

STATE OF CONNECTICUT DEPARTMENT OF REVENUE SERVICES



ANNUAL REPORT FISCAL YEAR 2007-2008

M. Jodi Rell
Governor

Pam Law
Commissioner



A Message from the Commissioner:

The Department of Revenue Services is pleased to present for your review its Annual Report for Fiscal Year 2007-08. Once again, we have strived to provide you with comprehensive, statistical data in keeping with the requirements pursuant to Conn. Gen. Stat. §12-7b.

We hope you find this information helpful. Any questions may be directed to the Department's Research Unit at (860) 297-5688.

Sincerely,

Pam Law
Commissioner of Revenue Services

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DEPARTMENT MISSION

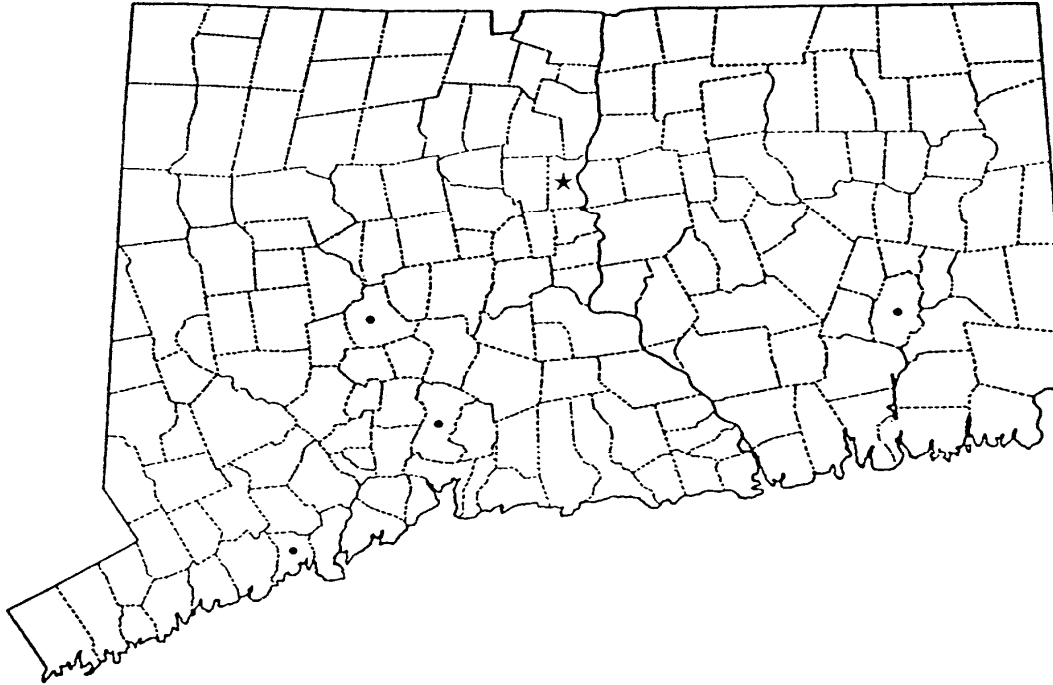
The Mission

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.*

DEPARTMENT OF REVENUE SERVICES LOCATIONS



MAIN OFFICE

25 Sigourney Street
Hartford, Connecticut 06106
Phone: (860) 297-5962
1-800-382-9463 (In-state only)
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www.ct.gov/drs

FIELD OFFICES

BRIDGEPORT REGIONAL OFFICE

10 Middle Street
Bridgeport, Connecticut 06604
Phone: (203) 336-7890

NORWICH REGIONAL OFFICE

2 Cliff Street
Norwich, Connecticut 06360
Phone: (860) 425-4123

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
Waterbury, Connecticut 06702
Phone: (203) 805-6789

**LEGISLATIVE SUMMARY
2008 GENERAL ASSEMBLY
REGULAR & SPECIAL
SESSIONS**

TAX AMNESTY

Public Act 08-1 (November 24 Special Session)

Establishes a tax amnesty program that runs from May 1 through June 25, 2009. The amnesty covers any taxable period ending on or before November 30, 2008. Taxpayers are eligible if: they did not file a required tax return and the DRS commissioner did not file one on their behalf; or the taxpayer filed a return that did not report his or her full tax and DRS did not examine the return. If a taxpayer pays the taxes due by June 25, 2009, under amnesty the interest rate is reduced on those taxes from 1.0% per month to 0.75% per month from the original tax due date to the payment date or June 25, 2009, whichever is earlier.

CORPORATION BUSINESS TAX

Public Act 08-82

This bill narrows the definition of "insurance business" for purposes of the insurance reinvestment act by limiting it to insurance and other businesses providing insurance-related services within NAICS code 524113 to 524298. Effective October 1, 2008.

Public Act 08-142

The following changes were made to the Film Production Tax Credit in Conn. Gen. Stat. §12-217jj. For income years commencing on or after January 1, 2006, film production credits earned on or after July 1, 2006:

- May be applied against the tax imposed under chapter 207 (Insurance Premiums and Health Care Center Taxes);
- May be sold, assigned or otherwise transferred no more than three times; and
- May be carried forward for the three immediately succeeding income years.

INCOME TAX

Public Act 08-140

This bill expands the existing income tax exclusion for interest by excluding the dividends and capital gains earned on contributions to the Homecare Option Program for the Elderly (HOPE) account. Effective for taxable years commencing on or after January 1, 2008.

INSURANCE PREMIUMS TAX

Public Act 08-82

This bill narrows the definition of “insurance business” for purposes of the insurance reinvestment act by limiting it to insurance and other businesses providing insurance-related services within the North American Industrial Classification System (NAICS) codes 524113 to 524298. Effective October 1, 2008.

Public Act 08-127

This bill permits, under certain conditions, a captive insurance company to be licensed and domiciled in Connecticut to conduct insurance-related business. Effective January 1, 2009.

MOTOR VEHICLE FUELS TAX

Public Act 07-1 (June Spec. Sess.)

Effective July 1, 2008, the motor vehicle fuels tax rate on the sale or use of diesel fuel increases from 37¢ to 43.4¢ per gallon. The motor fuels tax increase is intended to be revenue neutral as the tax increase is offset by the exemption from petroleum products gross earnings tax for diesel fuel sold in Connecticut.

Additionally, the tax rate will be determined annually by the Department

of Revenue Services using a formula based on the average wholesale price per gallon for diesel fuel.

PETROLEUM PRODUCTS GROSS EARNINGS TAX

Public Act 08-2 (June 11 Spec. Sess.)

This bill eliminates the scheduled increase in the petroleum products gross receipts tax from 7 to 7.5% that was to take effect July 1, 2008. The next scheduled increase to 8.1% is effective is for calendar quarters commencing on or after July 1, 2013. Effective upon passage (June 17, 2008).

REAL ESTATE CONVEYANCE TAX

Public Act 08-1 (June 11 Special Session)

For conveyances on or after July 1, 2010, the municipal conveyance tax rate will be 0.11%. For conveyances occurring on or after July 1, 2008 but before July 1, 2010 the 0.25% rate will continue to apply. Effective June 16, 2008.

MISCELLANEOUS TAXES

Public Act 08-105

This bill establishes a joint enforcement commission on employee misclassification and appoints the commissioner of revenue services as a member. Effective July 1, 2008.

CONNECTICUT'S TAXES

*The Department collected
over \$14 billion in revenue
for fiscal year 2007-08.*

*84% of collections
was attributable to the Income Tax,
Corporation Business Tax and
Sales and Use Tax.*

State Revenue Sources

Tax Type & Citation	Fiscal Year Ending		
	June 30, 2006	June 30, 2007	June 30, 2008
Admissions & Dues Tax <i>Ch. 225</i>	\$ 34,982,125	\$ 33,435,994	\$ 37,249,574
Alcoholic Beverages Tax <i>Ch. 220</i>	46,035,500	46,030,284	47,015,949
Business Entity Tax <i>Ch. 213a</i>	32,166,819	34,399,588	38,865,233
Cigarette Tax <i>Ch. 214</i>	267,809,756	264,411,843	329,715,851
Cable, Satellite & Video Companies. <i>Ch. 211</i>	44,268,695	51,992,188	52,471,292
Connecticut Estate Tax <i>Ch. 217</i>	12,748,634	4,436,038	2,195,774
Controlled Substances <i>Ch. 228d</i>	90,329	40,851	61,262
Controlling Interest Transfer <i>Ch. 228b</i>	6,334,644	15,834,803	5,044,821
Corporation Business Tax <i>Ch. 208 & 209</i>	754,217,659	853,314,917	693,247,940
Dry Cleaners Surcharge <i>Ch. 211b</i>	615,934	804,900	791,958
Electric and Power Companies <i>Ch. 212</i>	115,710,224	126,057,123	123,864,372
Gas and Electric Companies <i>Ch. 212</i>	67,188,979	59,780,761	63,298,692
Gift and Estate Tax <i>Ch. 217 & 228c</i>	176,655,601	170,352,076	165,710,310
Gift Tax <i>Ch. 228c</i>	7,199,978	5,748,635	3,780,766
Health Care Centers <i>Ch. 207</i>	45,927,135	45,121,639	29,336,531
Income Tax <i>Ch. 229</i>	6,156,411,020	6,749,357,350	7,512,709,860
Insurance Companies, Domestic <i>Ch. 207</i>	44,241,863	41,880,953	44,105,921
Insurance Companies, Foreign <i>Ch. 207</i>	160,253,745	146,639,982	135,025,730
Motor Carrier Road Tax <i>Ch. 222</i>	14,429,719	14,091,454	17,044,595
Motor Vehicle Fuels Tax <i>Ch. 221</i>	466,438,597	464,453,326	478,388,435
Nursing Home User Fee <i>Ch. 319x</i>	123,892,769	126,329,508	124,183,370
Occupational Tax <i>Ch. 876</i>	5,936,346	7,029,355	6,685,047
Public, Educational & Governmental Programming Tax <i>Ch. 289</i>	0	0	2,083,722
Petroleum Products Tax <i>Ch. 227</i>	279,590,420	309,403,945	367,783,240
Railroad Companies <i>Ch. 210</i>	95,387	170,310	199,151
Real Estate Conveyance Tax <i>Ch. 223</i>	201,123,111	195,216,150	153,668,527
Rental Surcharge <i>Ch. 228h</i>	431,753	401,543	309,084
Sales and Use Taxes <i>Ch. 219</i>	3,404,541,887	3,498,793,678	3,582,463,224
Solid Waste <i>Ch. 446d</i>	3,426,551	3,499,093	3,335,342
Succession Tax <i>Ch. 216</i>	6,853,292	5,122,957	2,723,379
Tobacco Products <i>Ch. 214a</i>	4,736,180	5,295,540	5,820,315
Tourism Tax <i>Ch. 228e</i>	4,750,619	4,949,007	5,002,452
Unauthorized Insurers <i>Ch. 698d</i>	6,295,041	6,161,195	6,152,603
Unrelated Business Income Tax <i>Ch. 208a</i>	1,067,959	2,240,230	2,220,568
Water Companies <i>Ch. 212</i>	(1,496)	0	(246)
Total	\$12,496,466,775	\$13,292,797,216	\$14,042,554,644

ADMISSIONS AND DUES TAX

Revenue	
FY 2005-06	\$ 34,982,125
2006-07	33,435,994
2007-08	37,249,574

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;
- to any event at the:
 - Arena at Harbor Yard,
 - Bridgeport Harbor Yard Stadium,
 - Connecticut Convention Center,
 - Connecticut Exposition Center,
 - Dodd Stadium,
 - Hartford Civic Center,
 - Lime Rock Park,
 - Nature's Art,
 - New Britain Beehive Stadium,
 - New Britain Stadium,
 - New Britain Veterans Memorial Stadium,
 - Stafford Motor Speedway,
 - Tennis Foundation of Connecticut or any successor organization,
 - Thompson Speedway,
 - Waterford Speedbowl, 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	225 taxpayers / Monthly
Dues	293 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 2005-06	FY 2006-07	FY 2007-08
Motion Picture Admissions	\$5,253,488	\$5,292,918	\$5,881,712
Other Admissions	6,737,340	5,597,185	7,069,625
Dues	22,991,297	22,545,891	24,298,237
Total	\$ 34,982,125	\$33,435,994	\$37,249,574

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.

