

Where Does The Money Come From?

An Overview of the State's Revenue

Office of Fiscal Analysis

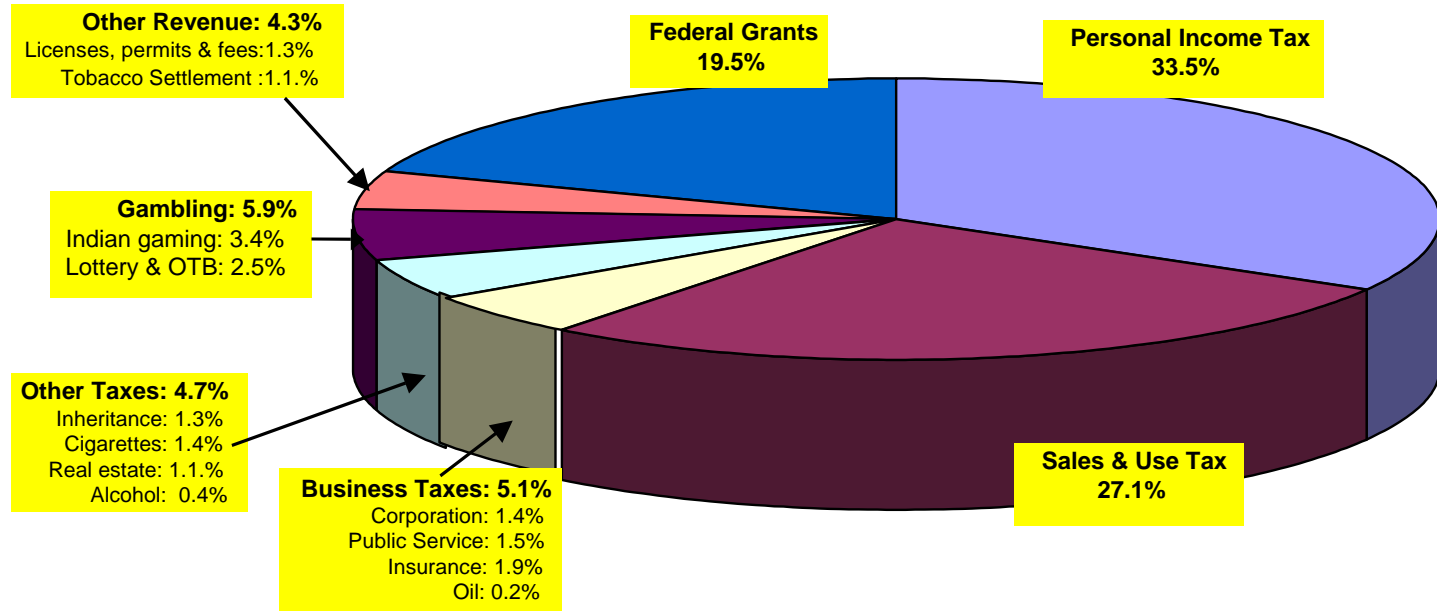
Office of Legislative Research

Legislative Commissioners' Office

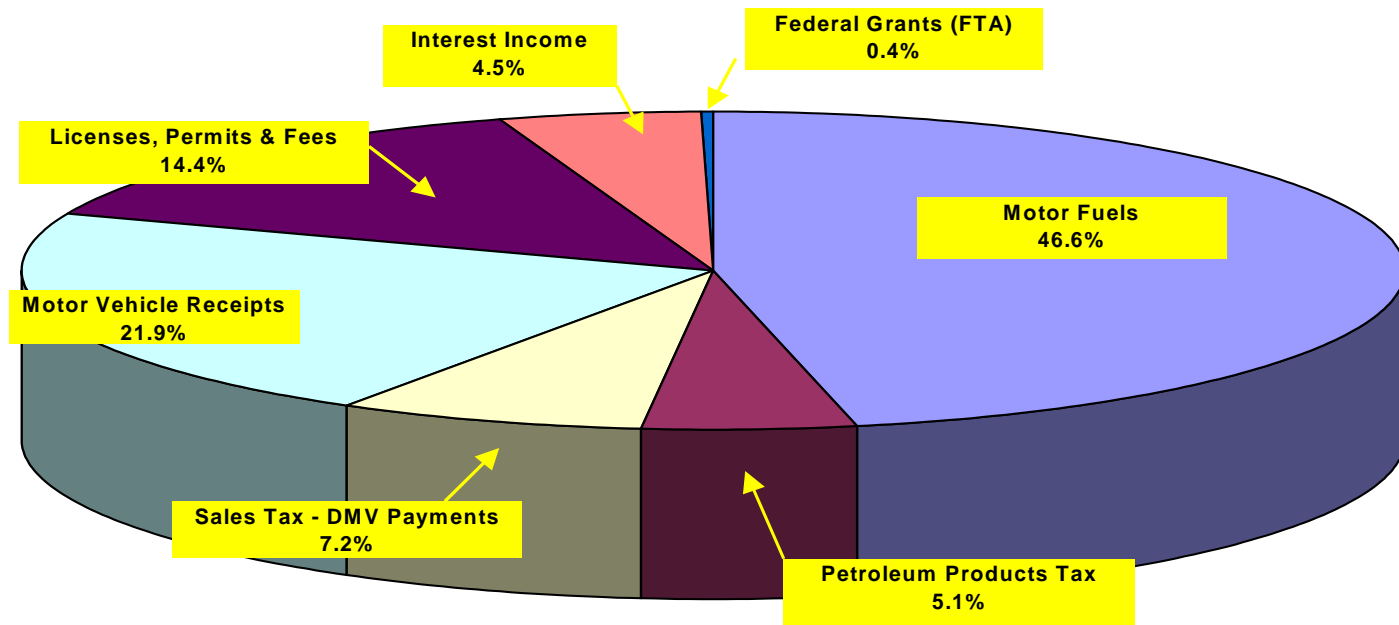
