAMING

Requires the governor, through OPM, to (1) determine the feasibility of using revenue from new online lottery gaming to fund the debt-free community college program and (2) propose budget adjustments over the biennium for the program if online lottery games are not feasible; requires such budget adjustments to provide at least \$1 million for state, municipal, and regional collaboration initiatives

The bill requires the governor, through the Office of Policy and Management (OPM) secretary, to consult with the Connecticut Lottery Corporation, attorney general, and consumer protection commissioner on the feasibility of allowing the lottery to offer its existing lottery draw games online through the lottery’s website, online service, or mobile application. The governor must determine whether (1) the online offering is feasible and (2) the revenue from it is sufficient to offset the costs of the debt-free community college program. Under the bill, the OPM secretary must submit a report to the General Assembly by February 5, 2020, about the feasibility of such offering.

If the governor finds that the online offering is not feasible, the bill requires him to propose budget adjustments, including any revenue source or spending reduction, for the biennium ending FY 21 for the following reasons: (1) to account for the costs of the debt-free community college program and (2) to provide at least \$1 million to support recommended state, municipal, and regional collaboration initiatives in this bill.

EFFECTIVE DATE: July 1, 2019

E-Cigarette/Vape Tax (Budget):

§ 351 — E-CIGARETTE TAX

Imposition of Tax

The bill imposes a tax on sales of electronic cigarette (e-cigarette) products by e-cigarette wholesalers. “E-cigarette products” are electronic nicotine delivery systems; liquid nicotine containers; vapor products; and liquids that, when used in an electronic nicotine delivery system, produce a vapor that includes nicotine and is inhaled by the system’s user (i.e., e-cigarette liquids).

The tax is imposed each calendar month at a rate of:

1. 40 cents per milliliter of e-cigarette liquid, for any e-cigarette product that is pre-filled, manufacturer-sealed, and not intended to be refillable and
2. 10% of the wholesale price for all other e-cigarette products whether or not sold at wholesale, or if not sold, at the same rate upon use by the wholesaler.

“Wholesale sales price” means the price of e-cigarette products or, if no price has been set, their wholesale value. Under the bill, only the first sale or use of the same product by the wholesaler is used to compute the tax.

Under the bill, an e-cigarette wholesaler is (1) a person engaged in the business of selling e-cigarette products at wholesale in the state, (2) a person in the state who purchases e-cigarette products at



wholesale from a manufacturer, or (3) a dealer, retailer, or other person that otherwise imports, or causes another to import, untaxed e-cigarette products into the state.

Administration

The bill requires e-cigarette wholesalers, by the last day of each month, to (1) file electronically with DRS a return for the calendar month immediately preceding in the form and manner the DRS Commissioner prescribes and (2) submit with the return the tax payment, paid by electronic funds transfer. The bill specifies that no tax credits are allowable against the tax.

At the close of each fiscal year, beginning with FY 20, the bill allows the state comptroller to record as revenue for the fiscal year the amount DRS received from e-cigarette tax revenue within five business days from the last day of July immediately following the end of the fiscal year.

EFFECTIVE DATE: October 1, 2019, and applicable to sales occurring on or after that date.

Hemp & CBD:

SB 893 analysis: <https://www.cga.ct.gov/2019/BA/pdf/2019SB-00893-R01-BA.pdf>

A pilot program authorizing cultivation and sale of industrial hemp and CBD was approved by Connecticut lawmakers this year. The bill was passed, in part, to help struggling farmers as tobacco has fallen out of popularity.

Bills awaiting final action:

Gift Cards:

HB 7077 analysis: <https://www.cga.ct.gov/2019/BA/pdf/2019HB-07077-R000065-BA.pdf>

Awaiting action in the Senate

Styrofoam Containers:

HB 5384 analysis, as amended: <https://www.cga.ct.gov/2019/BA/pdf/2019HB-05384-R01-BA.pdf>

Awaiting action in the Senate

Shift Scheduling: (no action yet)

SB 764 bill analysis: <https://www.cga.ct.gov/2019/BA/pdf/2019SB-00764-R000518-BA.pdf>

HB 6924 bill analysis: <https://www.cga.ct.gov/2019/BA/pdf/2019HB-06924-R000406-BA.pdf>

Plastic Straws: (no action yet)

HB 5385 Analysis: <https://www.cga.ct.gov/2019/BA/pdf/2019HB-05385-R000552-BA.pdf>

Tolls:

Awaiting action in special session (dates TBD)

Tax Increases in CT Budget

43.4 BILLION 2-YEAR PLAN

- New 1% meals tax on prepared foods sold in grocery stores and restaurants
- New 1% tax on soda, beverages and alcohol dispensed at bars or soda fountains
- New tax on digital downloads
- New tax on safety apparel
- New tax on parking
- New 10 cent tax on plastic bags
- Increases tax on ridesharing services to 30 cents
- Higher fees on vehicle trade ins
- New tax on dry cleaning and non coin-operated laundry services
- New tax on interior design services
- Increase filing fee for LLC's and LLP's
- At least \$50 million in new, unidentified fees left up to the governor's administration
- Massive small business tax hike (a \$50 million annual tax increase. Changes the pass through entity tax, a program meant to support small businesses, to instead use it to generate more revenue for the state.)
- New conveyance tax on properties valued at over \$2.5 million
- Extends the 10% corporate surcharge
- New tax on e-cigarette products at wholesale
- Higher taxes on alcoholic beverages