Revenue	
FY 2005-06	\$46,035,500
2006-07	46,030,284
2007-08	47,015,949

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

291 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 2005-06 (gallons)	FY 2006-07 (gallons)	FY 2007-08 (gallons)
Beer - barrels	182,885	183,778	197,208
Beer - gallons	51,702,839	53,982,954	52,739,327
Still Wine	11,948,335	11,972,965	12,358,073
Small Wineries	89,276	109,853	157,006
Sparkling Wine	466,375	398,974	428,856
Distilled Liquor	6,011,617	5,655,532	5,981,237
Liquor Cooler	33,280	26,146	24,189
Alcohol	50,036	43,804	48,281

BUSINESS ENTITY TAX

The following business entities are subject to an annual Business Entity Tax if they were formed under Connecticut law or are foreign entities that are transacting business in Connecticut and required to register with or obtain a certificate of authority from the Connecticut Secretary of the State:

- S corporations (Qualified subchapter S subsidiaries (QSSS) are not liable);
- Limited liability companies (LLCs or SMLLCs) that are, for federal income tax purposes, either:
 - Treated as a partnership, if it has two or more members; **or**
 - Disregarded as an entity separate from its owner, if it has a single member;
- Limited liability partnerships (LLPs); and
- Limited partnerships (LPs).

Revenue	
FY 2005-06	\$32,166,819
2006-07	34,399,588
2007-08	38,865,233

Exemptions

- LLCs and SMLLCs that have elected to be taxed as a corporation for federal tax purposes; and
- Any domestic LP that is not formed under Chapter 610 of the Connecticut General Statutes.

Number of Taxpayers/Filing Frequency

130,310 Entities/ Annually

Basis and Rate

\$250 per taxable year.

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 2005-06	\$267,541,816
2006-07	264,155,137
2007-08	329,499,570

Exemptions

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

Number of Taxpayers/ Filing Frequency

41 taxpayers/ Monthly

Basis and Rate

The cigarette tax is 100 mills per cigarette or \$2.00 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 2005-06	\$90,329
2006-07	40,851
2007-08	61,262

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, directly or indirectly, 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 2005-06	\$6,334,644
2006-07	15,834,803
2007-08	5,044,821

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;
- Deeds releasing any property which is a security for a debt or other obligation;
- Mortgage deeds;
- Deeds to or by the United States of America, State of Connecticut or any political subdivision or agency thereof;
- Tax deeds; 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).

Filing Frequency / Number of Taxpayers

The month following the month in which the transfer was made.
45 transfers in FY 2007-08

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, forestland, and maritime heritage land 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 alternate 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 2005-06	\$754,217,659
2006-07	853,314,918
2007-08	693,247,940

Basis and Rate

Net Income Base Method

The method under which most 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.

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.

Special single-factor apportionment rules are currently provided for financial service companies, manufacturers and broadcasters.

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

CORPORATION BUSINESS TAX (cont.)

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 method, but are subject to the 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.

Surtax

For the 2006 income year, all corporations, except those paying the minimum tax of \$250, must pay a surtax in an amount equal to 20% of the tax due before credits are applied.

Combined Returns

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.

CORPORATION BUSINESS TAX (cont.)

Preference Tax

A preference tax is imposed on corporations filing a combined return. These corporations are not entitled to the first \$250,000 of tax savings over what they would pay if they filed separately. Combined filers must determine the total tax due as if they were filing separately. The difference, up to \$250,000, between this amount and the total combined tax is the preference tax and must be added to the total combined tax.

The total amount due for income year 2006 combined filers had they filed separate single returns would have been \$557.0M. The preference tax due by these filers was \$27.1M. The total tax due by combined filers was \$348.6M, including the \$27.1M in preference tax.

Unitary Returns

Unitary tax returns measure the entire net income of all of the corporations included in the unitary group as if they were one corporation. Corporations that are subject to the add back of interest expenses paid to related members may elect to calculate their tax on a unitary basis provided there are substantial inter-corporate business transactions among the included corporations. Taxpayers may otherwise petition DRS for approval. The combined entire net income of the unitary group is apportioned to Connecticut as if it was one corporation.

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.

CORPORATION BUSINESS TAX (cont.)

Filing Frequency

Annually with four estimated installments.

Number of Taxpayers

2006 Corporation Business Tax Returns

	Number of Taxpayers	Tax Due Before Credits	Tax Due After Credits
Single Filers			
Net Income	9,026	292,879,555	265,552,469
Capital Base	4,870	35,633,759	27,118,324
Minimum Tax	28,278	6,330,174	6,304,105
Combined Filers			
Net Income	327	292,161,230	227,233,229
Capital Base	321	47,296,300	31,790,664
Minimum Tax	366	9,121,482	5,612,190
Unitary Filers			
Net Income	55	22,001,956	18,490,321
Capital Base	20	5,069,043	3,287,932
Minimum Tax	12	87,000	87,000
Total	43,275	\$710,580,499	\$585,476,234

CORPORATION BUSINESS TAX (cont.)

2006 Corporation Business Tax Returns

Industry Sector	Number of Returns	Tax Due Before Credits	Tax Due After Credits
11 Agriculture, Forestry, Fishing and Hunting	162	\$1,352,035	\$1,282,955
21 Mining	65	1,813,890	1,732,363
22 Utilities	114	12,861,767	5,797,763
23 Construction	4,000	13,253,455	12,808,828
31-33 Manufacturing	4,347	118,798,047	86,018,222
42 Wholesale Trade	2,873	41,821,960	38,443,107
44-45 Retail Trade	3,937	53,913,216	43,288,268
48-49 Transporting and Warehousing	940	10,315,976	8,873,104
51 Information	1,074	88,615,605	70,713,959
52 Finance and Insurance	3,024	115,940,692	112,639,878
53 Real Estate and Rental and Leasing	4,211	15,717,471	15,247,028
54 Professional, Scientific and Tech Services	6,032	38,774,148	33,817,411
55 Management of Companies and Enterprises	816	81,436,704	67,740,253
56 Administrative and Support Services	1,467	9,986,909	8,557,311
61-62 Education, Health Care and Social Assistance	2,220	12,448,069	11,245,210
71 Arts, Entertainment, and Recreation	517	1,964,808	1,594,682
72 Accommodation and Food Services	1,126	3,469,649	3,257,047
81-92 Other Services	3,815	11,288,273	10,831,605
999999 Not Yet Assigned	2,535	76,807,826	51,587,240
Total	43,275	\$710,580,499	\$585,476,234

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. 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. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$4. The credit may not exceed 50% of the actual wages paid or \$4,800, whichever is less.

Corporations that hire apprentices in the construction trades may apply for a credit of up to \$4,000 per apprenticeship completed. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$2. The credit may not exceed \$4,000 or 50% of the actual wages paid over the first four years of the apprenticeship, whichever is less.

Clean Alternative Fuels

Reference: Conn. Gen. Stat. §12-217i

The Clean Alternative Fuels credit enabled a business to claim a credit for its expenditures on vehicles, equipment and filling stations that enable use of clean alternative fuel. Unused credit may be carried forward for three years. This credit is not available for income years commencing on or after January 1, 2008.

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

A 50% credit was 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 applied to amounts spent directly on the construction of any filling station or improvements to any existing filling station in order to provide compressed natural gas, liquefied petroleum gas or liquefied natural gas.

CORPORATION BUSINESS TAX CREDITS (cont.)

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 or non-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.

Digital Animation Production

Reference: Conn. Gen. Stat. §12-217ll

This tax credit is available for digital animation production activity in the state for income years beginning on or after January 1, 2007. Any state-certified digital animation production company incurring production expenses or costs in excess of \$50,000 will be eligible for a credit equal to 30% of the production expenses or costs. This tax credit is administered by the Commission on Culture and Tourism (CCT). The aggregate amount of all tax credits that may be reserved must not exceed \$15 million in any one fiscal year.

Displaced Workers

Reference: Conn. Gen. Stat. §12-217hh

A corporation business tax credit is available for employers that hire workers displaced because of a business restructuring in which at least ten employees were terminated. The available credit is \$1,500 for each displaced worker who completes twelve months of full-time employment and whose salary is at least 75% of their previous annual wages.

Displaced Workers Hired By Electric Suppliers

Reference: Conn. Gen. Stat. §12-217bb

Electric suppliers that 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.

CORPORATION BUSINESS TAX CREDITS (cont.)

Donation of 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 or for educational use. Donations of land must 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. Unused credit may be carried forward until fully used for up to fifteen 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 was based on monies paid to a revolving loan fund for employer assisted housing. The fund had to be established and maintained by the corporation for five years and had to provide revolving loans for housing to its low and moderate income employees. The credit could be carried back or forward for five years.

Effective June 7, 2006, the credit is repealed.

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.

CORPORATION BUSINESS TAX CREDITS (cont.)

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.

Film Production

Reference: Conn. Gen. Stat. §12-217jj as amended by 2008 Conn. Pub. Acts 142, §1

Any eligible production company incurring qualified production expenses over \$50,000 is eligible for a credit of 30% of such costs. Applications for a tax credit voucher must be made to the Commission on Culture and Tourism (CCT) within 90 days after the first production expenses and costs are incurred and within 90 days after the last production expenses and costs are incurred. Unused credits may be carried forward for three succeeding income years or sold, assigned or transferred in whole or part no more than 3 times.

Film Production Infrastructure

Reference: Conn. Gen. Stat. §12-217kk

Applicable to income years beginning on or after January 1, 2007, a tax credit is available to any taxpayer that invests in a capital project to provide basic buildings, facilities, or installations needed for the functioning of the digital media and motion picture industry in this state provided that the project has been approved by the Connecticut Commission on Culture and Tourism (CCT).

Credit percentages range from 10% for projects costing less than \$150,000 to 20% for projects costing more than \$1 million. Unused credits may be carried forward for three succeeding income years or assigned to another taxpayer.

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 of at least 900,000 square feet 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 5% of 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. 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 Investment

Reference: Conn. Gen. Stat. §10-416b

This new tax credit is available to owners rehabilitating certified historic buildings that will have mixed residential and nonresidential uses. The Commission on Culture and Tourism (CCT) may allocate up to \$50 million in vouchers for this credit during the fiscal three year period beginning July 1, 2008 and ending June 30, 2011. After the rehabilitation work is performed and verified, a tax credit is allowed for 25% of the qualified rehabilitation expenditures. The amount of the available credit increases to 30% of the qualified expenditures if the rehabilitated building contains affordable housing. Unused credits may be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Historic Homes Rehabilitation

Reference: Conn. Gen. Stat. §10-416

The Connecticut Commission on Culture and Tourism (CCT) 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.