December 10, 2002

****Note: Some data included in this document is time sensitive.****

General Fund Revenue Breakdown FY 02 Actual Collections



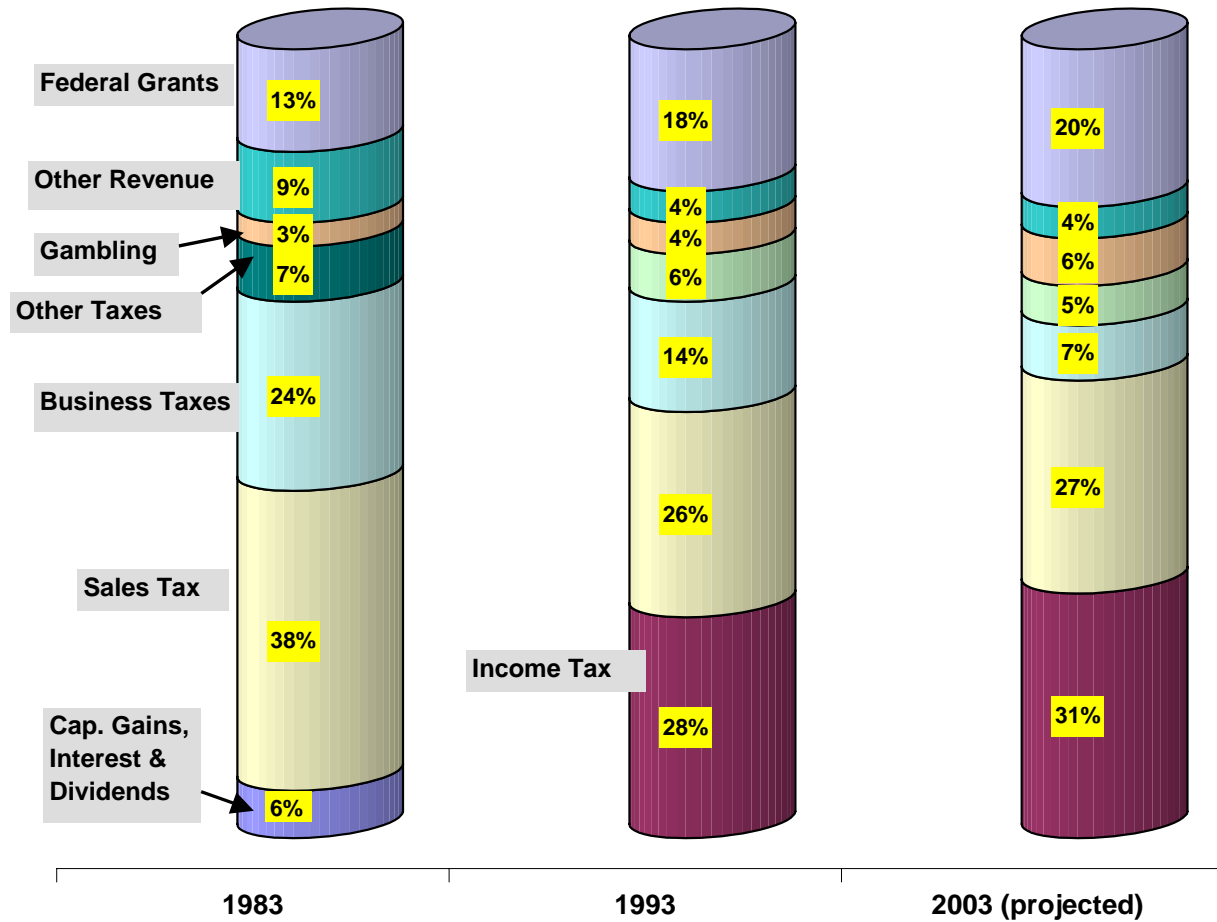
Transportation Fund Revenue FY 02 Actual Collections



