

## Corporation Business Tax Surcharge

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### Issue

Explain the corporation business tax surcharge, its history, and rationale.

This report updates, in part, OLR Report [2022-R-0019](#).

### Summary

Connecticut law currently requires certain corporation business taxpayers to pay a tax surcharge of 10% of their tax liability before tax credits are applied. The surcharge applies to companies that have more than \$250 in corporation tax liability and either (1) have at least \$100 million in annual gross income or (2) are taxable members of a combined group that files a combined unitary return, regardless of the amount of annual gross income ([CGS §§ 12-214\(b\)](#) & [12-219\(b\)](#)).

The surcharge was first enacted in 1989 as part of a group of tax increases, spending cuts, and other measures designed to close a current and projected budget deficit. Since then, it has been modified, eliminated, and reinstated multiple times. The current surcharge is scheduled to expire after the 2025 income year, but the General Assembly is considering a bill that would extend it for three additional years to the 2026 through 2028 income years ([sSB 1246](#), §§ 5 & 6).

### Surcharge History and Rationale

The corporation business tax surcharge was initially enacted in 1989. At the time, the state faced a \$247 million deficit in the current year (FY 89) and an \$882 million deficit for the coming fiscal year (“Tax Plan Approved by House: Accounting Moves Basis of Package,” *Hartford Courant*, March 23, 1989). As part of its deficit mitigation package (PA 89-16), the legislature enacted a 15% surcharge

for income years starting January 1, 1989; it increased the surcharge to 20% in a subsequent act later in session (PA 89-251). According to floor debate transcripts, when the surcharge was initially debated in the Senate, Senator O’Leary emphasized the state’s fiscal position and noted that the “business tax has not been generating the revenue we had expected.”

Since 1989, the surcharge has been modified, eliminated, and reinstated multiple times. Table 1 below shows the surcharge rate, if any, in each income year since 1989 and the applicable corporation business tax rates. (Corporations are subject to tax on the greater of the net income base method or the capital base method calculations.)

**Table 1: Corporation Business Tax Rate and Surcharge**

Income Year	Tax Rate		Surcharge (%)
	Net Income (%)	Capital Base (mills per dollar)	
1989	11.50	3.1	20
1990	11.50	3.1	20
1991	11.50	3.1	20
1992	11.50	3.1	10
1993	11.50	3.1	None
1994	11.50	3.1	None
1995	11.25	3.1	None
1996	10.75	3.1	None
1997	10.50	3.1	None
1998	9.50	3.1	None
1999	8.50	3.1	None
2000	7.50	3.1	None
2001	7.50	3.1	None
2002	7.50	3.1	None
2003	7.50	3.1	20
2004	7.50	3.1	25
2005	7.50	3.1	None
2006	7.50	3.1	20
2007	7.50	3.1	None
2008	7.50	3.1	None
2009	7.50	3.1	10
2010	7.50	3.1	10
2011	7.50	3.1	10
2012	7.50	3.1	20
2013	7.50	3.1	20

**Table 1 (continued)**

Income Year	Tax Rate		Surcharge (%)
	Net Income (%)	Capital Base (mills per dollar)	
2014	7.50	3.1	20
2015	7.50	3.1	20
2016	7.50	3.1	20
2017	7.50	3.1	20
2018	7.50	3.1	10
2019	7.50	3.1	10
2020	7.50	3.1	10
2021	7.50	3.1	10
2022	7.50	3.1	10
2023	7.50	3.1	10
2024	7.50	2.6	10
2025	7.50	2.1	10
2026	7.50	1.6	None
2027	7.50	1.1	
2028 and thereafter	7.50	0	

Sources: [CGS §§ 12-214\(a\) & \(b\)](#) and [12-219\(a\) & \(b\)](#); [OFA Tax Expenditure Report: February 2024](#)

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