



General Assembly

February Session, 2006

**Raised Bill No. 435**

LCO No. 2387



Referred to Committee on FINANCE, REVENUE & BONDING

Introduced by:  
(FIN)

**AN ACT CONCERNING THE SALES TAX EXEMPTION FOR SERVICES PROVIDED BY PARTICIPANTS IN CERTAIN JOINT VENTURES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (58) of section 12-412 of the 2006 supplement  
2 to the general statutes is repealed and the following is substituted in  
3 lieu thereof (*Effective from passage*):

4 (58) Sales of any services rendered for purposes of (A) personnel  
5 services, (B) commercial or industrial marketing, development, testing  
6 or research services, or (C) business analysis and management  
7 services, whenever, pursuant to a joint venture agreement, the  
8 recipient of any such services is either a corporation, [or] a partnership,  
9 or a limited liability company, and such services are rendered by one  
10 or more corporate shareholders, or a corporate partner or corporate  
11 member in such joint venture, and in accordance with which the  
12 company rendering such service must have an ownership interest  
13 equivalent to not less than twenty-five per cent of total ownership in  
14 such joint venture, provided (i) the purpose of such joint venture is  
15 directly related to production or development of new or experimental  
16 products or systems and the marketing and support thereof, (ii) at least

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CONNECTICUT STATE LIBRARY  
LEGISLATIVE REFERENCE SECTION

17 one of the corporations participating in such joint venture shall have  
 18 been actively engaged in business in this state for not less than ten  
 19 years, and (iii) exemption for such sales in accordance with this  
 20 subsection, with respect to any single joint venture, shall not be  
 21 allowed for a period in excess of [ten consecutive years] twenty  
 22 consecutive years from the date of such venture's incorporation,  
 23 formation or organization, or in the case of a joint venture in existence  
 24 prior to January 1, 1986, within the aircraft industry, for a period in  
 25 excess of thirty consecutive years, and such exemption shall be  
 26 applicable to sales of such services rendered on or after January 1,  
 27 1986.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>from passage</i>	12-412(58)
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**Statement of Purpose:**

To allow the existing sales tax exemption for certain services provided by participants in joint ventures to be available when the joint venture is organized as a limited liability company, and to extend the duration of the sales tax exemption from ten years to twenty years.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

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Senate



General Assembly

February Session, 2006

**File No. 475**

Senate Bill No. 435

*Senate, April 11, 2006*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

**AN ACT CONCERNING THE SALES TAX EXEMPTION FOR  
SERVICES PROVIDED BY PARTICIPANTS IN CERTAIN JOINT  
VENTURES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subdivision (58) of section 12-412 of the 2006 supplement  
2 to the general statutes is repealed and the following is substituted in  
3 lieu thereof (*Effective from passage*):

4 (58) Sales of any services rendered for purposes of (A) personnel  
5 services, (B) commercial or industrial marketing, development, testing  
6 or research services, or (C) business analysis and management  
7 services, whenever, pursuant to a joint venture agreement, the  
8 recipient of any such services is either a corporation, [or] a partnership,  
9 or a limited liability company, and such services are rendered by one  
10 or more corporate shareholders, or a corporate partner or corporate  
11 member in such joint venture, and in accordance with which the  
12 company rendering such service must have an ownership interest  
13 equivalent to not less than twenty-five per cent of total ownership in

14 such joint venture, provided (i) the purpose of such joint venture is  
15 directly related to production or development of new or experimental  
16 products or systems and the marketing and support thereof, (ii) at least  
17 one of the corporations participating in such joint venture shall have  
18 been actively engaged in business in this state for not less than ten  
19 years, and (iii) exemption for such sales in accordance with this  
20 subsection, with respect to any single joint venture, shall not be  
21 allowed for a period in excess of [ten consecutive years] twenty  
22 consecutive years from the date of such venture's incorporation,  
23 formation or organization, or in the case of a joint venture in existence  
24 prior to January 1, 1986, within the aircraft industry, for a period in  
25 excess of thirty consecutive years, and such exemption shall be  
26 applicable to sales of such services rendered on or after January 1,  
27 1986.

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Section 1	<i>from passage</i>	12-412(58)
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**FIN**      *Joint Favorable*

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The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$
Department of Revenue Services	GF - Revenue Impact	See Below	See Below

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The bill is expected to result in the state foregoing sales tax revenue of approximately \$2 million per year beginning in FY 07. While the state will be foregoing revenue, it should be noted that these revenues might not otherwise be garnered if the participants in a joint venture decided to headquarter the company in a state with more favorable sales and use tax laws.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

**OLR Bill Analysis****SB 435*****AN ACT CONCERNING THE SALES TAX EXEMPTION FOR SERVICES PROVIDED BY PARTICIPANTS IN CERTAIN JOINT VENTURES.*****SUMMARY:**

This bill expands eligibility for, and extends the duration of, a sales tax exemption for specified business services rendered between participants in certain kinds of joint ventures under a joint venture agreement. The exemption applies to personnel; commercial or industrial marketing, development, testing, and research; and business analysis and management services. To qualify, (1) a joint venture's purpose must relate directly to producing or developing new or experimental products or systems and supporting and marketing them and (2) one of its corporate participants must have been actively engaged in business in Connecticut for at least 10 years. The company providing the service must own at least 25% of the joint venture.

Under current law, to be tax-exempt, the entity receiving services must be either a corporation or partnership and the one giving services must be its corporate shareholder or partner, respectively. The bill also allows a limited liability company to receive exempt services from a corporate member.

In addition, the bill extends the exemption's duration from 10 to 20 consecutive years and specifies that it starts from the date the joint venture is formed, incorporated, or organized. An existing 30-year exemption term for aircraft industry joint ventures that existed before January 1, 1986 remains unchanged.

EFFECTIVE DATE: Upon passage

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**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 47 Nay 0 (03/28/2006)

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SECTION