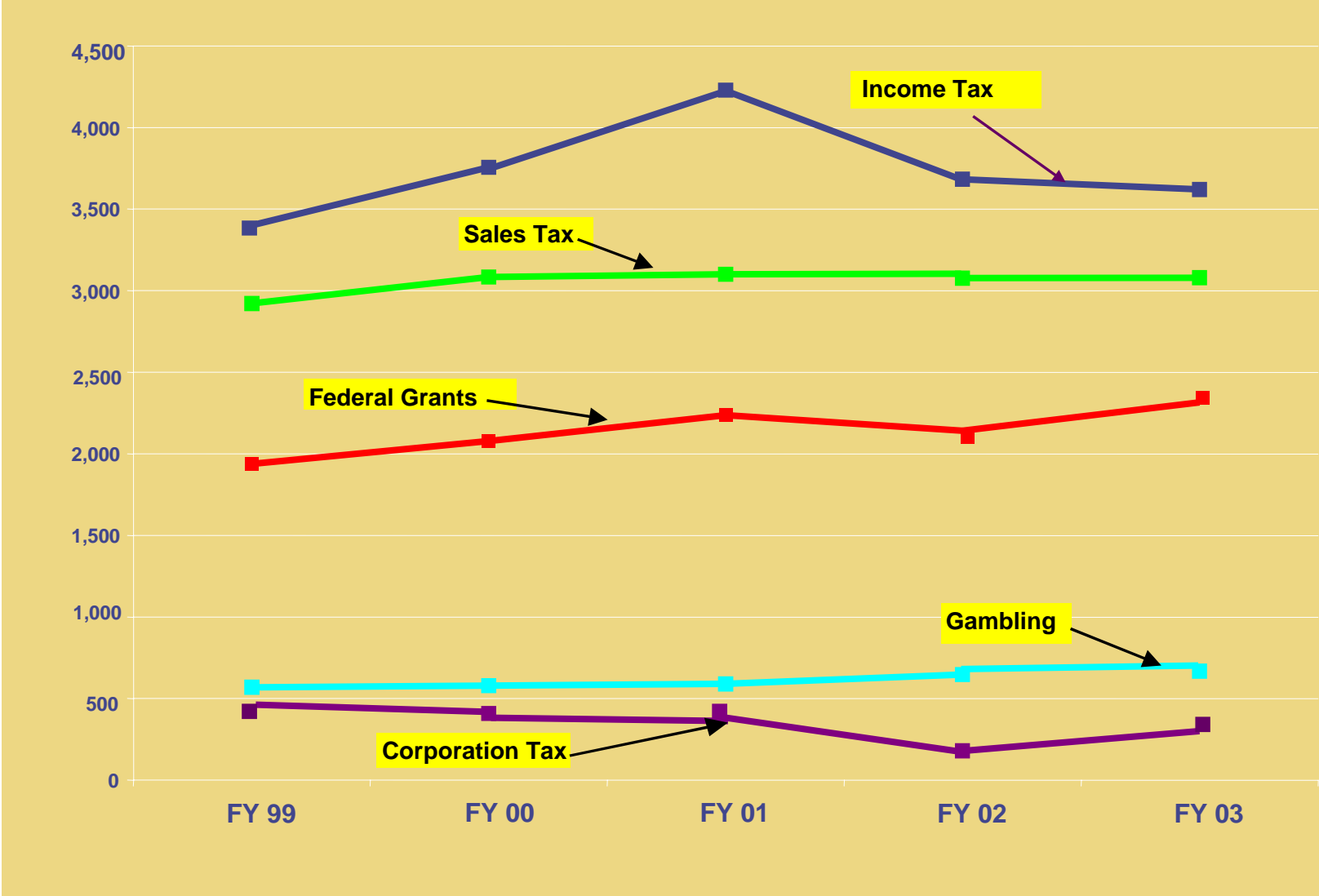
Other State Funds

- 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

General Fund Over the Last 20 Years



Revenue Since 1999

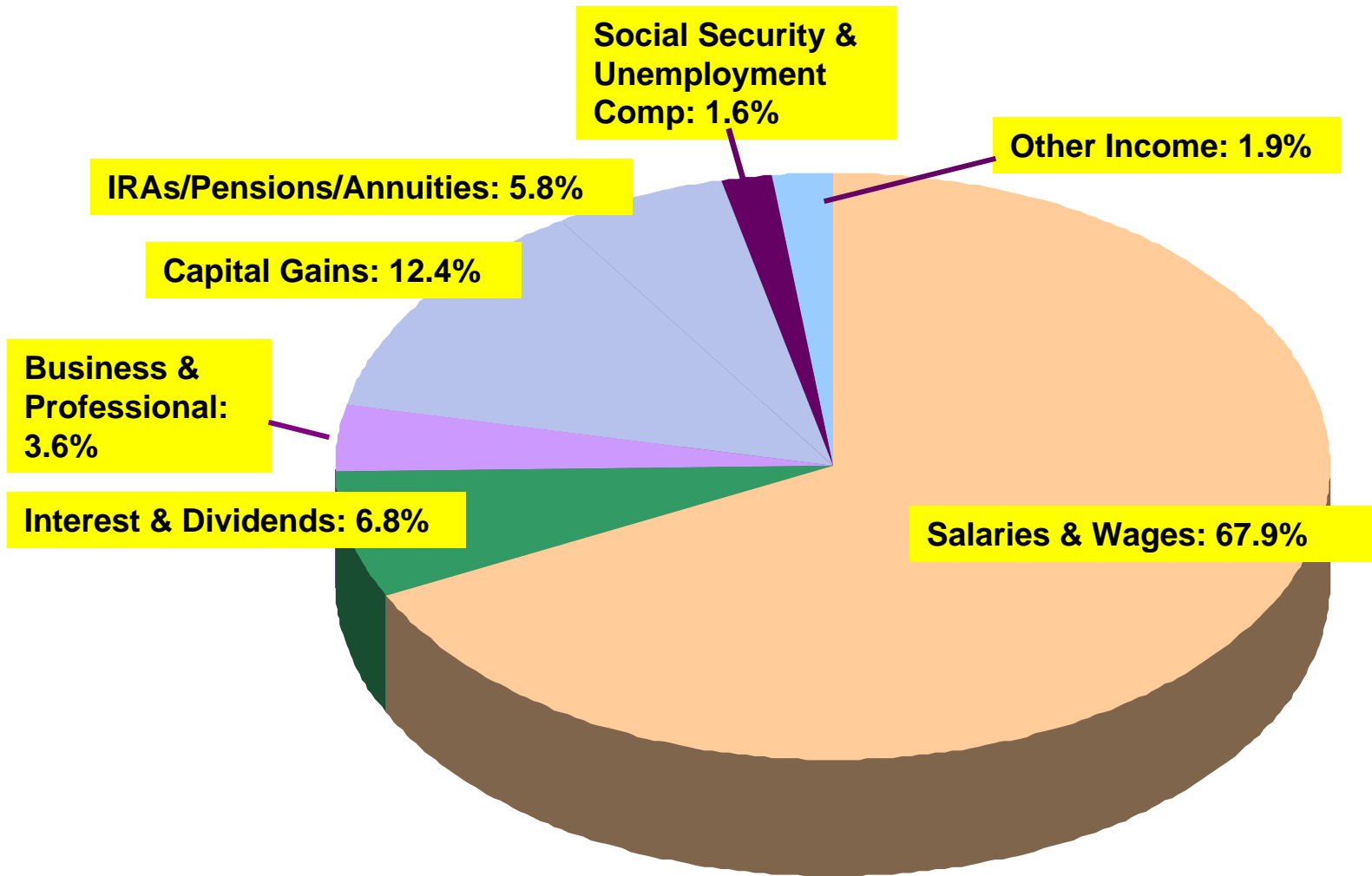


