



2025 Acts Affecting Taxes

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Notice to Readers

This report provides summaries of new laws (public acts) significantly affecting taxes enacted during the 2025 regular legislative session. OLR's other Acts Affecting reports, including Acts Affecting Business and Jobs, are, or will soon be, available on [OLR's website](#).

Each summary indicates the public act (PA) number. Not all provisions of the acts are included. The report does not include vetoed acts unless the veto was overridden. Complete summaries of public acts are, or will soon be, available on [OLR's website](#).

Readers are encouraged to obtain the full text of acts that interest them from the [General Assembly's website](#) or the Connecticut State Library.

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Business Taxes

Corporation Business Tax Surcharge Extended

The FY 26-27 budget and implementer act extends the 10% corporation business tax surcharge for three additional years, to the 2026 through 2028 income years. However, under the act, the surcharge that applies to the capital base tax component of the corporation business tax applies only for the 2026 and 2027 income years because the tax is scheduled to be eliminated starting in 2028 ([PA 25-168](#), §§ 356 & 357, effective upon passage).

Elimination of the Cap on a Combined Group's Tax Liability on a Unitary Basis

Starting with the 2025 income year, a new law eliminates the \$2.5 million cap on the amount a combined group's tax, calculated on a combined unitary basis, can exceed the tax it would have paid on a separate basis. It also temporarily exempts corporation business taxpayers from interest on underpayments of estimated tax for income years starting on or after January 1, 2025, but before June 30, 2025, for any additional tax due as a result of this change ([PA 25-168](#), §§ 354 & 355, effective upon passage).

Net Deferred Tax Liability Deduction Modified

Existing law allows certain combined groups, beginning with the 2026 income year, to take a corporation business tax deduction to offset certain balance sheet adjustments that resulted from the state's shift to combined reporting. The deduction is for 30 years and equals 1/30th of the amount necessary to offset the increase in their "valuation allowance" against net operating losses and tax credits in Connecticut. New legislation requires the increase in valuation allowance to be calculated based on the change reported in the combined group's financial statements for the 2015 income year, rather than the 2016 income year as prior law required ([PA 25-168](#), § 392, effective upon passage).

Net Operating Loss Deduction for Certain Combined Groups Eliminated

A new law eliminates an alternative net operating loss (NOL) deduction rule that previously applied to certain combined groups that had more than \$6 billion in NOLs from pre-2013 tax years, subjecting them to the standard NOL carry forward limitation applicable to other corporations. The new law also temporarily exempts corporation business taxpayers from interest on underpayments of estimated tax for income years starting on or after January 1, 2025, but before June 30, 2025, for any additional tax due as a result of this change ([PA 25-168](#), §§ 353 & 355, effective upon

passage; the NOL deduction provision applies to income years beginning on or after January 1, 2025).

Income Tax

CHET Program Changes

New legislation makes a number of changes to the Connecticut Higher Education Trust (CHET) program statutes, including (1) aligning the program's definitions with federal law and current practice; (2) explicitly allowing CHET account owners to make federally tax-exempt rollover distributions from their CHET accounts; and (3) eliminating the ability for taxpayers to contribute any portion of their state income tax refund to the Baby Scholars Fund and instead allowing them to contribute their refunds to the Connecticut Baby Bonds Trust ([PA 25-168](#), §§ 375-383, effective July 1, 2025).

Earned Income Tax Credit Increased for Certain Filers

Connecticut residents who qualify for, and claim, the federal earned income tax credit (EITC) may claim a refundable state EITC equal to 40% of the federal credit for the same tax year. The FY 26-27 budget and implementer act increases the credit's amount by \$250 for eligible taxpayers with at least one qualifying child for federal income tax purposes ([PA 25-168](#), § 371, effective upon passage and applicable to tax years beginning on or after January 1, 2025).

New Credit for Family Child Care Homes

Under a new law, taxpayers who own a state-licensed family child care home can receive a refundable income tax credit equal to \$500. The credit applies against the personal income tax, but not the withholding tax ([PA 25-168](#), § 372, effective January 1, 2026, and applicable to tax years starting on or after that date).

Tax Credit for Successfully Challenging Income Taxes Imposed by Other Jurisdictions

New legislation creates an income tax credit for Connecticut residents who successfully challenge another state, political subdivision, or the District of Columbia for taxing their income earned in Connecticut and denying them a refund on those taxes. Generally, the credit equals 60% of the amount of the Connecticut taxes owed because of the resulting adjustment to the credit the taxpayer received for taxes paid to the other jurisdiction. Additionally, the act exempts late income tax payments from penalties and interest if, among other things, they result from the taxpayer receiving a refund from another jurisdiction due to its "convenience of the employer rule." Under

the act, these provisions apply to tax years that began on or after January 1, 2020 ([PA 25-172](#), § 2, effective upon passage).

