
OLR Bill Analysis

HB 7008

AN ACT CONCERNING A RESEARCH AND DEVELOPMENT EXPENSES TAX CREDIT FOR PASS-THROUGH ENTITIES.

SUMMARY

This bill establishes a personal income tax credit equal to 6% of qualifying research and development (R&D) expenses a taxpayer pays or incurs per tax year. If the taxpayer is an S corporation or is treated as a partnership for federal tax purposes, its shareholders or partners may claim the credit. If it is a single-member limited liability company (LLC) that is disregarded as an entity separate from its owner, only the owner may claim the credit. Under the bill, the credit does not apply against the withholding tax.

The bill caps available credits at \$5 million per fiscal year. It also authorizes the revenue services commissioner to adopt related regulations.

Under the bill, “research and development expenses” has the same meaning as under the state’s existing corporation R&D Tax Credit Program. By law, credit-eligible R&D expenses generally include (1) certain federally deductible R&D spending a business incurs and (2) “basic research payments” it makes that are eligible for a federal R&D tax credit. (Under federal law, basic research payments include payments a business makes to qualifying nonprofit educational institutions, scientific research organizations, or grant organizations.)

In both cases, the expenditures or payments must (1) be paid or incurred by the business for R&D and basic research done in Connecticut and (2) not be funded by any grant or contract with a public or private entity, unless the entity is included in a combined return with the business paying or incurring the expenses (CGS § 12-217n(b)).

The state’s existing R&D Tax Credit Program allows businesses to

claim a credit against their corporate income tax liability that generally ranges from 1% to 6%, depending on the R&D expenses paid or incurred.

EFFECTIVE DATE: January 1, 2026, and applicable to tax years beginning on or after that date.

COMMITTEE ACTION

Commerce Committee

Joint Favorable Change of Reference - FIN
Yea 19 Nay 0 (03/13/2025)

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 52 Nay 0 (04/24/2025)