Where Does The Money Come From?

An Overview of the State’s Revenue

Office of Fiscal Analysis
Office of Legislative Research
Legislative Commissioners’ Office
December 10, 2002

**Note: Some data included in this document is time sensitive.**
General Fund Revenue Breakdown
FY 02 Actual Collections

- **Personal Income Tax**: 33.5%
- **Sales & Use Tax**: 27.1%
- **Federal Grants**: 19.5%
- **Other Revenue**: 4.3%
  - Licenses, permits & fees: 1.3%
  - Tobacco Settlement: 1.1%
- **Gambling**: 5.9%
- **Business Taxes**: 5.1%
  - Corporation: 1.4%
  - Public Service: 1.5%
  - Insurance: 1.9%
  - Oil: 0.2%
- **Other Taxes**: 4.7%
  - Inheritance: 1.3%
  - Cigarettes: 1.4%
  - Real estate: 1.1%
  - Alcohol: 0.4%
- **Indian gaming**: 3.4%
- **Lottery & OTB**: 2.5%

**Note:** The percentages do not add up to 100% due to rounding.
Transportation Fund Revenue
FY 02 Actual Collections

- Motor Fuels: 46.6%
- Motor Vehicle Receipts: 21.9%
- Licenses, Permits & Fees: 14.4%
- Petroleum Products Tax: 5.1%
- Sales Tax - DMV Payments: 7.2%
- Interest Income: 4.5%
- Federal Grants (FTA): 0.4%
Other State Funds

- Mashantucket Pequot & Mohegan Fund
- Soldiers’, Sailors’ & Marines’ Fund
- Regional Market Operating Fund
- Banking Fund
- Insurance Fund
- Consumer Counsel & Public Utility Control Fund
- Workers’ Compensation Fund
- Criminal Injuries Compensation Fund
Income Tax Revenues

Total FY 02 Collections

$3.7 billion
2000 Personal Income Tax

- Salaries & Wages: 67.9%
- Other Income: 1.9%
- Social Security & Unemployment Comp: 1.6%
- IRAs/Pensions/Annuities: 5.8%
- Capital Gains: 12.4%
- Business & Professional: 3.6%
- Interest & Dividends: 6.8%
CT. Capital Gains

Total (in millions)

Annual % Change

1995  50%
1996  23%
1997  65%
1998  27%
1999  20%
2000  23%
2001 Est.  -43%
2002 Est.  -48%
2003 Est.  9%
Income Tax Liability Per Return

<table>
<thead>
<tr>
<th>Income Year</th>
<th>Under $60,000 CTAGI</th>
<th>Over $60,000 CTAGI</th>
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<tbody>
<tr>
<td>1992</td>
<td>$5,500</td>
<td>$7,000</td>
</tr>
<tr>
<td>1993</td>
<td>$6,000</td>
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<tr>
<td>1994</td>
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<td>1995</td>
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<td>$5,500</td>
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<tr>
<td>1996</td>
<td>$6,500</td>
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<td>1997</td>
<td>$6,000</td>
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<tr>
<td>1998</td>
<td>$5,500</td>
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<tr>
<td>1999</td>
<td>$5,000</td>
<td>$6,500</td>
</tr>
<tr>
<td>2000</td>
<td>$4,500</td>
<td>$7,000</td>
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</table>

New 3.0% Rate Property Tax Credit

$380 average liability for under $60,000

$6,500 average liability for over $60,000
Income Tax Revenues By Income Group

CT Adjusted Gross Income ($ Thousands, AGI) 2000

- 0-20: 0%
- 20-27: 0%
- 27-33: 1%
- 33-41: 2%
- 41-51: 3%
- 51-62: 5%
- 62-77: 7%
- 77-98: 9%
- 98-148: 14%
- 148+: 58%
Sales Tax

Rate
6% for most goods and services

Total FY 02 Collections
$3.0 billion

Total value of enumerated exemptions
$9.1 billion
<table>
<thead>
<tr>
<th>Description</th>
<th>Revenue Loss in Millions</th>
</tr>
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<tbody>
<tr>
<td>Sales for resale</td>
<td>$3,664.4</td>
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<tr>
<td>Out-of-state sales</td>
<td>2,334.8</td>
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<tr>
<td>Nontaxable labor &amp; services</td>
<td>621.3</td>
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<tr>
<td>Food</td>
<td>237.7</td>
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<tr>
<td>Prescription &amp; nonprescription drugs</td>
<td>103.4</td>
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<tr>
<td>Clothing &amp; Footwear Under $75</td>
<td>135.1</td>
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<tr>
<td>Government/Charitable/Religious</td>
<td>508.6</td>
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<tr>
<td>Fuel &amp; Utilities</td>
<td>291.2</td>
</tr>
<tr>
<td>Manufacturing/Farming</td>
<td>149.7</td>
</tr>
<tr>
<td>All Other</td>
<td>989.4</td>
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</tbody>
</table>
General Obligation (GO) Bonds
$1.2 Billion

- School Construction: $430 million
- Other State Purposes: $570 million
- UConn 2000: $100 million
- Other Higher Education: $100 million
Other Bonding - FY 02
$552 Million

- Taxable Bonds - $100 million
- Transportation Fund Special Tax Obligation (STO) Bonds - $287 million
- Revenue Bonds - $165 million
Major 2002 Tax Increases

- Cigarettes - 55¢ to $1.11/pack
- Diesel - 18¢ to 26¢/gallon
- Self-storage units - 6% sales tax
2002 Business Tax Changes