Historic Structures Rehabilitation

Reference: Conn. Gen. Stat. §10-416a

This tax credit is available to owners rehabilitating certified historic structures for residential use. The CCT may allocate up to \$15 million in vouchers for this credit during any fiscal year. After the rehabilitation work is performed and verified, a tax credit is allowed for 25% of the qualified rehabilitation expenditures not to exceed \$2.7 million. Unused credits may be carried forward for five succeeding income years.

Housing Program Contribution

Reference: Conn. Gen. Stat. §8-395

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 5% of 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. Unused credits may be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Insurance Reinvestment Fund

Reference: Conn. Gen. Stat. §38a-88a

A credit may be applied against the corporation business tax for investments made through a fund manager registered with the Commissioner of Economic and Community Development. 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.

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.

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.

CORPORATION BUSINESS TAX CREDITS (cont.)

Neighborhood Assistance Act Program

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

The Connecticut Neighborhood Assistance Act (NAA) tax credit program is designed to provide funding for municipal and non-profit organizations. Businesses are granted a tax credit of 60% of the amount contributed to certain approved programs (or 100% in the case of energy conservation programs) conducted by municipal and non-profit organizations. Unused credits may be carried back to the two preceding income years.

The NAA program has several statutory limits. 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, a business' total charitable contributions must equal or exceed its prior year's amount. The minimum contribution on which credit can be granted is \$250. The program has a \$5M cap, which if exceeded, results in proration of approved donations.

New Jobs Creation

Reference: Conn. Gen. Stat. §12-217ii

This tax credit is available to businesses that create at least 10 new jobs. To qualify, the taxpayer must submit an application with the Department of Economic and Community Development. For income years commencing on or after January 1, 2007, the credit allowed is an amount up to 60% of the Connecticut income tax deducted and withheld from the wages of new employees. For each new employee, credits may be granted for five successive income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

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.

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. Credit refunds are limited to \$1.5 million in any one income year. Unused credits may be carried forward until fully taken.

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.

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. Credit refunds are limited to \$1.5 million in any one income year.

CORPORATION BUSINESS TAX CREDITS (cont.)

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.

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 and Industrial Site Reinvestment

Reference: Conn. Gen. Stat. §32-9t

This credit is available 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 2006 returns and any credits carried forward from prior years and used in 2006.

Credit Claimed on 2006 Corporation Returns

Type of Credit	Number of Credits	Amount Claimed
Apprenticeship Training	12	\$ 295,076
Clean Alternative Fuels	2	6,001
Computer Donation	1	340
Displaced Workers	1	1,500
Donation of Land	2	6,778
Electronic Data Processing	1,609	16,046,037
Employer Assisted Housing	1	83,049
Financial Institutions	2	839
Fixed Capital	2,313	77,486,450
Housing Program Contribution	8	3,358,032
Human Capital	177	1,692,412
Insurance Reinvestment	5	2,165,750
Machinery and Equipment	145	1,052,677
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	38	1,549,934
Neighborhood Assistance	73	1,174,715
Research & Development	164	4,831,443
Research & Experimental Expenditures	157	15,352,339
SBA Guaranty Fee	1	893
Total	4,711	\$125,104,265

DRY CLEANING SURCHARGE

The Dry Cleaning Surcharge is used to provide grants to dry cleaning establishments for 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 2005-06	\$615,934
2006-07	804,900
2007-08	791,958

Basis and Rate

1% of gross receipts at retail.

Number of Taxpayers/Filing Frequency

472 taxpayers/Quarterly

GIFT AND ESTATE TAX

Connecticut taxable gifts made during calendar years beginning on or after January 1, 2005 are subject to tax once they exceed \$2 million in the aggregate. "Connecticut taxable gifts" are defined as taxable gifts as determined for federal gift tax purposes. They include:

- Gifts of Connecticut real property;
- Gifts of tangible personal property situated within Connecticut; or
- Gifts of intangible personal property made by Connecticut residents.

Taxpayers are required to file a Connecticut Estate and Gift Tax return to report all Connecticut taxable gifts, even if no Connecticut gift tax is due.

Resident and nonresident estates of decedents dying on or after January 1, 2005 are liable for the Connecticut Estate Tax if their Connecticut taxable estate is more than \$2 million. "Connecticut taxable estate" is defined as the sum of the total value of the decedent's federal gross estate, less allowable deductions, plus the aggregate amount of Connecticut taxable gifts made on or after January 1, 2005. Once the \$2 million threshold is exceeded, the tax is payable on the entire amount, including the first \$2 million. A credit is granted for any gift tax previously paid on gifts made after January 1, 2005.

Under prior law, the Connecticut Estate Tax was equal to the amount that the federal government allowed as a tax credit for state death taxes. A credit was allowed for the amount of Connecticut Succession Tax imposed and paid. Federal legislation had phased-out the federal credit for state death taxes, thereby eliminating the basis of the Connecticut Estate Tax by 2005.

	Gift Tax Revenue*	Connecticut Estate Tax Revenue*	Gift and Estate Tax Revenue
FY 2005-06	\$7,199,978	\$12,748,634	\$176,655,601
2006-07	5,748,635	4,436,038	170,352,076
2007-08	3,780,766	2,195,774	165,710,310

* Revenues from late returns and audit activity.

GIFT AND ESTATE TAX (cont.)

Basis and Rate

For gifts made, or the estates of decedents dying on or after January 1, 2005, the table below is used to compute the Gift and Estate tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate		Tax
More Than	Not Over	
	\$2,000,000	No tax
\$2,000,000	\$2,100,000	5.085% of the excess over \$0
\$2,100,000	\$2,600,000	\$106,800 plus 8% of the excess over \$2,100,000
\$2,600,000	\$3,100,000	\$146,800 plus 8.8% of the excess over \$2,600,000
\$3,100,000	\$3,600,000	\$190,800 plus 9.6% of the excess over \$3,100,000
\$3,600,000	\$4,100,000	\$238,800 plus 10.4% of the excess over \$3,600,000
\$4,100,000	\$5,100,000	\$290,800 plus 11.2% of the excess over \$4,100,000
\$5,100,000	\$6,100,000	\$402,800 plus 12% of the excess over \$5,100,000
\$6,100,000	\$7,100,000	\$522,800 plus 12.8% of the excess over \$6,100,000
\$7,100,000	\$8,100,000	\$650,800 plus 13.6% of the excess over \$7,100,000
\$8,100,000	\$9,100,000	\$786,800 plus 14.4% of the excess over \$8,100,000
\$9,100,000	\$10,100,000	\$930,800 plus 15.2% of the excess over \$9,100,000
\$10,100,000		\$1,082,800 plus 16% of the excess over \$10,100,000

GIFT AND ESTATE TAX (cont.)

Detail of Revenue

For Fiscal Year 2007-08, total Gift and Estate Tax revenue collected was \$165,710,310. Most of this revenue is either attributable to returns from the estates of decedents or prepayments that apply against upcoming tax returns. A breakdown of returns from estates received during fiscal year 2007-08 is shown below.

GIFT AND ESTATE TAX RETURNS FROM ESTATES OF DECEDENTS RECEIVED DURING FY 2007-08

Amount of Taxable Estate		# of Returns	Tax Due
More Than	Not Over		
\$2 Million	\$3 Million	128	\$ 15,712,075
\$3 Million	\$4 Million	53	10,783,738
\$4 Million	\$5 Million	29	8,713,877
\$5 Million	\$6 Million	20	7,952,755
\$6 Million	\$7 Million	14	6,983,013
\$7 Million	\$10 Million	23	13,741,719
\$10 Million	\$15 Million	13	17,204,042
\$15 Million		13	45,710,612
Total		293	\$126,801,831

For Fiscal Year 2007-08, an additional amount of the gift and estate tax was attributable to tax returns filed by non-decedents. A breakdown of calendar year 2007 returns is shown below.

GIFT AND ESTATE TAX RETURNS 2007 GIFT TAX ONLY

Amount of Taxable Gifts		# of Returns	Tax Due
Not Over	More Than		
Not Over	\$2 Million	13	\$ 698,877
More Than	\$2 Million	15	17,261,610
Total		28	\$ 17,960,487

INCOME TAX

Connecticut's highest marginal rate for individuals is 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 2005-06	\$6,156,411,020
2006-07	6,749,357,350
2007-08	7,512,709,860

Number of Taxpayers/Filing Frequency

1.74 million taxpayers/ Annually

Taxpayers who expect to owe more than \$1,000 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%
	Over \$10,000	\$300, plus 5% of the excess over \$10,000
Head of Household	Not over \$16,000	3%
	Over \$16,000	\$480, plus 5% of the excess over \$16,000
**Joint Filers	Not over \$20,000	3%
	Over \$20,000	\$600, plus 5% of the excess over \$20,000

*The Single filing status includes Married Filing Separately for federal and Connecticut purposes and Filing Separately for Connecticut only.

**The Joint Filer filing status includes Filing Jointly for federal and Connecticut purposes and Filing Jointly for Connecticut only.

INCOME TAX (cont.)

Generally, one's filing status for Connecticut must be the same as his or her federal filing status. However, since 2006 Connecticut has authorized same sex couples to enter into civil unions. In addition, since November 12, 2008, Connecticut recognizes same sex marriages under the Connecticut Supreme Court decision in *Kerrigan v. Commissioner of Public Health*, 289 Conn. 135 (2008).

Exemptions

- \$12,750 for unmarried individuals for taxable years commencing on or after January 1, 2007 but prior to January 1, 2008. \$13,000 for taxable years commencing on or after January 1, 2008 but prior to January 1, 2009. For taxpayers with Connecticut AGI in excess of \$25,250, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$36,250;
- \$12,000 for married persons filing separately and filing separately for Connecticut only. 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, filing jointly for Connecticut only, or qualifying widow(er) with dependent child. 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; and
- Fifty percent of federally taxable military retirement pay. Effective for taxable years commencing on or after January 1, 2008 there is allowed a subtraction from federally adjusted gross income for fifty percent of income received from the United States government as retirement pay for a retired member of the Armed Forces of the United States as defined in Section 101 of Title 10 of the U.S. Code or the National Guard, as defined in Section 101 of Title 10 of the U.S. Code.

INCOME TAX (cont.)

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;
- Gain on sale of Connecticut bonds; and
- Connecticut Higher Education Trust (CHET) contributions of up to \$5,000 for each individual taxpayer whose filing status is single, head of household, married filing separately or civil union filing separately or \$10,000 for individuals whose filing status is married filing jointly, civil union filing jointly or qualifying widow(er) with dependent child.

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 \$1,000, and they expect their Connecticut income tax withheld to be less than their required annual payment.

INCOME TAX (cont.)

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 5½% of adjusted federal alternative minimum taxable income.

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 is \$500 per return. The credit cannot exceed the amount of qualifying property taxes paid or income tax liability.

