



# Senate

General Assembly

**File No. 878**

January Session, 2025

Senate Bill No. 1550

*Senate, May 12, 2025*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

## **AN ACT CONCERNING THE APPLICABILITY OF THE HOSPITAL TAX TO CHILDREN'S GENERAL HOSPITALS.**

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

1 Section 1. Subsection (b) of section 12-263q of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July 1,*  
3 *2026*):

4 (b) (1) The Commissioner of Social Services shall seek approval from  
5 the Centers for Medicare and Medicaid Services to exempt from the net  
6 revenue tax imposed under subsection (a) of this section the following:  
7 (A) Specialty hospitals; and (B) [children's general hospitals; and (C)]  
8 hospitals operated exclusively by the state other than a short-term  
9 general hospital operated by the state as a receiver pursuant to chapter  
10 920. Any hospital for which the Centers for Medicare and Medicaid  
11 Services grants an exemption shall be exempt from the net revenue tax  
12 imposed under subsection (a) of this section. Any hospital for which the  
13 Centers for Medicare and Medicaid Services denies an exemption shall  
14 be deemed to be a hospital for purposes of this section and shall be

15 required to pay the net revenue tax imposed under subsection (a) of this  
 16 section on inpatient hospital services and outpatient hospital services at  
 17 the same effective rates set forth in subsection (a) of this section.

18 (2) Any children's general hospitals that were exempt prior to July 1,  
 19 2026, from the net revenue tax imposed under subsection (a) of this  
 20 section shall be required, on and after July 1, 2026, to pay such tax on  
 21 inpatient hospital services and outpatient hospital services at the same  
 22 effective rates set forth in subsection (a) of this section.

23 [(2)] (3) Each hospital shall provide to the Commissioner of Social  
 24 Services, upon request, such information as said commissioner may  
 25 require to make any computations necessary to seek approval for  
 26 exemption under this subsection.

27 [(3)] (4) As used in this subsection, (A) "specialty hospital" means a  
 28 health care facility, as defined in section 19a-630, other than a facility  
 29 licensed by the Department of Public Health as a short-term general  
 30 hospital or a short-term children's hospital. "Specialty hospital"  
 31 includes, but is not limited to, a psychiatric hospital or a chronic disease  
 32 hospital, and (B) "children's general hospital" means a health care  
 33 facility, as defined in section 19a-630, that is licensed by the Department  
 34 of Public Health as a short-term children's hospital. "Children's general  
 35 hospital" does not include a specialty hospital.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2026	12-263q(b)

**FIN**      *Joint Favorable*

*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

## **OFA Fiscal Note**

### **State Impact:**

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Revenue Serv., Dept.	GF - Revenue Gain	None	23 million
Social Services, Dept.	GF - Cost	None	23 million
Resources of the General Fund	GF - Revenue Gain	None	15.5 million

Note: GF=General Fund

**Municipal Impact:** None

### **Explanation**

The bill results in an estimated net revenue gain to the state of \$15.5 million annually beginning in FY 27 by extending the hospital provider tax to children's general hospitals.

It is anticipated that the bill will generate \$23 million annually in hospital provider tax revenue. It is also anticipated that there would be a corresponding hospital supplemental payment of \$23 million annually through the Department of Social Services. This anticipated hospital supplemental payment will in turn generate a federal grant revenue gain estimated to be \$15.5 million annually.

### **The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future at this rate unless modified through changes in state statute or changes in federal policy.

**OLR Bill Analysis****SB 1550*****AN ACT CONCERNING THE APPLICABILITY OF THE HOSPITAL TAX TO CHILDREN'S GENERAL HOSPITALS.*****SUMMARY**

This bill subjects children's general hospitals to the hospital provider tax starting on July 1, 2026 (FY 27). Under the bill, children's general hospitals that were exempt from the tax before July 1, 2026, must pay the tax on inpatient and outpatient hospital services at the same effective rates imposed on other hospitals. Under existing law, the effective rates for FY 27 are generally (1) 6% for inpatient hospital services and (2) 10.4858% for outpatient hospital services, based on each hospital's FY 16 audited net revenue attributed to these services. By law, these rates may be subject to specific adjustments and recalculations (e.g., if a hospital dissolves or ceases to be subject to the tax).

The bill makes a conforming change by eliminating the requirement that the Department of Social Services commissioner seek approval from the Centers for Medicare and Medicaid Services to exempt children's general hospitals from the tax.

By law, and under the bill, "children's general hospitals" are health care facilities licensed by the Department of Public Health as short-term children's hospitals. They exclude specialty hospitals.

EFFECTIVE DATE: July 1, 2026

**BACKGROUND*****Related Bill***

sSB 1246, §§ 8 & 9, favorably reported by the Finance, Revenue and Bonding Committee, updates the base year for calculating the hospital provider tax for FY 27 and after. Principally, it sets the tax rate and base

for:

1. inpatient hospital services at 6% of each hospital's audited net revenue for the applicable federal fiscal year (FFY) (e.g., FFY 24 for state FYs 27-29) attributable to these services and
2. outpatient hospital services at \$960 million, minus the total tax imposed on all hospitals for providing inpatient services, divided by the total audited net revenue for the applicable FFY attributable to outpatient hospital services of all hospitals required to pay the tax. (Beginning with FY 28, the bill requires the starting amount used to calculate the tax (\$960 million) to be increased by \$25 million over the prior fiscal year.)

#### **COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea    52    Nay    0    (04/24/2025)