Income Tax Revenues

Total FY 02 Collections

\$3.7 billion

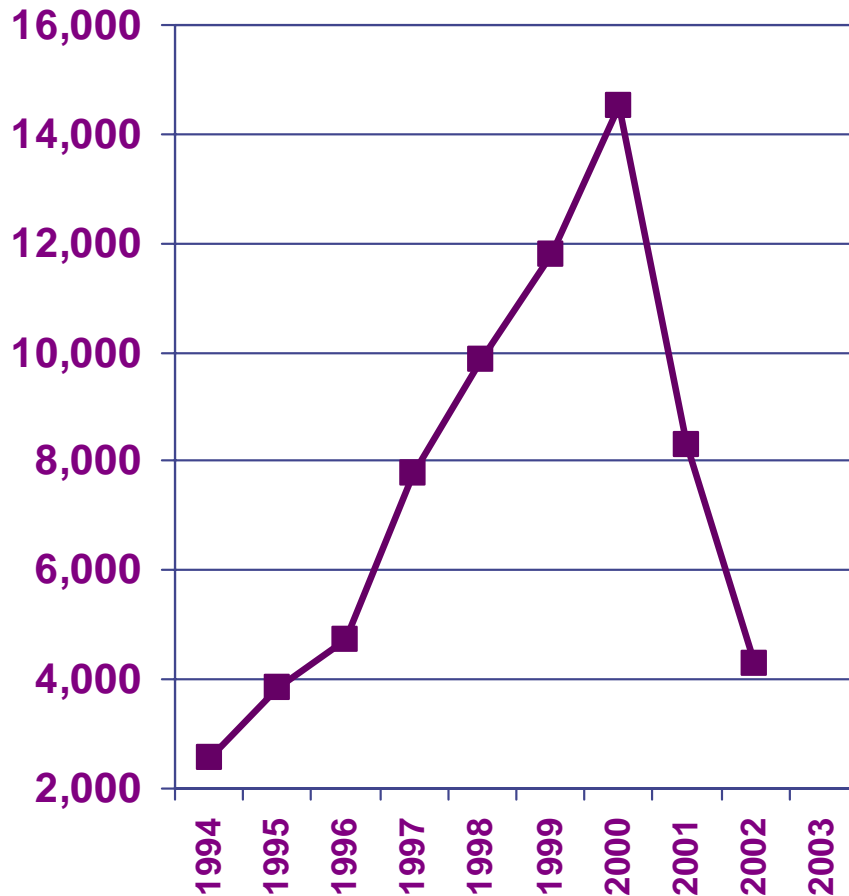
2000 Personal Income Tax



CT. Capital Gains

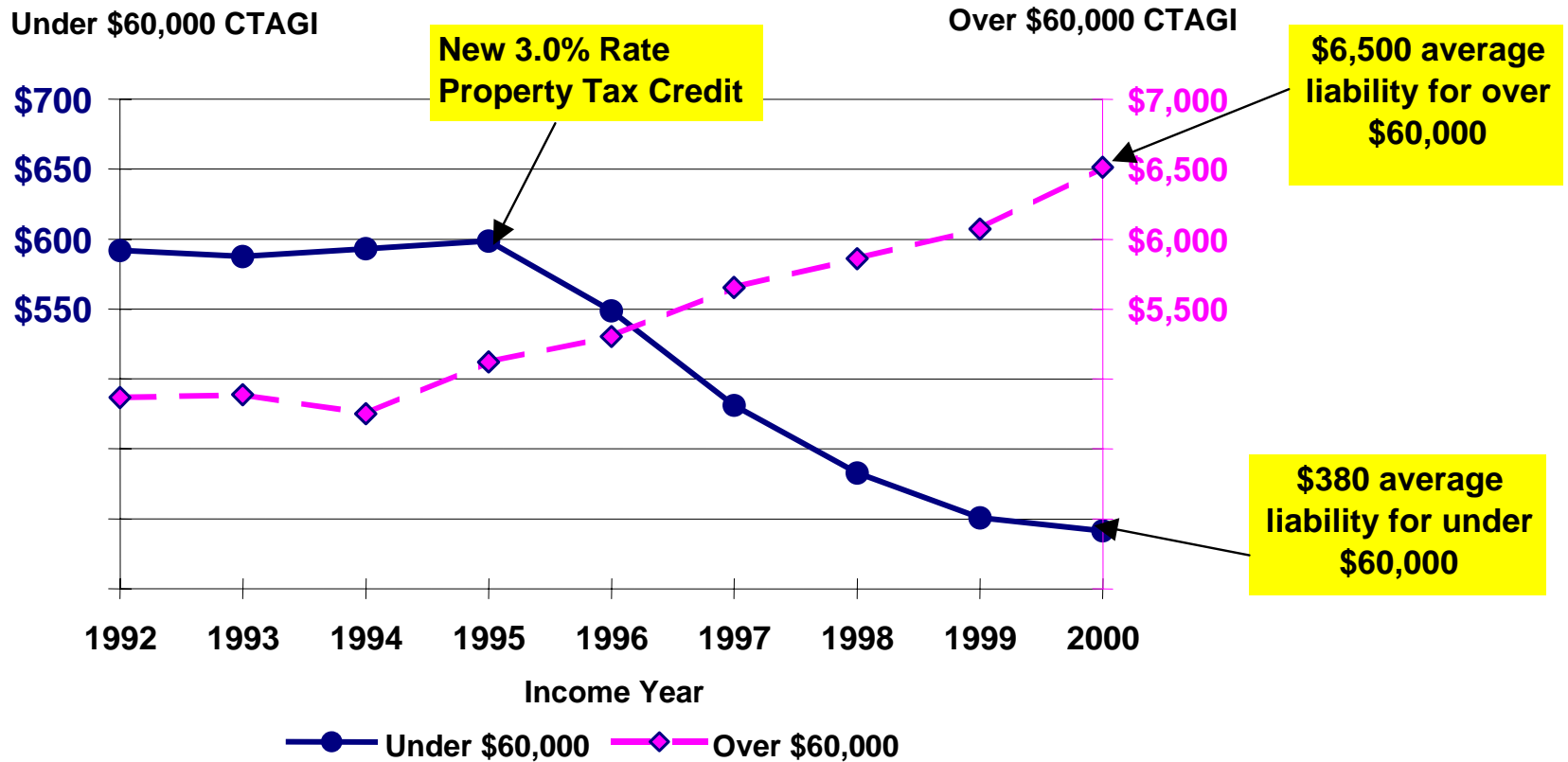
Total (in millions)