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 2005-06	\$256,717,784
2006-07	239,803,770
2007-08	214,620,785

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, employees and retired members and their dependents, of a Connecticut municipality, employees of community action agencies and their dependents, and small employer's employees and their dependents 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 2005-06	FY 2006-07	FY 2007-08
Domestic	\$ 44,241,863	\$ 41,880,953	\$ 44,105,921
Foreign	160,253,745	146,639,982	135,025,730
Health Care Center	45,927,135	45,121,639	29,336,531
Unauthorized	6,295,041	6,161,195	6,152,603
Total	\$256,717,784	\$239,803,769	\$214,620,785

Tax Credits

The State of Connecticut provides for several tax credits which may be applied against the Insurance Premiums Tax. Described below is the credit unique to the Insurance Premiums Tax. Please turn to the Corporation Business Tax section of this report 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.

Calendar Year 2007 Insurance Business Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	35	\$15,006,116
Insurance Department Assessment	14	923,638
Insurance Reinvestment	29	10,488,076
Neighborhood Assistance	3	168,300
Film Credit	14	42,693,902
Housing Program Contribution	5	446,493
Urban Industrial Renovation	1	287,621
Historic Homes	12	3,542,162
Total Credits	113	\$73,556,308

MOTOR CARRIER ROAD TAX

Connecticut has participated in the International Fuel Tax Agreement (IFTA) since 1996. IFTA is a cooperative agreement among most states and provinces of Canada that simplifies 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 2005-06	\$14,429,719
2006-07	13,792,065
2007-08	16,736,065

Exemption

- Motor bus companies whose operations in Connecticut are exclusively for purposes of charter or special operations; and
- Alternative fuels (compressed natural gas, liquefied petroleum gas, and liquefied natural gas).

Number of Taxpayers/Filing Frequency

2,890 IFTA filers/Quarterly
 3,567 Motor Carrier filers/Quarterly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel – prior to 7/1/08	37¢
Diesel Fuel – effective 7/1/08	43.4¢
Natural Gas or Propane	26¢

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 that generates the power needed to propel a motor vehicle.

Revenue	
FY 2005-06	\$466,438,597
2006-07	464,453,326
2007-08	478,388,435

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 the aforementioned 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;
- Diesel fuel sold exclusively for use in portable power system generators that are larger than one hundred fifty kilowatts; and
- A company that uses or consumes motor fuels exclusively for hauling waste for the Connecticut Resource Recovery Authority, Mid-Connecticut Project.

Number of Taxpayers/Filing Frequency

950 taxpayers/Monthly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel - prior to 7/1/08	37¢
Diesel Fuel - effective 7/1/08	43.4¢
Natural Gas or Propane	26¢

MOTOR VEHICLE FUELS TAX (cont.)

Comparative Data

	Number of Gallons Sold		
	FY 2005-06	FY 2006-07	FY 2007-08
Gasoline*	0	0	0
Special Fuel	263,105,879	258,514,245	262,043,901
Gasohol	1,584,964,295	1,571,127,264	1,526,124,814
Total Gallons	1,848,070,174	1,829,641,509	1,788,168,715

* MTBE Ban

As result of the ban on the additive methyl tertiary butyl ether (MTBE) being used in fuel, no gasoline sales have been reported since Fiscal Year 2003-2004. This will continue in the future.

NURSING HOME USER FEE

A Nursing Home User Fee is imposed on each chronic and convalescent nursing home or rest home with nursing supervision that is licensed as a nursing home by the Connecticut Department of Public Health. The fee has been in effect since July 1, 2005 and is remitted quarterly.

Revenue	
FY 2005-06	\$123,892,769
2006-07	126,329,508
2007-08	124,183,370

Basis and Rate

The resident day user fee is determined by the Department of Social Services on or before July 1 of each calendar year. This amount is multiplied by the nursing home's total resident days during the calendar quarter.

Number of Taxpayers/Filing Frequency

219 taxpayers/Quarterly

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 2005-06	\$5,936,346
2006-07	7,029,356
2007-08	6,685,047

Exemptions

- Judges and employees of the State of Connecticut;
- Any attorney who has retired from the practice of law;
- Employees of the federal government;
- 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

13,035 Attorneys/ Annually

Basis and Rate

\$450 per practicing attorney

PETROLEUM PRODUCTS 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 2005-06	\$279,590,420
2006-07	309,403,945
2007-08	367,783,240

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;
- Paraffin and microcrystalline waxes;
- 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;
- Petroleum products used as fuel for a fuel cell;
- Commercial heating oil blend containing not less than 10% alternative fuels derived from agricultural produce, food waste, waste vegetable oil or municipal solid waste, including, but not limited to biodiesel or low sulfur dyed diesel fuel and kerosene. Such blended products must be used for commercial heating; and
- Diesel fuel to be used exclusively in a qualified motor vehicle by a motor carrier, as both are defined in Conn. Gen. Stats. §12-478.

Number of Taxpayers/Filing Frequency

624 taxpayers/Quarterly

Basis and Rate

Calendar quarters commencing:	Rate
on or after July 1, 2007	7.0%
on or after July 1, 2013	8.1%

PUBLIC SERVICE COMPANIES TAX

Revenue	
FY 2005-06	\$227,263,285
2006-07	238,000,382
2007-08	241,917,229

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 or NAICS code sectors 31-33;
- 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; and
- Retail sales of steam by utility companies.

Number of Taxpayers/Filing Frequency

120 taxpayers:

75 Public Utility Companies/Quarterly
29 Community Antenna TV Companies/Quarterly
4 Satellite TV Companies /Quarterly
12 Railroad Companies/ Annually (July 1)

Basis and Rate

Community Antenna TV*	5.5%
Certified Competitive Video Service Provider*	5.5% Effective 10/1/07
Satellite TV*	5.5%
Railroad	2 - 3.5%
Gas, Electric and Power	5%
Gas and Electric sales to residential customers	4%
Electric Distribution Companies	6.8% for residential customers 8.5% for nonresidential customers (other than manufacturers)

*Effective October 1, 2007 through September 30, 2009 Certified Competitive Video Service Providers, Community Antenna TV, and Satellite TV service providers are subject to an additional 0.5% tax for a total tax rate equal to 5.5%. Effective October 1, 2009 the additional tax will be 0.25%. The 0.5% tax will be used to fund the Public, Educational and Governmental Programming and Education Technology Investment Account newly established under Public Act 07-253.

PUBLIC SERVICE COMPANIES TAX (cont.)

Residential Credit

The electric, power, and gas companies claimed \$7,334,169 in Fiscal Year 2007-08 under the one-percent credit attributable to the sale of gas and electric power for residential use.

Manufacturing Companies Credit

\$15,862,146 was claimed in credit for Fiscal Year 2007-08 for gas and electric sales used directly by a company engaged in a manufacturing production process.

Comparative Data

	FY 2005-06	FY 2006-07	FY 2007-08
Cable, Satellite & Video Companies	\$44,268,695	\$51,992,188	\$52,471,291
Electric & Power Companies	115,710,224	126,057,123	123,864,372
Gas and Electric Companies	67,188,979	59,780,761	63,298,692
Public, Educational & Governmental Programming Tax*	0	0	2,083,722
Railroad Companies	95,387	170,310	199,151
Total Tax	\$227,263,285	\$238,000,382	\$241,917,228

* Additional tax on cable, satellite and video pursuant to Public Act 07-253, for deposit in the public, educational and governmental programming and education technology investment account.

Municipal Electric Utilities

Effective for calendar quarters commencing on or after July 1, 2006, the gross earnings of municipal electric utilities in Connecticut will be taxed in the same manner as the gross earnings of electric distribution companies. For calendar quarters commencing on or after July 1, 2006 municipal electric utilities are subject to gross earnings tax only on their gross earnings from providing electric transmission services and electric distribution services and will no longer be taxed on their gross earnings from other sources. The rate is 6.8% for transmitting and distributing power to residential customers and 8.5% on nonresidential services.

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 2005-06	\$201,123,111
2006-07	195,216,150
2007-08	153,668,527

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;
- Certain exempt corporation transfers;
- 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.
- Employee relocation company or employer re-sales within six months of conveyance from relocated employee.

REAL ESTATE CONVEYANCE TAX (cont.)

Basis and Rate

Classification	Rate
Unimproved Land	0.5%
Nonresidential property other than Unimproved Land	1.0%
Residential Dwelling:	
Portion \$800,000 or less	0.5%
Portion that exceeds \$800,000	1.0%
Residential Property other than Residential Dwelling	0.5%
Delinquent Mortgage	0.5%

The table on the following page will show the number of conveyances by price of property and the conveyance tax revenue generated for the same price increments.

REAL ESTATE CONVEYANCE TAX (cont.)

Fiscal Year 2007-08 Conveyances

Amount of Consideration	Number of Taxable Conveyances	Number of Non-Taxable Conveyances *	Number of Exempt Conveyances	Tax Remitted
Under \$2,000	0	28,848	9,996	\$ 0
\$ 2,000 to \$ 29,999.99	1,544	0	9	107,407
\$ 30,000 to \$ 39,999.99	437	0	4	77,194
\$ 40,000 to \$ 49,999.99	433	0	2	98,120
\$ 50,000 to \$ 59,999.99	550	0	0	154,238
\$ 60,000 to \$ 69,999.99	603	0	0	198,589
\$ 70,000 to \$ 79,999.99	555	0	0	216,973
\$ 80,000 to \$ 89,999.99	770	0	1	333,008
\$ 90,000 to \$ 99,999.99	652	0	3	318,094
\$100,000 to \$109,999.99	751	0	1	399,821
\$110,000 to \$119,999.99	821	0	3	476,967
\$120,000 to \$129,999.99	1,036	0	3	652,690
\$130,000 to \$139,999.99	1,125	0	2	771,611
\$140,000 to \$149,999.99	1,153	0	5	847,529
\$150,000 to \$159,999.99	1,509	0	5	1,179,546
\$160,000 to \$169,999.99	1,488	0	4	1,243,883
\$170,000 to \$179,999.99	1,570	0	4	1,387,633
\$180,000 to \$189,999.99	1,725	0	7	1,606,296
\$190,000 to \$199,999.99	1,471	0	5	1,441,760
\$200,000 to \$249,999.99	7,780	0	6	8,804,556
\$250,000 to \$299,999.99	6,131	0	10	8,461,326
\$300,000 to \$399,999.99	7,674	0	17	13,434,630
\$400,000 to \$499,999.99	4,248	0	9	9,698,176
\$500,000 to \$599,999.99	2,324	0	3	6,587,339
\$600,000 to \$699,999.99	1,478	0	5	5,080,132
\$700,000 to \$799,999.99	1,042	0	2	4,087,901
\$800,000 and over	4,245	0	1	89,160,682
Total	53,115	28,848	10,128	\$156,826,101

* Non-taxable equals no consideration or consideration of less than \$2,000

RENTAL SURCHARGE

The Rental Surcharge is imposed on the rental of each private passenger motor vehicle or rental truck 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.

A rental truck is 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.

The surcharge also includes a 1.5% surcharge on machinery rented within Connecticut for a period of less than 31 days. The term of a machinery rental begins on the date a piece of machinery is rented to a lessee and terminates on the date the piece of machinery is returned to the rental company. Machinery means heavy equipment intended for outside use that may be used for construction, mining, or forestry. It is rented without an operator and is propelled by its own internal engine or internal power source.