- LLC, LLP, LP, S corporation tax: $250 per year
- “Hard minimum” corporation tax: $250 per year
- Limit corporation tax credits to 70% of total tax liability
- Limit annual payments for unused R&D tax credits to $1.5 million per company
Annual Revenue From 2002 Tax Increases

Cigarettes $122.3 million
Diesel $25 million
Self-Storage Units $1.5 million
LLC, LLC, LP, S Tax $28 million
“Hard minimum” corporation tax $0.5 million
Corporation tax credit limit $30 million
R&D credit refund limit $15 million
TOTAL $207.45 million
Tax Reduction Deferrals

- Succession tax - elimination delayed one year until 1/1/06
- Sales tax on computer and data processing services - elimination delayed two years until 7/1/04
- Tax on gifts between $25,000 and $1 million - elimination delayed two years until 1/1/08
- Income tax exemption for single filers - increase delayed two years until 2009
# Revenues From Reduction Deferrals

(Millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 03</th>
<th>FY 04</th>
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</thead>
<tbody>
<tr>
<td>Succession Tax</td>
<td>$11.0</td>
<td>17.1</td>
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<tr>
<td>Computer &amp; Data</td>
<td>10.0</td>
<td>10.0</td>
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<tr>
<td>Processing</td>
<td>10.0</td>
<td>10.0</td>
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<tr>
<td>Gift Tax</td>
<td>2.6</td>
<td>4.1</td>
</tr>
<tr>
<td>Singles Exemption</td>
<td>12.0</td>
<td>20.6</td>
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</tbody>
</table>
Scheduled Tax Changes Affecting Future Revenues

Eliminate 1% sales tax on computer and data processing services starting 7/1/04

Continued suspension of 5.75% sales tax on hospital patient care services (currently scheduled to expire 7/1/03)

$115 million annual revenue loss

$10 million annual revenue loss
Increase in Singles’ Income Tax Exemption
(Revenue Loss in Millions)

**FY 04** | **FY 05** | **FY 06** | **FY 07** | **FY 08** | **FY 09**
---|---|---|---|---|---
-18.75 | -26.9 | -43.7 | -60.8 | -80.2 | -101.9
Gift Tax Phase-Out
(Revenue Loss in Millions)
Succession Tax Phase-Out
(Revenue Loss in Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue Loss (Millions)</th>
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</thead>
<tbody>
<tr>
<td>FY 04</td>
<td>-11</td>
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<tr>
<td>FY 05</td>
<td>-28.1</td>
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<tr>
<td>FY 06</td>
<td>-30.1</td>
</tr>
<tr>
<td>FY 07</td>
<td>-32.1</td>
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</tbody>
</table>
Federal Tax Changes Affecting State Revenue
Corporate Depreciation

Extra 30% bonus depreciation deduction for certain equipment placed in service before 1/1/05

- State “decouples” from federal change in 2002
- Avoids annual revenue loss of $25 million
Estate Tax

- Federal phase-out of credit for state estate tax over four years at 25% per year

- Proposal to “decouple” from federal tax and establish state estate tax equal to federal credit as of 1/1/02

Revenue Loss (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue Loss (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 04</td>
<td>-64</td>
</tr>
<tr>
<td>FY 05</td>
<td>-100</td>
</tr>
<tr>
<td>FY 06</td>
<td>-140</td>
</tr>
<tr>
<td>FY 07</td>
<td>-150</td>
</tr>
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</table>
Recent Tax Change Proposals (FY 04 Revenues)
Income Tax

- “Millionaire tax” - $170 million
Corporation Tax

- Increase annual minimum tax to $450: $6.2 million
- Reduce 100% credit for personal property taxes on computer and data processing equipment to 50%: $10 to $20 million
- Reduce 5% credit for new fixed capital investments to 3%: $8 to $16 million
- Eliminate cash refunds for unused R&D credits: $25 million
Sales Tax

Eliminate exemptions for:

- Vending machine items under 50¢: $1.2 million
- Health and athletic club services: $10 million
- Amusement parks and arcades: $1 million
- Golf courses and country clubs: $4 million
- Ski areas: $0.5 million
Increase tax on distilled spirits by 25% from $4.50 to $5.60 per gallon: $6.5 million
Governor’s Revenue Proposals
(Revenue in Millions)
## Income Tax

<table>
<thead>
<tr>
<th></th>
<th>FY 03</th>
<th>FY 04</th>
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</thead>
<tbody>
<tr>
<td>Millionaire Tax</td>
<td>90.1</td>
<td>163.9</td>
</tr>
<tr>
<td>Phase down minimum $100 property tax credit for high-income taxpayers</td>
<td>12.0</td>
<td>12.1</td>
</tr>
</tbody>
</table>
Sales Tax

- Computer & data processing services from 1% to 3% and eliminate phase-out
  - FY 03: 8.1
  - FY 04: 20.5

- Clothing & Footwear exemption from $75 to $50
  - FY 03: 13.6
  - FY 04: 33.6
# Other Taxes

<table>
<thead>
<tr>
<th></th>
<th>FY 03</th>
<th>FY 04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cigarette tax to $1.51</td>
<td>40.3</td>
<td>78.3</td>
</tr>
<tr>
<td>per pack</td>
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<td></td>
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<tr>
<td>Real estate conveyance</td>
<td>20.0</td>
<td>50.0</td>
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<tr>
<td>tax increases</td>
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