Annual % Change

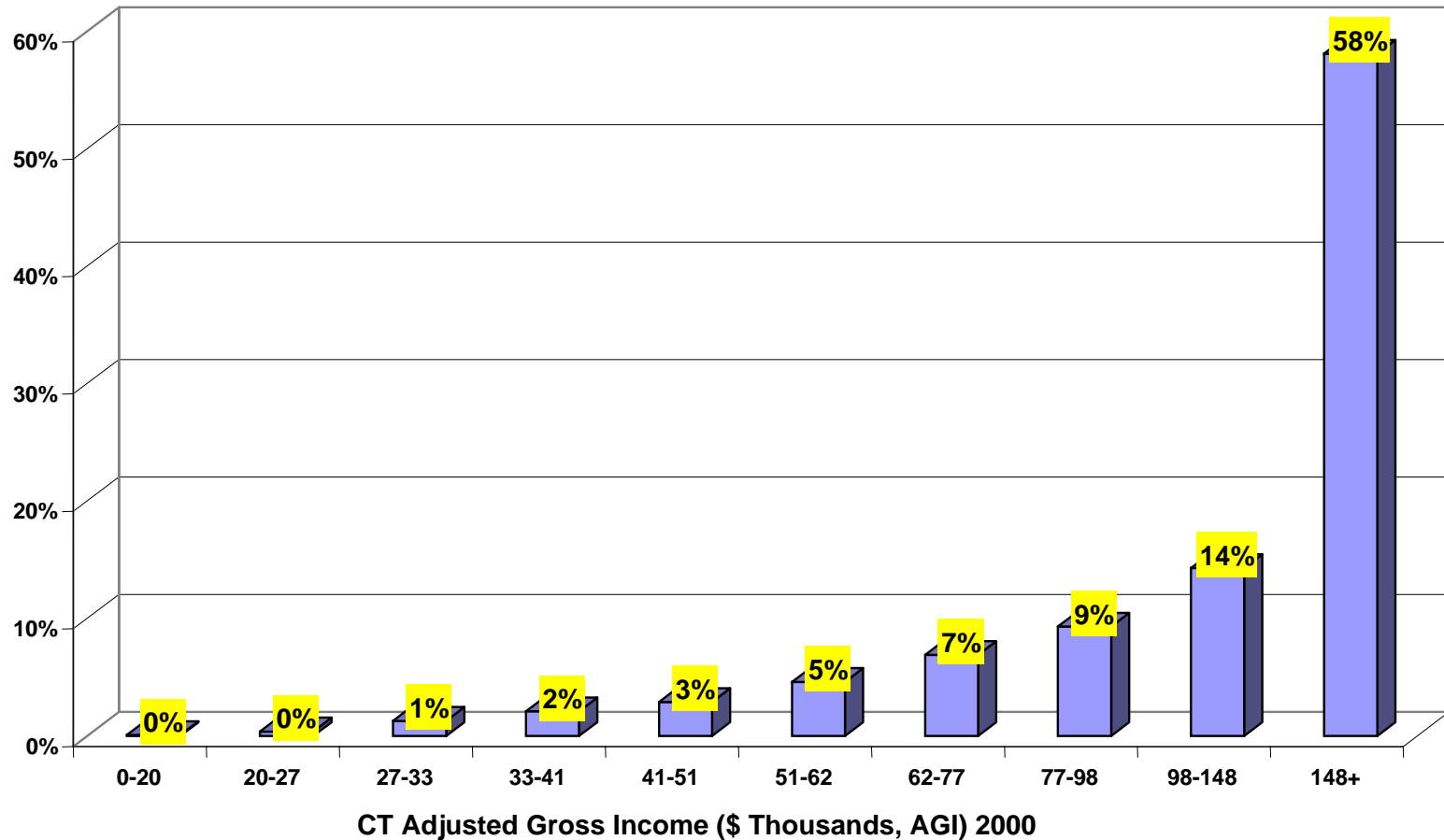


1995	50%
1996	23%
1997	65%
1998	27%
1999	20%
2000	23%
2001 Est.	-43%
2002 Est.	-48%
2003 Est.	9%