Revenue	
FY 2005-06	\$ 431,753
2006-07	401,543
2007-08	309,084

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

213 taxpayers / Annually

Basis and Rate

3% of the total rental charges on passenger motor vehicles or trucks.

1.5% of the total rental charges on heavy machinery.

Comparative Data

Gross collections by rental companies during 2007 amounted to \$7,031,391. Rental companies retained the difference between gross collections and the amount remitted to reimburse personal property taxes and titling and registration fees paid in Connecticut.

REPEALED TAXES

SUCCESSION TAX

The Succession Tax was levied on the transfer of property after death, with rates that varied depending on the size of the estate and the relationship of the decedent to the survivor. Due to legislative changes enacted during the 2005 Legislative Session, the Connecticut Succession Tax has been repealed and does not apply to estates of decedents dying on or after January 1, 2005.

Revenue collected for Fiscal Year 2007-08: \$ 2,723,379

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 2005-06	\$ 3,404,541,887
2006-07	3,498,793,678
2007-08	3,582,463,224

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;

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 following table provides a summary of the major exemptions claimed by businesses during Fiscal Year 2007-08. Note that the revenue forgone for each exemption monitored is computed at the 6% rate.

FY 2007-08 SALES TAX EXEMPTIONS
(In Millions)

Deductible Item	Total Deductions	Revenue Forgone
Sale for Resale - Goods	\$91,944.4	\$5,516.7
Sale for Resale - Leases and Rentals	1,698.2	101.9
Sale for Resale - Labor and Services	2,335.7	140.1
All Newspapers and Magazines by Subscription	263.7	15.8
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Interstate Freight	115.1	6.9
Food Products for Human Consumption	5,959.2	357.6
Fuel for Motor Vehicles	7,371.1	442.3
Electricity/Gas/Heating Fuel (residential)	3,083.3	185.0
Electricity (\$150 monthly per business)	44.2	2.7
Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	579.1	34.7
Aviation Fuel	115.8	6.9
Sales of Tangible Personal Property to Farmers	94.4	5.7
Machinery/Materials/ Tools/Fuel - Mfg. Product	2,561.2	153.7
Machinery/Materials/ Equip. - Printing	121.7	7.3
Machinery/Materials/ Tools/Fuel - Comm. Fishing	73.7	4.4
Out-of-State - Sale of Goods	42,214.1	2,532.8
Out-of-State - Leases/Rentals	633.7	38.0
Out-of-State - Labor and Services	8,739.8	524.4
Sales of Motor Vehicles, Vessels to Nonresidents	636.4	38.2
Prescription Medicines	4,842.8	290.6
Non-Prescription Medicines and Diabetic Equipment	286.9	17.2
Charitable/Government/Religious - Sale of Goods	8,452.5	507.2
Charitable/Government/Religious - Leases and Rentals	105.5	6.3
Charitable/Government/Religious - Labor and Services	4,649.0	278.9

FY 2007-08 SALES TAX EXEMPTIONS (cont.)
(In Millions)

Deductible Item	Total Deductions	Revenue Forgone
Pollution Abatement	100.9	6.1
Non-Taxable Labor and Services	15,351.4	921.1
Business Services/Parent Owned Subs.	380.0	22.8
Trade-ins of Like-Kind Personal Property	832.1	49.9
Taxed Goods returned within 90 days	88.4	5.3
Oxygen, Plasma, Prostheses, etc.	187.1	11.2
Printed Material for Future Delivery Out-of-State	33.4	2.0
Clothing/Footwear under \$50	2,354.1	141.2
Material for Non-commercial Production of Clothing	9.8	0.6
Funeral Expenses up to \$2,500	76.3	4.6
Repair or Replacement Parts/Repair Services to Aircraft	111.3	6.7
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the 6% and 3% Rates)	41.9	2.5
Sales of Machinery, Equipment, Tools, Fuel, and Supplies used in the Biotechnology Industry	26.5	1.6
Sales of Repair and Maintenance Service to Vessels	64.1	3.8
Computer and Data Processing Services (Difference between the 6% and 1% Rates)	1,476.7	88.6
Renovation Services to Residential Property	445.4	26.7
Sales to Direct Payment Permit Holders	471.4	28.3
Sales of College Textbooks	31.2	1.9
Sales Tax Holidays	127.5	7.7
Weatherization Products	74.3	4.5
Other Adjustments	9,931.0	595.9
TOTAL	\$219,136.5	\$13,148.2

SALES AND USE TAXES (cont.)

Number of Taxpayers/Filing Frequency

163,100 Sales and Use Taxpayers
 29,110 / Monthly
 49,700 / Quarterly
 84,290 / Annually

3,425 Business Use Taxpayers

660 Room Occupancy Taxpayers
 470 / Monthly
 190 / Quarterly

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 2005-06	FY 2006-07	FY 2007-08
Sales of Tangible Personal Property	\$217,451.6	\$225,156.7	\$225,311.2
Leasing/Rental of Tangible Personal Property	3,349.0	3,306.3	3,534.7
Rendering of Services	36,336.1	39,619.0	41,875.4
Business Use Purchases	3,000.0	3,265.3	4,320.1
Room Occupancy	633.1	666.4	702.2

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 North American Industry Classification system (NAICS). Approximately half of all the sales and use tax revenue is generated by the retail trade sector.

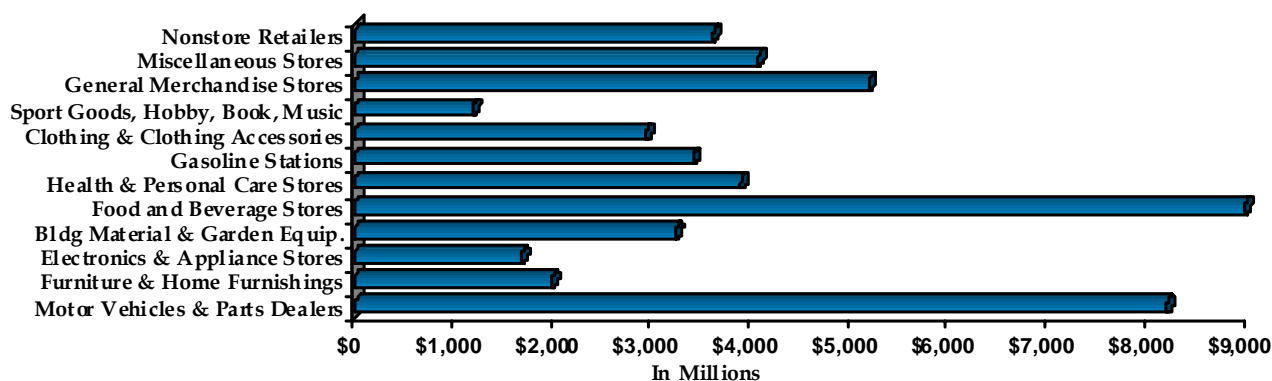
SALES AND USE TAXES (cont.)

TABLE II: Retail Sales Volume - Fiscal Years 2006 - 2008
(In Millions)

	FY 2005-06	FY 2006-07	FY 2007-08
Motor Vehicle and Parts Dealers (NAICS 441)	\$8,420.7	\$8,602.4	\$8,213.8
Furniture and Home Furnishings Stores (NAICS 442)	2,784.3	2,634.9	1,995.6
Electronics and Appliance Stores (NAICS 443)	1,645.7	1,627.4	1,689.1
Building Material and Garden Equipment and Supplies Dealers (NAICS 444)	3,532.3	3,464.7	3,245.2
Food and Beverage Stores (NAICS 445)	5,945.3	6,471.6	9,492.9
Health and Personal Care Stores (NAICS 446)	3,555.0	4,219.2	3,906.9
Gasoline Stations (NAICS 447)	3,050.3	3,072.7	3,427.3
Clothing and Clothing Accessories Stores (NAICS 448)	2,712.0	2,838.4	2,951.0
Sporting Goods, Hobby, Book and Music Stores (NAICS 451)	1,091.4	1,155.3	1,195.0
General Merchandise Stores (NAICS 452)	5,059.1	5,135.1	5,194.1
Miscellaneous Store Retailers (NAICS 453)	3,791.8	3,997.7	4,092.3
Nonstore Retailers (NAICS 454)	2,933.1	3,208.5	3,628.7
TOTAL (NAICS 44-45)	\$ 44,521.1	\$46,427.9	\$49,032.0

RETAIL SALES FY 2007-08

RETAIL ESTABLISHMENTS (NAICS 44-45)



SALES AND USE TAXES (cont.)

Table III provides total sales and use taxes revenues by the economic activities sectors of the North American Industry Classification System (NAICS) for fiscal years 2006 through 2008. The revenues are from regular payments and represent 94% of the total sales and use taxes collected in FY 2007-08.

TABLE III: Sales & Use Tax - From Regular Payments
Fiscal Years 2006 - 2008
(In Millions)

	NAICS Code	FY 2005-06	FY 2006-07	FY 2007-08
<i>Motor Vehicle and Parts Dealers</i>	441	\$370.4	\$374.3	\$ 358.0
<i>Furniture and Home Furnishings</i>	442	83.9	84.0	76.5
<i>Electronics and Appliance Stores</i>	443	77.3	78.6	75.7
<i>Building Material and Garden Equipment</i>	444	189.6	178.6	164.8
<i>Food and Beverage Stores</i>	445	163.9	170.3	176.0
<i>Health and Personal Care Stores</i>	446	42.1	43.3	43.9
<i>Gasoline Stations</i>	447	32.6	33.4	33.4
<i>Clothing and Clothing Accessories Stores</i>	448	74.7	79.5	80.5
<i>Sporting Goods, Hobby, Book & Music Stores</i>	451	46.4	50.8	52.5
<i>General Merchandise Stores</i>	452	176.4	179.8	178.5
<i>Miscellaneous Store Retailers</i>	453	152.1	158.3	163.6
<i>Nonstore Retailers</i>	454	54.7	57.8	60.1
Retail Sector Subtotal	44-45	\$1,464.1	\$1,488.7	\$1,463.4
Utilities	22	99.4	114.1	120.0
Construction	23	135.0	144.6	144.5
Manufacturing	31-33	169.2	170.7	189.9
Wholesale Trade	42	191.3	193.0	190.1
Information	51	246.0	254.5	264.7
Arts, Entertainment & Recreation	71	22.3	24.0	24.3
Accommodation and Food Services	72	240.9	256.5	267.2
Other Services (except Public Admin)	81	126.9	126.6	129.1
All Other Businesses		525.2	540.8	570.2
TOTAL SALES & USE TAX REVENUE		\$3,220.3	\$3,313.5	\$3,363.4

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 2005-06	\$3,426,551
2006-07	3,499,093
2007-08	3,335,342

Number of Taxpayers / Filing Frequency

8 taxpayers / Quarterly

Basis and Rate

\$1.50 per ton of solid waste processed.

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 2005-06	\$4,688,014
2006-07	5,266,085
2007-08	5,797,038

Exemptions

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

Number of Taxpayers/Filing Frequency

207 distributors/Monthly

Basis and Rate

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

TOURISM 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 General Fund.

Revenue	
FY 2005-06	\$4,750,619
2006-07	4,949,007
2007-08	5,002,452

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

24 taxpayers / Monthly
94 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 2005-06	\$ 1,067,959
2006-07	2,240,230
2007-08	2,220,568

Number of Taxpayers / Filing Frequency

309 organizations / Annually

Basis and Rate

7.5% of the unrelated business income of the organization. A surtax of 20% applied to returns for the 2006 income year. No minimum tax is required.

