

# CONNECTICUT TAX BASICS



**Tax Review Panel**

**January 29, 2015**

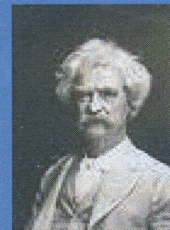


*Taxes...are dues that we  
pay for the privileges of membership in  
an organized society.*

President Franklin Roosevelt

*I shall never use profanity except in  
discussing taxes.*

Mark Twain



# TAX PRACTICE

*In the tax-law boiler room, the motto is, "Anything worth doing is worth overdoing."*

Michael Graetz & Ian Shapiro, *Death by a Thousand Cuts* (2005)



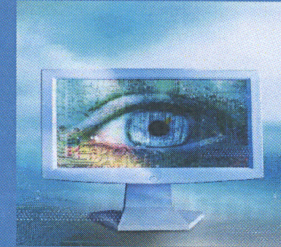
# CHANGING STATE TAX PROFILE

	FY 1984	FY 1994	FY 2004	Current
Income (PIT)	0%	37%	48%	53%
Sales & Use (SUT)	46%	32%	30%	25%
Corporate	14%	10%	5%	5%
Motor Fuels	7%	6%	4%	3%
Cigarette	3%	2%	3%	2%
All Other Taxes	30%*	13%	10%	12%

\* Includes taxes on capital gains, dividends & interest



# TAX LEGACY



## OLD WORLD

- Production economy
- Wage earners
- Geographic boundaries
- Physical presence
- Tangible property
- Separate entities
- Cost of performance
- C corps

## NEW WORLD

- Service economy
- Mobile & contingent workforce
- Cyberspace
- Economic presence
- Intangible property
- Combined reporting
- Market-based sourcing
- Partnerships, S corps, LLCs

# TAX POLICY ?

pol·i·cy *n.* 1. A plan, guiding principle or course of action designed to influence and determine decisions and actions.

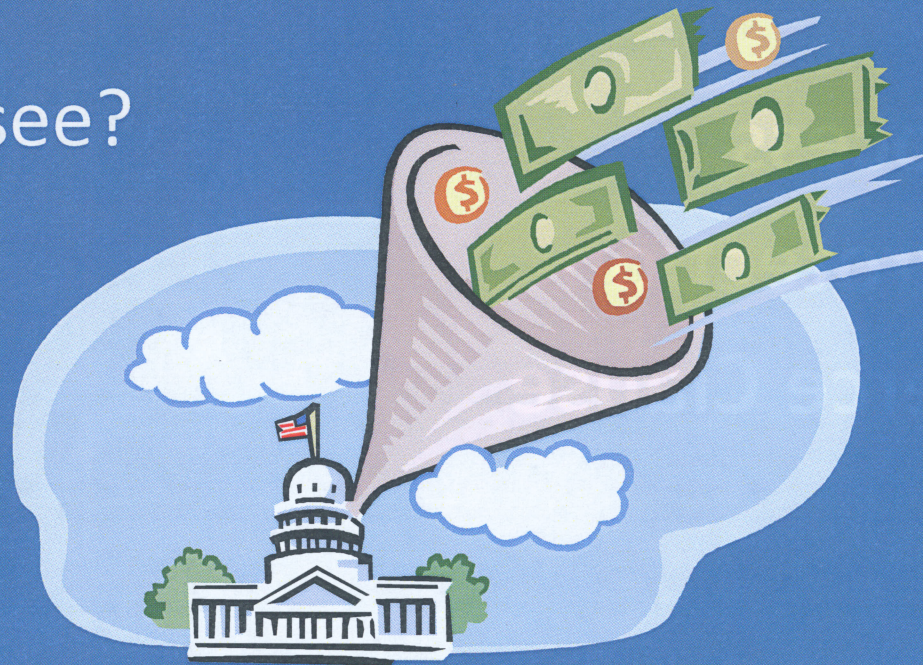
## 2. ~~The numbers game.~~

- Incidence
- Equity
- Effective rates
- Pyramiding (“tax on tax”)
- Competitiveness
- Neutrality
- Volatility
- Sufficiency
- Affordability
- Tax expenditures
- Tax gap & “tax planning”
- Federal/state complementary
- Cost of administration



# TAX RORSCHACH TEST

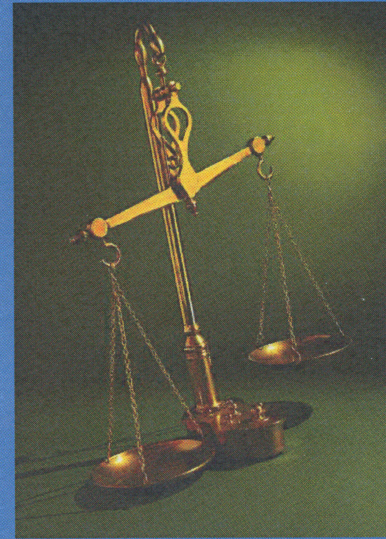
What do you see?



Appropriations is NOT tax policy.

# TAX LAW PRINCIPLES

- Due Process
- Equal Protection
- Commerce Clause
- Nexus





# PERSONAL INCOME TAX

- Federal AGI based
- Rates & brackets (recapture)
- Withholding & estimated payment
- Modifications
- Credits (EITC, property tax & Angel Investor)
- Refunds: Direct deposit, *check* & debit card)

# SALES & USE TAX

- Permits
- Rates
- Goods & services
- Tangible & intangible personal property
- Exclusions
- Exemptions
- Nexus & “Marketplace Fairness Act”

# BUSINESS TAXES

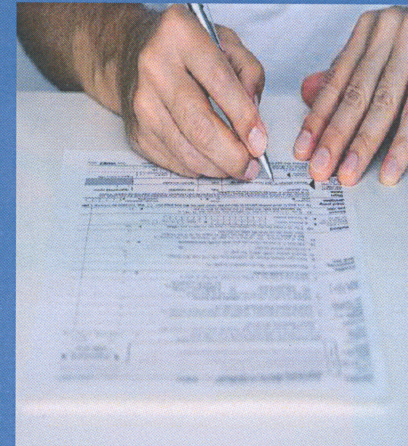
- Corporate income tax
  - Rates & surcharge
  - Separate or combined (preference tax): Unitary?
  - Apportionment
  - NOL
  - Transfer payments
  - Offshoring
- Business entity “tax”
- Pass-through entities: Income tax
- Hospitals & longterm care facilities
- Insurance companies
- Utilities, public service companies, CATV, railroads, motor carriers
- Dry cleaners & remediation
- Credits & sales tax exemption

# OTHER TAXES

- Gift & estate taxes
- Fuel & petroleum products taxes
- Liquor taxes
- Tobacco taxes & MSA
- Real estate conveyance
- Admissions & dues
- Regional set-asides

# STATE TAX AUTHORITY

- Commissioner's Office
- Operations
- Collections
- Audit
- Penalty, interest, waiver & amnesty
- Criminal enforcement
- Litigation
- Security & non-disclosure of taxpayer information
- Interagency & interstate offsets
- IRS



# QUESTIONS ?