Income Tax Liability Per Return



Income Tax Revenues By Income Group



Sales Tax

Rate

6% for most goods and services

Total FY 02 Collections

\$3.0 billion

Total value of enumerated exemptions

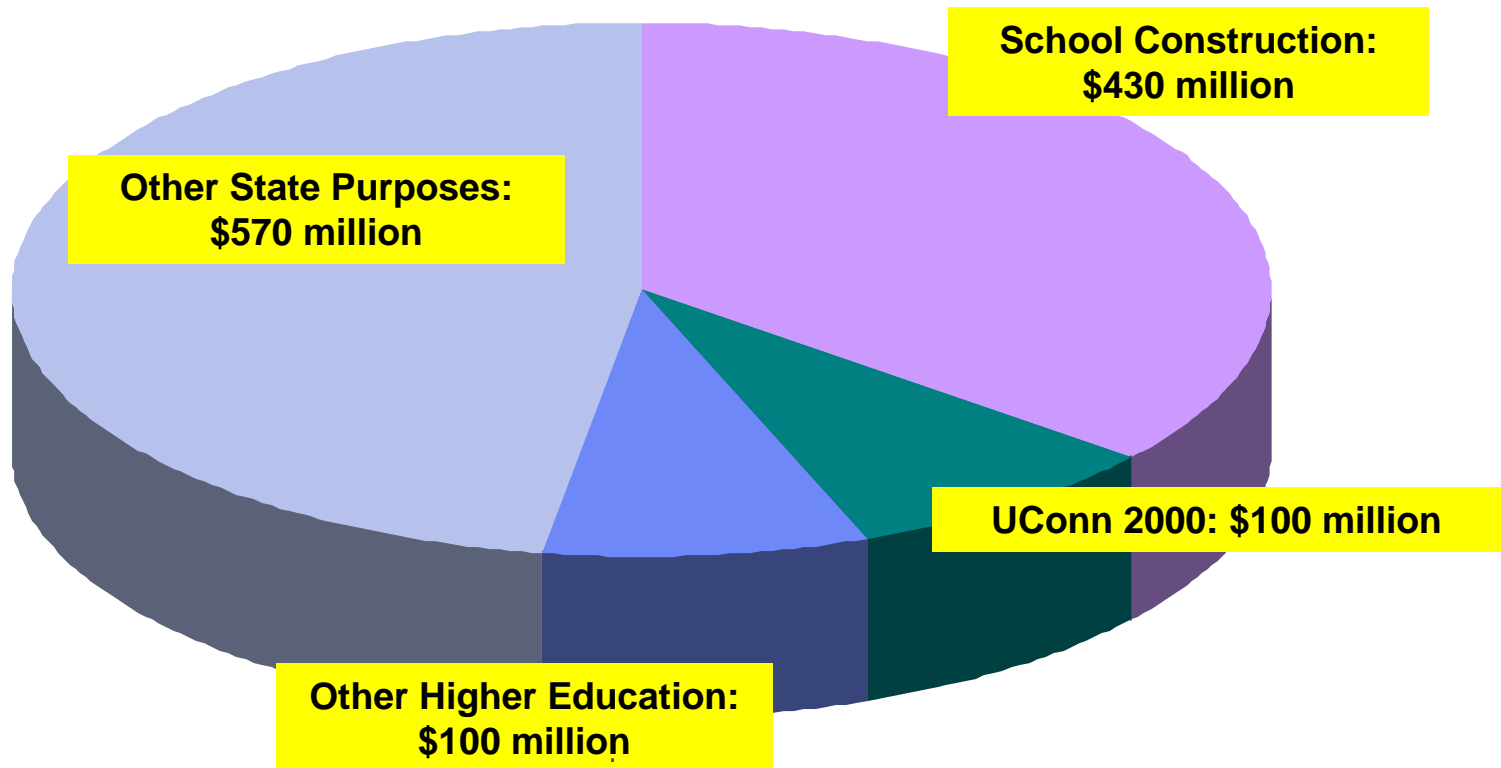
\$9.1 billion

Selected Sales Tax Exemptions

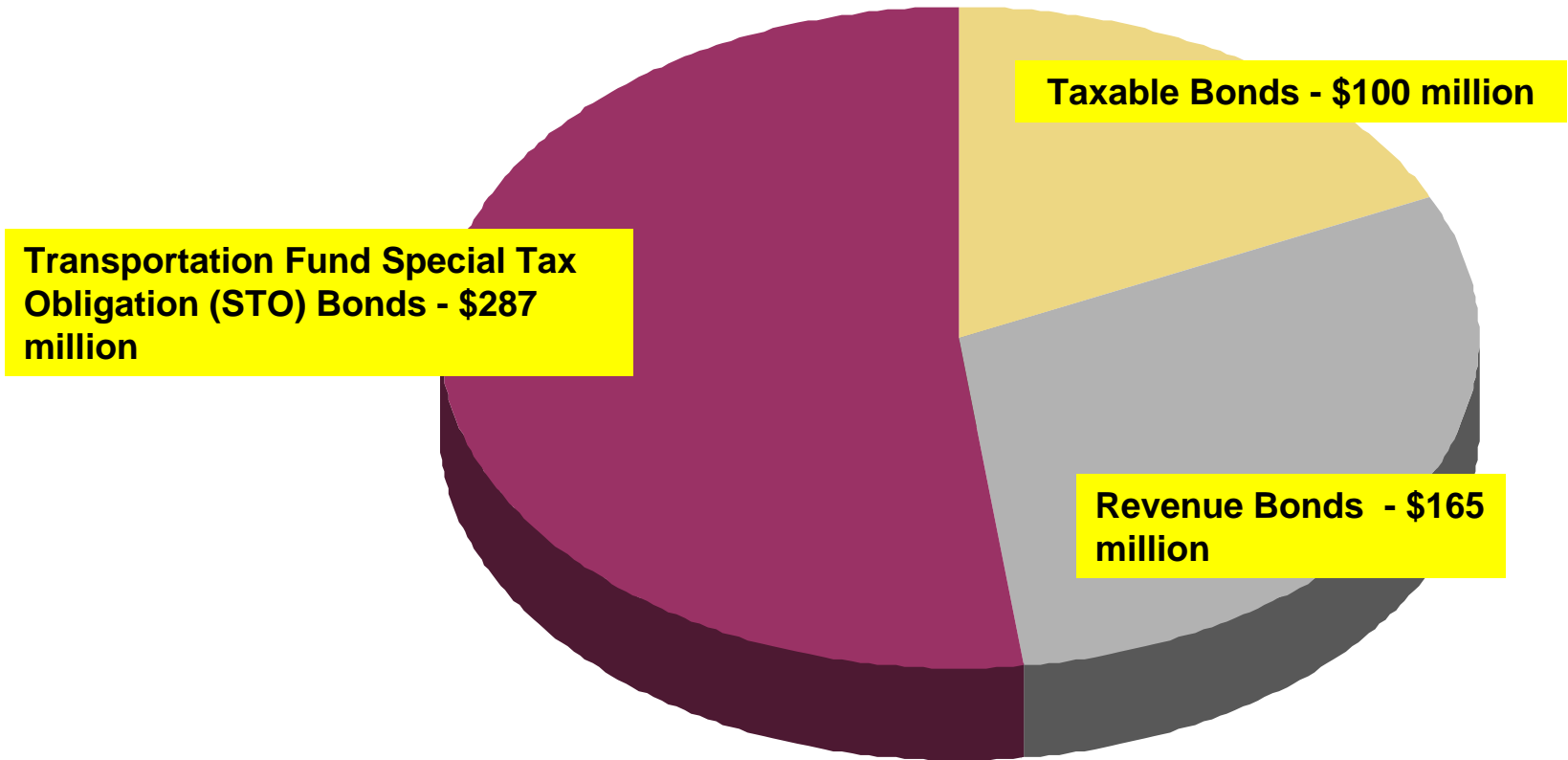
(Revenue Loss in Millions)

Sales for resale	\$3,664.4
Out-of-state sales	2,334.8
Nontaxable labor & services	621.3
Food	237.7
Prescription & nonprescription drugs	103.4
Clothing & Footwear Under \$75	135.1
Government/Charitable/Religious	508.6
Fuel & Utilities	291.2
Manufacturing/Farming	149.7
All Other	989.4

General Obligation (GO) Bonds \$1.2 Billion



Other Bonding - FY 02 \$552 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)

	FY 03	FY 04
Succession Tax	\$11.0	17.1
Computer & Data Processing	10.0	10.0
Gift Tax	2.6	4.1
Singles Exemption	12.0	20.6