Credits

For the 2006 income year, 50 taxpayers claimed \$34,240 in Electronic Data Processing Property Tax Credits.

FY 2007-08 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
ANDOVER	48	38	\$ 9,189,120	\$ 46,521
ANSONIA	197	215	50,034,431	270,122
ASHFORD	59	73	14,977,000	79,010
AVON	208	373	187,711,448	1,052,245
BARKHAMSTED	58	57	13,151,778	65,759
BEACON FALLS	55	121	33,379,280	170,766
BERLIN	269	333	113,726,928	674,427
BETHANY	57	75	32,201,032	170,455
BETHEL	244	238	96,403,255	561,758
BETHLEHEM	42	57	16,104,579	80,973
BLOOMFIELD	292	342	163,251,354	1,097,752
BOLTON	75	71	19,317,095	97,535
BOZRAH	42	44	10,106,898	51,784
BRANFORD	414	533	193,303,042	1,204,178
BRIDGEPORT	1,214	1,658	395,918,698	2,268,816
BRIDGEWATER	50	31	20,380,492	133,239
BRISTOL	629	927	256,019,021	1,656,045
BROOKFIELD	217	281	120,427,474	680,384
BROOKLYN	108	156	33,229,498	182,522
BURLINGTON	97	143	44,976,036	225,338
CANAAN	28	25	6,998,963	36,207
CANTERBURY	74	66	15,891,251	82,019
CANTON	117	206	71,043,926	401,054
CHAPLIN	51	39	7,242,450	36,212
CHESHIRE	233	397	170,321,916	1,097,759
CHESTER	56	46	19,140,900	114,630
CLINTON	191	283	95,603,656	560,408
COLCHESTER	173	260	76,933,179	395,896
COLEBROOK	33	38	8,719,987	43,600
COLUMBIA	64	82	21,542,400	125,957
CORNWALL	48	36	15,086,677	100,638
COVENTRY	187	233	56,365,741	289,209
CROMWELL	157	352	99,292,882	564,927
DANBURY	690	1,231	460,405,422	2,654,439
DARIEN	244	362	606,788,633	4,793,494
DEEP RIVER	52	71	21,945,756	122,564
DERBY	134	159	51,766,212	322,581
DURHAM	71	105	33,205,300	174,072
EASTFORD	31	29	5,174,449	25,972
EAST GRANBY	81	119	41,009,239	254,106
EAST HADDAM	166	200	56,926,281	298,946
EAST HAMPTON	193	324	81,521,589	429,833
EAST HARTFORD	477	738	210,388,869	1,507,002

FY 2007-08 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
EAST HAVEN	333	437	\$ 124,845,918	\$ 692,805
EAST LYME	317	408	149,407,525	799,955
EASTON	87	93	71,791,260	420,017
EAST WINDSOR	115	221	54,155,246	313,381
ELLINGTON	189	246	77,448,507	397,470
ENFIELD	444	583	206,036,758	1,501,054
ESSEX	113	126	66,783,729	423,172
FAIRFIELD	578	874	703,996,661	4,570,028
FARMINGTON	376	478	249,797,972	1,694,907
FRANKLIN	29	33	9,978,244	63,516
GLASTONBURY	393	674	272,007,412	1,542,133
GOSHEN	77	77	31,389,600	177,448
GRANBY	121	178	54,821,559	277,233
GREENWICH	747	884	2,433,458,118	20,017,385
GRISWOLD	183	211	45,082,535	251,190
GROTON	460	557	243,229,487	1,307,357
GUILFORD	321	383	197,859,645	1,165,048
HADDAM	124	149	49,286,969	248,810
HAMDEN	523	885	250,669,335	1,311,990
HAMPTON	45	28	4,814,500	24,073
HARTFORD	777	946	327,801,443	2,055,840
HARTLAND	30	26	5,967,060	29,835
HARWINTON	97	60	12,058,596	60,593
HEBRON	118	149	41,362,137	208,661
KENT	58	56	42,113,085	300,610
KILLINGLY	254	356	73,550,805	394,109
KILLINGWORTH	77	125	44,689,478	238,105
LEBANON	120	143	27,459,795	137,299
LEDYARD	167	260	61,088,727	312,694
LISBON	51	61	15,759,881	81,399
LITCHFIELD	132	133	51,595,038	291,609
LYME	48	49	24,821,032	149,218
MADISON	259	253	157,771,127	947,947
MANCHESTER	488	824	237,741,893	1,292,160
MANSFIELD	138	241	91,639,950	617,309
MARLBOROUGH	79	64	19,813,700	99,639
MERIDEN	656	938	215,307,854	1,294,774
MIDDLEBURY	113	129	68,880,397	437,961
MIDDLEFIELD	46	72	19,771,842	99,584
MIDDLETOWN	411	693	170,783,606	929,131
MILFORD	604	831	324,537,359	1,938,276
MONROE	173	262	111,697,340	617,838
MONTVILLE	193	283	70,624,651	366,536

FY 2007-08 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
MORRIS	46	43	\$ 20,837,226	\$ 128,836
NAUGATUCK	313	503	101,187,084	523,845
NEW BRITAIN	602	842	169,015,038	965,643
NEW CANAAN	297	336	601,186,025	4,757,962
NEW FAIRFIELD	151	188	86,490,908	485,726
NEW HARTFORD	84	91	22,067,482	112,987
NEW HAVEN	1,047	1,142	283,368,244	1,524,042
NEWINGTON	329	601	204,469,398	1,340,318
NEW LONDON	225	296	63,334,356	366,544
NEW MILFORD	393	506	177,198,116	1,003,793
NEWTOWN	332	431	219,507,857	1,208,282
NORFOLK	53	30	14,477,500	91,180
NORTH BRANFORD	169	159	47,129,362	250,850
NORTH CANAAN	51	53	10,405,730	54,081
NORTH HAVEN	223	316	163,440,294	1,055,657
NORTH STONINGTON	93	80	24,951,596	136,083
NORWALK	759	1,145	825,817,955	5,806,893
NORWICH	455	574	131,604,825	752,307
OLD LYME	197	146	63,096,880	343,844
OLD SAYBROOK	244	246	98,673,041	576,285
ORANGE	143	170	155,953,764	1,249,308
OXFORD	202	234	91,128,212	480,699
PLAINFIELD	220	214	72,302,099	516,948
PLAINVILLE	163	333	68,183,672	360,382
PLYMOUTH	146	184	33,102,999	168,365
POMFRET	79	54	14,636,572	76,458
PORTLAND	116	147	39,167,494	217,455
PRESTON	75	72	21,983,998	112,670
PROSPECT	112	136	53,677,303	346,272
PUTNAM	116	151	30,526,083	161,805
REDDING	106	113	78,032,036	447,949
RIDGEFIELD	309	409	333,805,013	2,096,251
ROCKY HILL	190	297	133,625,165	732,256
ROXBURY	41	44	37,822,510	256,500
SALEM	87	87	27,644,850	144,724
SALISBURY	144	87	58,172,745	365,321
SCOTLAND	31	23	5,175,300	26,687
SEYMOUR	188	250	66,887,901	337,740
SHARON	49	49	26,276,862	176,757
SHELTON	365	647	326,759,314	2,105,223
SHERMAN	59	54	31,329,925	188,762
SIMSBURY	248	403	181,196,561	1,110,530
SOMERS	124	142	43,209,960	223,433

FY 2007-08 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Remitted
SOUTHBURY	233	365	\$ 164,188,538	\$ 910,197
SOUTHINGTON	523	735	205,766,292	1,099,836
SOUTH WINDSOR	269	457	129,910,217	700,910
SPRAGUE	53	48	7,679,705	39,254
STAFFORD	149	216	34,822,169	190,536
STAMFORD	1,040	1,665	2,130,196,801	16,608,835
STERLING	61	71	14,880,462	75,217
STONINGTON	312	373	179,107,143	1,177,665
STRATFORD	511	871	252,808,938	1,393,628
SUFFIELD	209	218	77,283,708	399,867
THOMASTON	73	112	22,880,577	123,449
THOMPSON	132	147	29,698,764	152,794
TOLLAND	129	243	72,112,700	376,693
TORRINGTON	427	630	122,284,049	673,812
TRUMBULL	375	458	228,956,569	1,269,681
UNION	17	13	2,844,250	14,221
VERNON	259	484	100,126,971	530,164
VOLUNTOWN	54	50	10,535,750	52,679
WALLINGFORD	443	635	193,987,718	1,090,196
WARREN	41	31	16,628,760	100,819
WASHINGTON	97	86	118,056,420	940,592
WATERBURY	1,183	1,530	267,761,607	1,610,953
WATERFORD	253	312	89,960,465	465,805
WATERTOWN	296	301	90,439,686	530,007
WESTBROOK	249	321	69,182,541	436,844
WEST HARTFORD	596	1,088	392,951,274	2,128,455
WEST HAVEN	507	657	240,311,628	1,710,373
WESTON	156	152	185,161,202	1,304,409
WESTPORT	405	452	791,624,082	6,334,725
WETHERSFIELD	296	443	117,701,736	621,619
WILLINGTON	51	67	16,546,732	93,484
WILTON	163	240	256,924,314	1,725,999
WINCHESTER	161	184	39,460,214	214,320
WINDHAM	196	288	47,345,384	253,692
WINDSOR	290	494	170,050,024	1,042,757
WINDSOR LOCKS	140	267	60,880,389	370,956
WOLCOTT	249	245	66,927,843	358,746
WOODBIDGE	107	106	62,737,779	379,251
WOODBURY	110	153	57,789,508	323,073
WOODSTOCK	129	160	35,353,102	179,441
TOWN UNKNOWN	66	73	23,826,348	131,244
TOTAL	38,976	53,115	\$24,027,373,525	\$156,826,101

PENALTY AND INTEREST RECEIPTS

Failure to pay taxes or file tax returns in a timely manner generally results in a penalty to the taxpayer of \$50 or 10% of the tax due, whichever is greater. If the taxpayer is subject to a penalty for late payment, the late filing penalty is not applicable.

Penalties for late electronic funds transfer (EFT) payments are:

- 2% of the tax due for EFT payments not more than 5 days late;*
- 5% for EFT payments more than 5 days but not more than 15 days late; and*
- 10% for EFT payments more than 15 days late.*

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 Connecticut 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 or on the underpayment of estimated tax requirements. Interest is charged on a monthly basis at a rate of 1% per month from the due date.

Penalty and Interest Revenue By Tax Source

Tax Type		FY 2005-06	FY 2006-07	FY 2007-08
Corporation	Penalty	\$ 2,422,950	\$ 1,915,872	\$ 2,714,032
	Interest	55,651,785	37,373,504	40,639,484
Income Tax	Penalty	11,206,424	14,861,631	27,886,918
	Interest	16,584,552	36,869,280	61,797,231
Sales & Use	Penalty	12,098,128	12,521,061	12,317,512
	Interest	32,130,362	26,211,972	22,234,972
All Other Taxes	Penalty	2,175,485	4,937,885	5,978,266
	Interest	5,154,339	9,826,044	11,714,072
Total	Penalty	27,902,987	34,236,449	48,896,728
	Interest	109,521,038	110,280,800	136,385,760

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 Connecticut, the Internal Revenue Service or another reciprocating state may be withheld to offset the outstanding debt. There were 33,968 external offsets in Fiscal Year 2007-08, totaling \$8,812,058. *(Revised December 2009)

Listed below are the refund amounts by tax type for Fiscal Years 2005-06 through 2007-08.