Scheduled Tax Changes Affecting Future Revenues

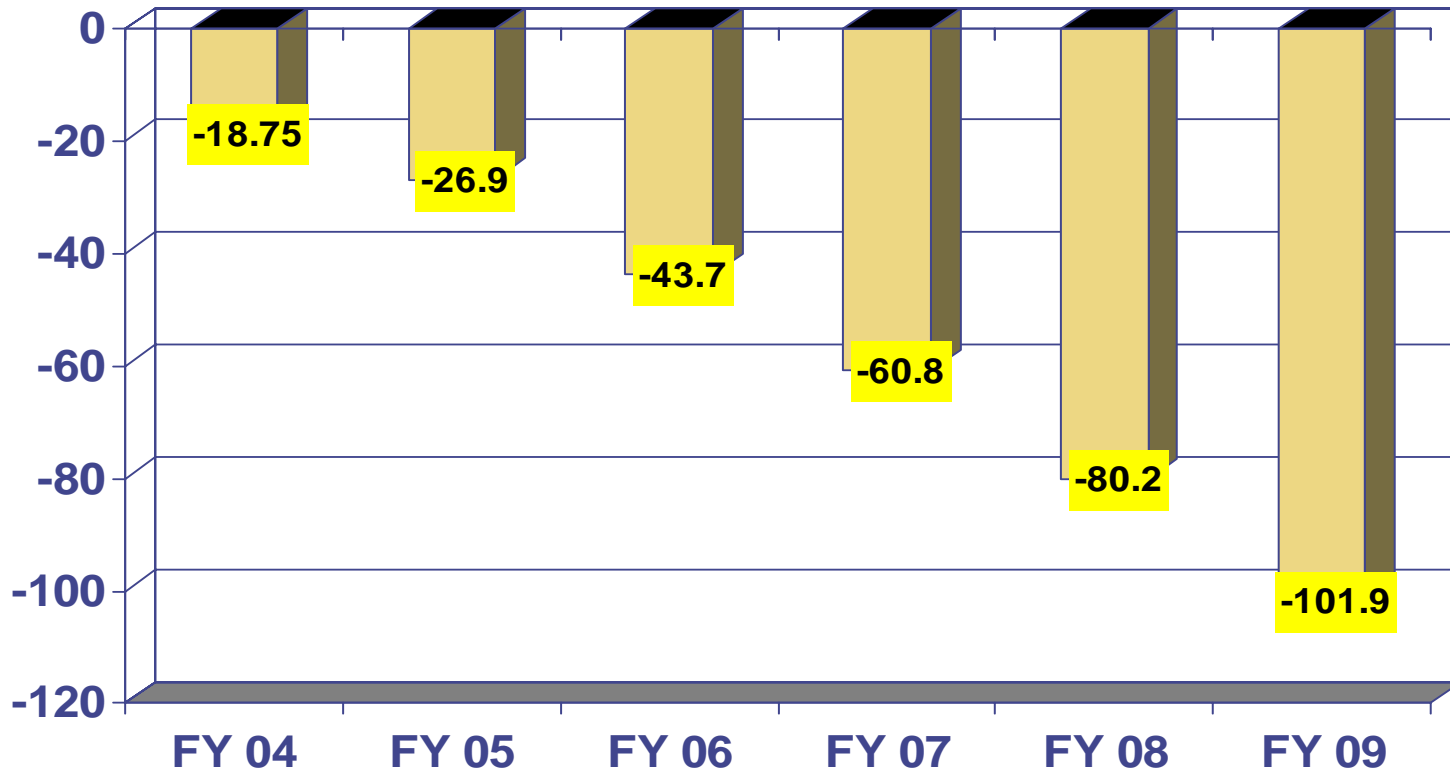
Eliminate 1% sales tax on
computer and data
processing services starting
7/1/04

\$10 million
annual
revenue loss

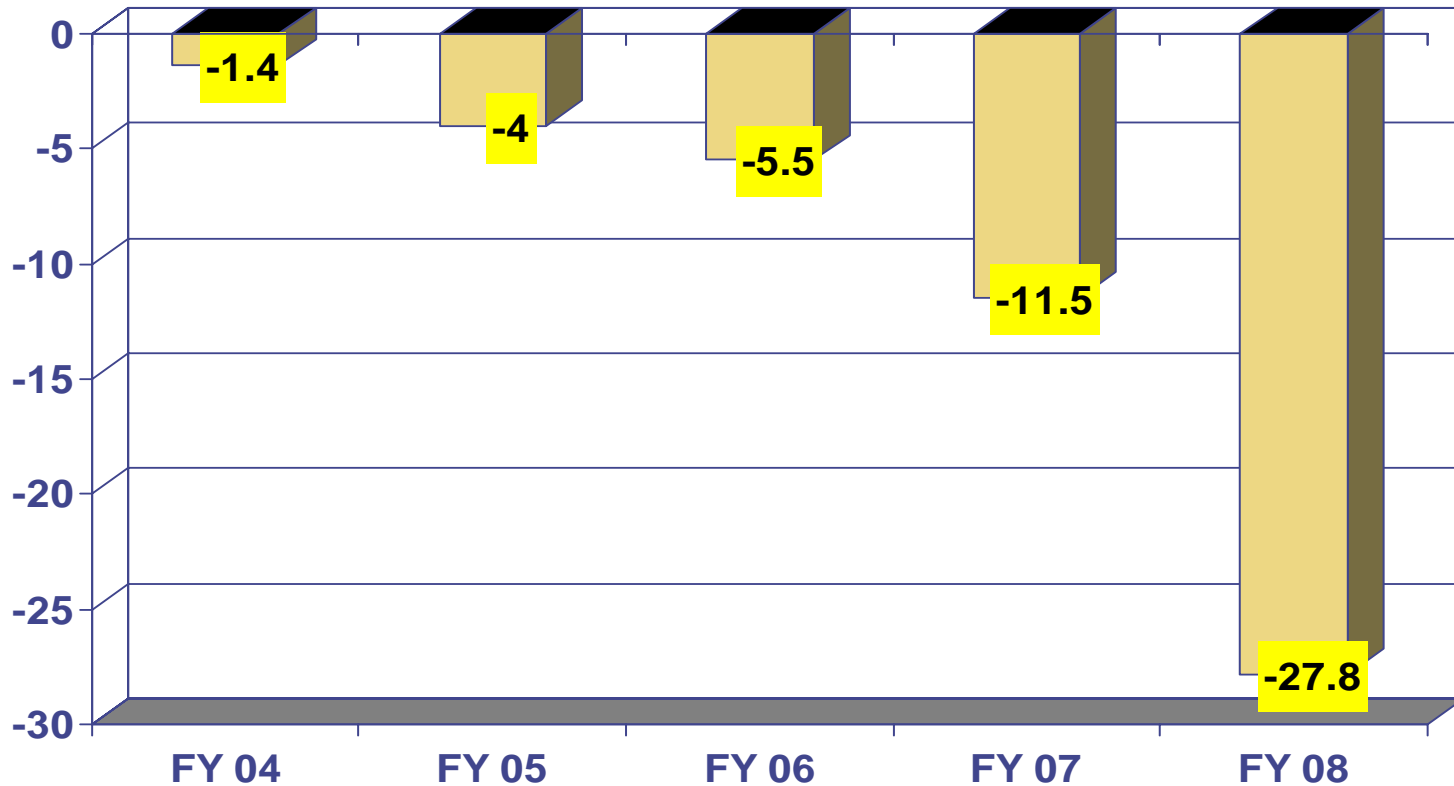
Continued suspension of
5.75% sales tax on hospital
patient care services
(currently scheduled to expire
7/1/03)