AMOUNT OF TAXES REFUNDED			
	FY 2005-06	FY 2006-07	FY 2007-08
Admissions & Dues	\$ 29,556	\$ 83,144	\$ 152,285
Business Entity	2,934,612	894,604	289,443
Business Use	1,189,656	2,449,915	1,442,011
Cigarette	571,071	643,102	1,360,157
Community Antenna	(103,998)	90,201	339,846
Controlling Interest	567,533	1,406,455	786,841
Corp. R&D Credit Buyback	6,694,387	5,982,857	11,362,507
Corporation Business	108,151,052	109,152,899	124,618,293
CT Estate Tax	7,732,238	1,519,438	696,749
Domestic Insurers	337,105	528,705	1,074,088
Foreign Insurers	2,945,639	5,223,536	14,042,312
Gas & Electric Companies	0	110,537	2,265
Gas Companies	524,451	0	0
Gift Tax	529,682	432,288	324,073
Gift & Estate	136,992	4,349,954	5,737,416
Income Tax	578,492,921	596,386,119	660,773,873
Individual Use Tax	355,808	305,056	300,341
Motor Carrier	1,906,165	1,452,316	1,713,747
Motor Fuel	6,944,141	6,568,680	5,285,441
Nursing Home User Fee	10,352	236,016	152,826
Occupational	29,345	53,526	85,756
Petroleum Products	459,927	6,304,866	2,852,210
Real Estate Conveyance	447,186	123,306	2,456,234
Room Occupancy	62,165	231,794	171,691
Sales & Use Taxes	16,964,678	13,778,673	31,949,338
Succession Tax	6,233,883	1,408,807	1,657,464
Tobacco Distributor	466,376	467,792	389,732
Unauthorized Insurance	4,840	109,330	207,927
Unrelated Business Income	252,958	151,025	299,543
Miscellaneous	1,148,838	111,422	21,432
Total	\$746,053,192	\$760,556,353	\$870,545,841

**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN*
FISCAL YEARS ENDING JUNE 30, 2007 AND 2008**

TOWN	Retail Sales	Retail Sales	Sales & Use Tax	Sales & Use Tax	SUT Collections
	FY 2006-07	FY 2007-08	FY 2006-07	FY 2007-08	% Change
	NAICS 44-45	NAICS 44-45	(All Businesses)	(All Businesses)	FY 07/FY 08
ANDOVER	\$ 1,892,247	\$ 2,000,752	\$ 407,181	\$ 394,406	-3.1%
ANSONIA	83,732,283	82,521,071	4,426,258	4,322,175	-2.4%
ASHFORD	2,638,454	2,995,358	518,478	654,666	26.3%
AVON	92,843,657	82,421,448	8,273,625	8,039,966	-2.8%
BARKHAMSTED	4,018,003	3,532,019	660,221	588,949	-10.8%
BEACON FALLS	9,497,159	7,300,007	607,913	710,342	16.8%
BERLIN	304,697,318	295,467,319	86,306,244	77,584,616	-10.1%
BETHANY	3,639,111	5,629,660	1,218,299	1,131,858	-7.1%
BETHEL	93,684,819	86,420,734	7,641,597	7,899,611	3.4%
BETHLEHEM	7,522,469	7,904,808	852,673	794,673	-6.8%
BLOOMFIELD	224,103,640	219,147,001	13,845,218	13,900,504	0.4%
BOLTON	16,423,317	22,179,297	1,869,345	1,861,627	-0.4%
BOZRAH	7,979,067	8,016,786	1,470,410	1,383,453	-5.9%
BRANFORD	700,152,403	686,560,580	32,620,056	32,402,565	-0.7%
BRIDGEPORT	1,029,488,645	1,184,660,202	52,134,674	52,657,807	1.0%
BRIDGEWATER	6,935,761	6,799,744	454,842	377,534	-17.0%
BRISTOL	404,960,540	433,319,816	25,603,344	25,830,757	0.9%
BROOKFIELD	259,925,931	287,639,899	14,445,674	14,700,766	1.8%
BROOKLYN	31,732,135	26,895,502	1,994,598	1,906,909	-4.4%
BURLINGTON	11,204,300	12,621,907	1,188,338	1,204,094	1.3%
CANAAN	26,661,786	44,704,806	2,858,963	2,962,049	3.6%
CANTERBURY	2,994,473	2,690,247	833,906	497,141	-40.4%
CANTON	157,628,334	151,295,231	10,863,872	10,581,890	-2.6%
CHAPLIN	6,903,776	7,590,807	425,843	419,386	-1.5%
CHESHIRE	431,228,751	443,825,948	19,380,849	19,138,064	-1.3%
CHESTER	12,139,469	12,332,651	1,164,595	1,207,407	3.7%
CLINTON	120,413,514	120,174,423	8,986,368	9,023,611	0.4%
COLCHESTER	179,152,847	176,663,853	7,321,325	7,350,606	0.4%
COLEBROOK	567,515	166,881	39,309	26,786	-31.9%
COLUMBIA	51,362,990	52,785,584	3,205,064	3,142,366	-2.0%
CORNWALL	5,023,843	4,617,286	566,410	695,926	22.9%
COVENTRY	27,770,785	29,803,305	1,686,598	1,669,427	-1.0%
CROMWELL	63,195,713	60,828,319	7,313,618	7,369,960	0.8%
DANBURY	1,634,257,427	4,438,484,960	112,230,540	109,724,603	-2.2%
DARIEN	466,922,631	468,953,968	27,455,516	27,105,119	-1.3%

* 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, 2007 AND 2008**

TOWN	Retail Sales	Retail Sales	Sales & Use Tax	Sales & Use Tax	SUT Collections
	FY 2006-07	FY 2007-08	FY 2006-07	FY 2007-08	% Change
	NAICS 44-45	NAICS 44-45	(All Businesses)	(All Businesses)	FY 07/FY 08
DEEP RIVER	\$ 10,676,847	\$ 13,821,246	\$ 1,202,919	\$ 1,282,437	6.6%
DERBY	124,988,972	126,259,683	7,050,909	6,767,056	-4.0%
DURHAM	22,275,216	25,573,650	1,762,818	2,026,599	15.0%
EAST GRANBY	31,974,317	41,414,144	2,825,381	2,635,765	-6.7%
EAST HADDAM	37,444,187	36,915,112	2,043,995	2,106,636	3.1%
EAST HAMPTON	22,294,390	24,015,526	2,164,450	2,193,005	1.3%
EAST HARTFORD	860,321,660	849,544,845	39,290,767	39,916,914	1.6%
EAST HAVEN	183,094,633	180,432,139	9,379,174	9,187,319	-2.0%
EAST LYME	90,660,913	97,845,640	5,399,895	5,630,197	4.3%
EAST WINDSOR	148,563,518	234,061,475	7,967,938	12,308,971	54.5%
EASTFORD	10,970,596	7,258,922	466,634	446,557	-4.3%
EASTON	6,883,546	7,100,562	974,260	1,072,829	10.1%
ELLINGTON	93,521,018	94,081,284	5,462,290	5,226,133	-4.3%
ENFIELD	406,027,386	354,201,303	24,900,655	25,108,198	0.8%
ESSEX	54,960,189	59,215,104	4,236,208	4,516,882	6.6%
FAIRFIELD	684,375,569	708,465,811	52,776,040	54,386,689	3.1%
FARMINGTON	736,110,328	729,566,978	36,751,031	38,948,823	6.0%
FRANKLIN	35,024,817	42,581,424	3,006,539	3,005,824	0.0%
GLASTONBURY	226,350,462	222,096,857	18,772,141	17,616,053	-6.2%
GOSHEN	4,471,728	7,494,611	624,025	637,544	2.2%
GRANBY	34,197,545	37,903,603	3,116,610	3,195,227	2.5%
GREENWICH	1,189,037,716	1,249,773,907	63,843,736	66,303,019	3.9%
GRISWOLD	28,791,002	32,569,785	1,760,702	1,728,961	-1.8%
GROTON	223,333,753	236,942,092	18,014,819	18,238,396	1.2%
GUILFORD	171,902,890	191,645,904	8,236,186	8,417,199	2.2%
HADDAM	30,460,193	29,884,819	1,477,802	1,508,222	2.1%
HAMDEN	332,820,864	334,547,996	23,155,942	22,455,207	-3.0%
HAMPTON	353,658	280,853	144,002	128,129	-11.0%
HARTFORD	1,235,655,027	1,209,331,699	118,075,512	125,448,365	6.2%
HARTLAND	54,171	574,955	210,520	194,129	-7.8%
HARWINTON	6,682,156	7,839,076	1,118,835	1,344,822	20.2%
HEBRON	28,105,480	27,694,821	1,296,969	1,329,703	2.5%
KENT	25,261,976	25,778,262	1,891,726	1,877,835	-0.7%
KILLINGLY	125,687,296	141,044,303	7,155,410	7,503,863	4.9%
KILLINGWORTH	8,362,976	8,644,512	1,263,179	1,209,227	-4.3%

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**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN*
FISCAL YEARS ENDING JUNE 30, 2007 AND 2008**

TOWN	Retail Sales FY 2006-07 NACIS 44-45	Retail Sales FY 2007-08 NACIS 44-45	Sales & Use Tax FY 2006-07 (All Businesses)	Sales & Use Tax FY 2007-08 (All Businesses)	SUT Collections % Change FY 07/FY 08
LEBANON	\$ 6,905,828	\$ 7,365,858	\$ 790,610	793,073	0.3%
LEDYARD	37,281,394	34,862,762	4,400,473	4,176,066	-5.1%
LISBON	12,579,785	11,071,747	1,430,964	1,239,531	-13.4%
LITCHFIELD	78,713,739	81,896,324	6,307,513	6,012,281	-4.7%
LYME	1,552,644	1,759,075	98,217	97,928	-0.3%
MADISON	111,957,957	99,051,775	7,715,063	7,504,405	-2.7%
MANCHESTER	3,030,230,171	3,142,884,318	137,173,674	134,529,455	-1.9%
MANSFIELD	69,016,055	67,030,667	3,117,451	3,922,425	25.8%
MARLBOROUGH	18,856,592	19,889,589	1,216,554	1,213,013	-0.3%
MERIDEN	332,210,831	380,069,722	24,111,068	23,109,963	-4.2%
MIDDLEBURY	59,625,052	62,437,384	4,297,085	4,289,457	-0.2%
MIDDLEFIELD	11,960,438	11,741,335	1,723,159	1,698,648	-1.4%
MIDDLETOWN	287,210,897	311,895,131	25,122,540	25,752,871	2.5%
MILFORD	1,409,384,604	1,066,415,420	45,189,504	44,702,774	-1.1%
MONROE	171,138,815	161,325,502	13,379,209	12,001,674	-10.3%
MONTVILLE	66,918,744	71,145,453	6,738,849	6,761,813	0.3%
MORRIS	3,102,271	3,286,256	353,934	433,212	22.4%
NAUGATUCK	88,769,033	89,696,989	8,484,231	8,869,834	4.5%
NEW BRITAIN	272,888,119	285,741,062	21,506,185	20,712,459	-3.7%
NEW CANAAN	200,296,354	210,844,118	10,213,298	10,011,202	-2.0%
NEW FAIRFIELD	25,858,870	24,340,190	1,600,231	1,619,733	1.2%
NEW HARTFORD	12,618,822	13,296,069	985,283	1,069,579	8.6%
NEW HAVEN	973,937,203	1,032,738,867	132,198,891	126,492,928	-4.3%
NEW LONDON	332,799,558	322,280,382	17,843,436	16,644,511	-6.7%
NEW MILFORD	213,145,502	204,641,589	12,972,355	12,160,367	-6.3%
NEWINGTON	185,710,946	215,938,581	26,515,488	26,679,906	0.6%
NEWTOWN	114,588,662	121,402,004	7,171,294	6,947,345	-3.1%
NORFOLK	2,084,591	1,547,247	395,390	380,453	-3.8%
NORTH BRANFORD	66,870,781	72,710,223	5,733,023	5,695,001	-0.7%
NORTH CANAAN	1,818,834	1,916,824	502,430	506,844	0.9%
NORTH HAVEN	1,475,457,205	1,408,457,183	89,780,069	84,866,979	-5.5%
NORTH STONINGTON	16,056,440	16,318,978	1,450,505	1,819,762	25.5%
NORWALK	1,397,248,463	1,425,130,726	114,444,020	117,931,179	3.0%
NORWICH	331,737,838	335,788,461	20,608,725	19,315,283	-6.3%
OLD LYME	102,135,000	74,710,262	3,368,845	3,448,423	2.4%