\$115 million
annual revenue
loss

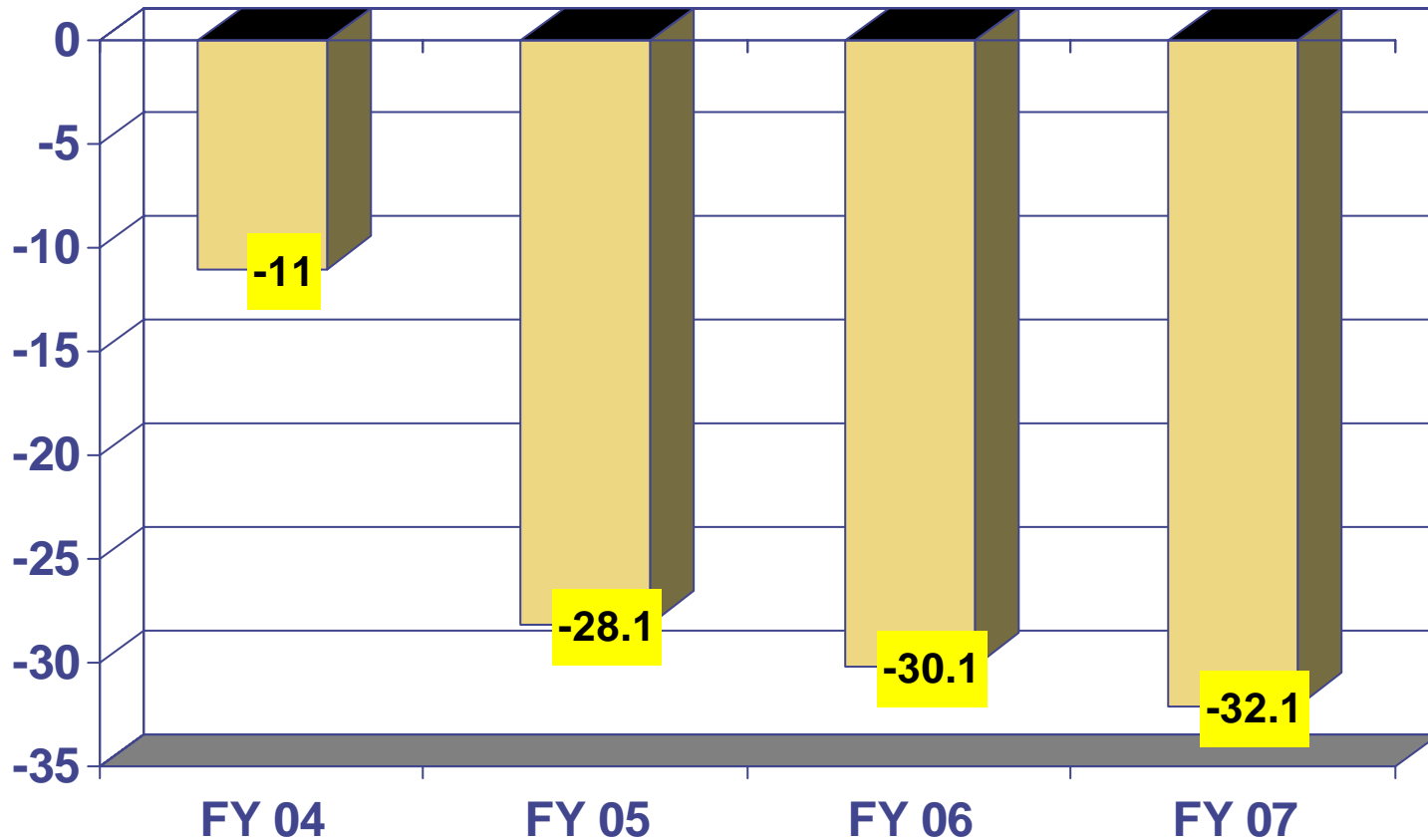
Increase in Singles' Income Tax Exemption (Revenue Loss in Millions)



Gift Tax Phase-Out (Revenue Loss in Millions)



Succession Tax Phase-Out (Revenue Loss in Millions)



Federal Tax Changes Affecting State Revenue

Corporate Depreciation

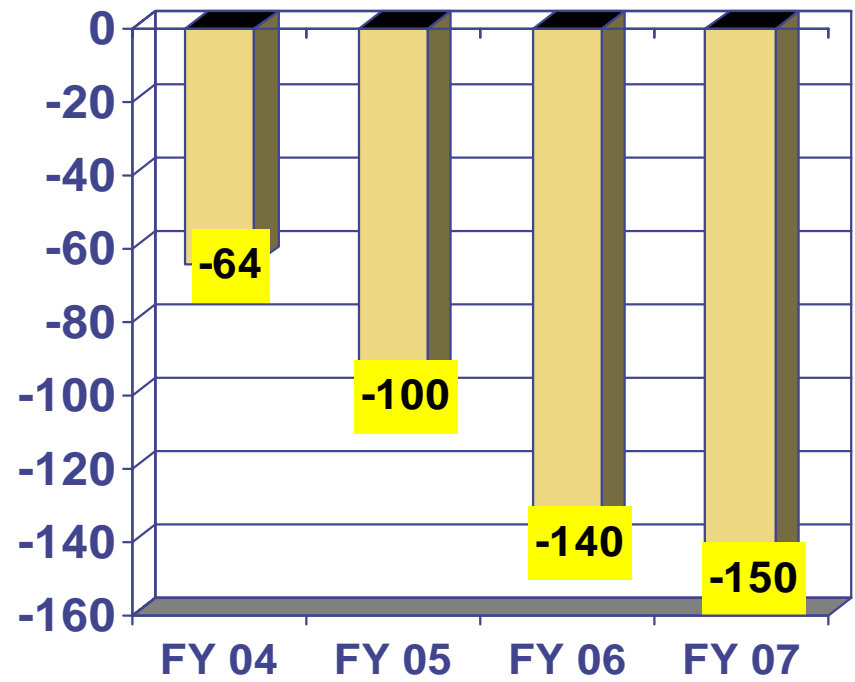
Extra 30% bonus depreciation deduction for certain equipment placed in service before 1/1/05

- 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)



**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

Miscellaneous

- 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

	<u>FY 03</u>	<u>FY 04</u>
■ Millionaire Tax	90.1	163.9
■ Phase down minimum \$100 property tax credit for high-income taxpayers	12.0	12.1

Sales Tax

FY 03

FY 04

■ Computer & data processing services from 1% to 3% and eliminate phase-out

8.1

20.5

■ Clothing & Footwear exemption from \$75 to \$50

13.6

33.6

Other Taxes

	<u>FY 03</u>	<u>FY 04</u>
■ Cigarette tax to \$1.51 per pack	40.3	78.3
■ Real estate conveyance tax increases	20.0	50.0