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**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN*
FISCAL YEARS ENDING JUNE 30, 2007 AND 2008**

TOWN	Retail Sales	Retail Sales	Sales & Use Tax	Sales & Use Tax	SUT Collections
	FY 2006-07	FY 2007-08	FY 2006-07	FY 2007-08	% Change
	NAICS 44-45	NACIS 44-45	(All Businesses)	(All Businesses)	FY 07/FY 08
OLD SAYBROOK	\$ 260,926,673	\$ 274,256,200	\$ 13,372,569	\$ 13,016,495	-2.7%
ORANGE	154,711,795	154,945,796	39,088,220	44,015,742	12.6%
OXFORD	44,010,553	51,005,567	3,925,791	3,856,261	-1.8%
PLAINFIELD	113,911,203	122,098,717	5,284,952	5,375,771	1.7%
PLAINVILLE	143,757,473	142,402,894	14,196,516	12,627,186	-11.1%
PLYMOUTH	43,074,463	47,804,259	3,048,108	3,262,703	7.0%
POMFRET	3,684,658	3,702,197	862,347	832,336	-3.5%
PORTLAND	89,699,545	93,249,700	3,717,419	3,409,270	-8.3%
PRESTON	17,740,637	25,282,843	1,136,624	1,201,144	5.7%
PROSPECT	40,424,567	41,093,043	2,321,748	2,398,118	3.3%
PUTNAM	82,932,893	83,771,751	6,179,339	6,037,352	-2.3%
REDDING	15,338,905	21,141,492	1,862,368	1,828,973	-1.8%
RIDGEFIELD	184,227,241	196,697,072	15,099,212	15,051,165	-0.3%
ROCKY HILL	91,369,252	91,284,070	13,687,727	15,650,034	14.3%
ROXBURY	1,975,132	2,303,879	308,728	406,986	31.8%
SALEM	11,959,805	9,705,814	890,613	798,159	-10.4%
SALISBURY	21,134,033	23,581,778	2,068,101	2,179,312	5.4%
SCOTLAND	793,577	780,354	82,059	73,305	-10.7%
SEYMOUR	81,109,127	77,288,239	5,935,413	5,830,259	-1.8%
SHARON	10,179,377	12,086,850	838,572	869,392	3.7%
SHELTON	287,540,703	266,823,209	23,139,499	23,276,622	0.6%
SHERMAN	5,257,363	5,473,381	642,519	602,052	-6.3%
SIMSBURY	180,465,798	188,678,036	12,673,327	15,679,360	23.7%
SOMERS	35,363,575	32,728,724	1,716,575	1,641,566	-4.4%
SOUTH WINDSOR	197,953,605	285,831,762	19,890,607	22,020,495	10.7%
SOUTHBURY	82,149,516	78,161,719	13,574,873	19,261,777	41.9%
SOUTHINGTON	224,276,400	226,370,121	21,271,348	21,771,292	2.4%
SPRAGUE	1,210,153	1,791,465	296,426	323,413	9.1%
STAFFORD	141,361,509	146,477,292	10,567,467	10,825,707	2.4%
STAMFORD	1,056,772,129	1,006,381,278	115,902,130	110,259,899	-4.9%
STERLING	2,473,458	2,025,840	191,332	184,383	-3.6%
STONINGTON	189,406,929	198,888,010	14,623,872	15,046,076	2.9%
STRATFORD	492,131,557	488,980,646	38,280,600	48,566,156	26.9%
SUFFIELD	48,461,350	39,983,367	3,796,224	3,162,481	-16.7%
THOMASTON	29,758,069	28,737,471	4,288,123	4,158,415	-3.0%

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**COMPARATIVE SUMMARY OF RETAIL SALES AND
TAX RECEIPTS BY TOWN*
FISCAL YEARS ENDING JUNE 30, 2007 AND 2008**

TOWN	Retail Sales FY 2006-07 NACIS 44-45	Retail Sales FY 2007-08 NACIS 44-45	Sales & Use Tax FY 2006-07 (All Businesses)	Sales & Use Tax FY 2007-08 (All Businesses)	SUT Collections % Change FY 07/FY 08
THOMPSON	\$ 10,809,402	\$ 9,584,246	\$ 1,170,784	\$ 1,171,048	0.0%
TOLLAND	33,617,134	42,117,839	3,059,817	3,417,839	11.7%
TORRINGTON	679,134,107	693,810,980	29,649,217	30,288,462	2.2%
TRUMBULL	241,434,751	282,746,132	11,818,762	12,023,931	1.7%
UNION	193,194	146,581	64,838	118,674	83.0%
VERNON	229,191,043	244,049,067	15,181,427	15,598,939	2.8%
VOLUNTOWN	4,037,333	5,232,682	287,261	368,539	28.3%
WALLINGFORD	478,618,138	455,751,032	37,481,176	38,211,354	1.9%
WARREN	2,224,375	2,348,549	190,253	202,349	6.4%
WASHINGTON	23,804,230	22,189,888	2,662,440	2,734,046	2.7%
WATERBURY	878,541,176	932,635,361	46,739,600	46,586,224	-0.3%
WATERFORD	979,523,792	1,063,316,787	37,511,383	39,261,272	4.7%
WATERTOWN	822,593,843	517,305,224	18,197,114	17,774,396	-2.3%
WEST HARTFORD	362,191,724	406,276,751	35,528,175	37,253,742	4.9%
WEST HAVEN	268,852,506	265,573,921	16,399,578	16,092,107	-1.9%
WESTBROOK	105,191,525	114,277,935	8,854,044	8,845,666	-0.1%
WESTON	18,285,974	16,749,143	1,504,179	1,305,867	-13.2%
WESTPORT	828,357,676	896,036,458	46,864,522	47,331,992	1.0%
WETHERSFIELD	195,851,463	148,528,001	8,926,993	9,130,735	2.3%
WILLINGTON	8,616,356	9,958,026	1,738,706	1,767,342	1.6%
WILTON	257,639,129	251,828,967	18,511,993	19,004,637	2.7%
WINCHESTER	43,539,110	44,658,747	3,174,431	2,750,467	-13.4%
WINDHAM	155,166,203	158,737,784	10,103,465	9,999,654	-1.0%
WINDSOR	289,945,724	222,829,189	14,531,358	14,441,796	-0.6%
WINDSOR LOCKS	84,957,082	80,268,833	14,463,297	14,964,239	3.5%
WOLCOTT	102,950,452	134,134,393	8,572,424	10,251,973	19.6%
WOODBIDGE	46,129,603	44,280,123	3,458,920	3,288,370	-4.9%
WOODBURY	86,385,140	82,042,095	5,022,518	4,703,801	-6.3%
WOODSTOCK	33,025,983	28,948,134	2,018,783	1,881,232	-6.8%
OUT OF STATE	9,531,907,894	9,116,830,837	797,387,044	828,597,076	3.9%
TOTAL	\$46,427,919,229	\$49,031,991,693	\$3,313,467,204	\$3,363,442,159	1.5%

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NATIONWIDE COMPARISON OF TAX RATES

(Effective as of 1/1/08)

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	18.0	42.5
Alaska	9.4	None	8.0	200.0
Arizona	6.968	5.6	18.0	200.0
Arkansas	6.5	6.0	21.5	59.0
California	8.84	7.25	18.0	87.0
Colorado	4.63	2.9	22.0	84.0
Connecticut	7.5	6.0	25.0	200.0
Delaware	8.7	None	23.0	115.0
Florida	5.5	6.0	15.6	33.9
Georgia	6.0	4.0	18.5	37.0
Hawaii	6.4	4.0	17.0	180.0
Idaho	7.6	6.0	26.0	57.0
Illinois	7.3	6.25	20.1	98.0
Indiana	8.5	6.0	18.0	99.5
Iowa	12.0	5.0	20.7	136.0
Kansas	4.0	5.3	24.0	79.0
Kentucky	6.0	6.0	21.0	30.0
Louisiana	8.0	4.0	20.0	36.0
Maine	8.93	5.0	26.8	200.0
Maryland	8.3	6.0	23.5	200.0
Massachusetts	9.5	5.0	21.0	151.0
Michigan	4.95	6.0	19.0	200.0
Minnesota	9.8	6.5	20.0	123.0
Mississippi	5.0	7.0	18.4	18.0
Missouri	6.25	4.225	17.55	17.0
Montana	6.75	None	27.0	170.0
Nebraska	7.81	5.5	23.9	64.0
Nevada	None	6.5	24.055	80.0
New Hampshire	8.5	None	19.625	108.0
New Jersey	9.0	7.0	14.50	257.5
New Mexico	7.6	5.0	18.875	91.0
New York	7.5	4.0	24.4	150.0
North Carolina	6.9	4.25	30.15	35.0
North Dakota	6.5	5.0	23.0	44.0
Ohio	8.5	5.5	28.0	125.0
Oklahoma	6.0	4.5	17.0	103.0
Oregon	6.6	None	24.0	118.0
Pennsylvania	9.99	6.0	31.2	135.0
Rhode Island	9.0	7.0	31.0	246.0
South Carolina	5.0	6.0	16.0	7.0
South Dakota	None	4.0	22.0	153.0
Tennessee	6.5	7.0	21.4	62.0
Texas	N/A	6.25	20.0	141.0
Utah	5.0	4.65	24.5	69.5
Vermont	8.5	6.0	20.0	179.0
Virginia	6.0	5.0	17.5	30.0
Washington	None	6.5	36.0	202.5
West Virginia	8.75	6.0	32.2	55.0
Wisconsin	7.9	5.0	32.9	177.0
Wyoming	None	4.0	14.0	60.0

2007-08 ANNUAL REPORT
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