Withholding for Certain Retirement Income Distributions

A new law suspends the income tax withholding requirement on lump sum distributions from pensions, annuities, and other specified sources from July 1, 2025, through December 31, 2026. But it requires payers (e.g., retirement plan servicers) to withhold taxes from these distributions if the payee has requested it.

By law, a “lump sum distribution” is a payment greater than \$5,000 or more than 50% of the payee’s entire account balance, whichever is less, subject to certain exclusions. Since January 1, 2025, income tax withholding has been required for other (non-lump sum) distributions from pensions, annuities, and other specified sources only if the payee requests it ([PA 25-168](#), § 401, effective July 1, 2025).

Other State Taxes

Definition of Cigarettes Under the Cigarette Tax Law

This session, the legislature modified the definition of “cigarette” under the cigarette tax law to (1) generally align it with the definition in the tobacco master settlement agreement law (the 1998 agreement between Connecticut and leading tobacco companies) and (2) explicitly include any roll, stick, or capsule of tobacco, regardless of its shape or size, that is generally intended to be heated. By modifying the definition of cigarette for purposes of the cigarette tax, the bill potentially expands the products subject to this tax and also potentially expands the distributors, retailers, and manufacturers subject to the existing laws and restrictions on selling cigarettes in Connecticut ([PA 25-168](#), § 394, effective July 1, 2025).

Dues Tax Threshold Increased

A new law increases the threshold for annual dues and initiation fees that are exempt from the state’s 10% dues tax, from \$100 or less to \$250 or less. By law, the dues tax generally applies to amounts paid as dues or initiation fees to any social, athletic, or sporting club (i.e. organizations owned, operated, or owned and operated by members) ([PA 25-168](#), § 370, effective July 1, 2025).

Hospital Provider Tax Changes

The FY 26-27 budget and implementer act makes several changes to the hospital provider tax that take effect beginning in FY 27. Specifically, the act:

1. requires the base year on which the tax is calculated to be tied to an applicable federal fiscal year, rather than state FY 16, and makes various corresponding changes;
2. increases, by \$375 million, the total revenue on which the tax on outpatient hospital services is calculated and requires the starting amount used to calculate the tax in later years to be increased by \$25 million over the prior fiscal year;
3. requires the Department of Social Services commissioner to seek approval from the federal Centers for Medicare and Medicaid Services (CMS) to remove the exemption for children's general hospitals; and
4. makes other administrative changes to the tax ([PA 25-168](#), §§ 360 & 361, effective July 1, 2026, and applicable to calendar quarters beginning on or after that date).

Tax on Nursing Homes and Intermediate Care Facilities

New legislation terminates the quarterly user fee on nursing homes and intermediate care facilities for individuals with intellectual disabilities (ICFs) as of July 1, 2026, and instead imposes a quarterly 6% tax on their revenue. Under the act, this tax will cease to apply if CMS determines that it is an impermissible tax under federal law. If CMS issues this determination, the nursing home and ICF user fees are reinstated and apply starting with the calendar quarter during which the determination was made. The act also makes other related and conforming changes ([PA 25-168](#), §§ 359, 361, 363 & 364, effective July 1, 2026; provisions concerning the facilities' quarterly returns and payment extensions apply to calendar quarters starting on or after that date).

Property Tax and Other Local Taxes

100% P&T Veteran Property Tax Exemption

Last year, the legislature fully exempted from property tax a primary dwelling or motor vehicle for each former member of the armed services (i.e. veteran) who has a service-connected permanent and total disability rating (often referred to as "P&T rating") from the U.S. Department of Veterans Affairs (U.S. DVA). This year, the legislature specified that a veteran qualifies for the exemption if he or she is determined by the U.S. DVA to be permanently and totally disabled based on a 100% service-connected disability rating. Relatedly, it allowed municipalities that had already published their 2024 grand lists to reflect this change and make other corresponding changes to their FY 26 budgets and tax levies ([PA 25-2](#), §§ 4-6, effective upon passage and the exemption provisions are applicable to assessment years commencing on or after October 1, 2024).

The legislature made several additional changes to this exemption which include, among others, (1) authorizing municipalities to expand or limit the exemption in specified ways; (2) limiting the exemption to the portion of the dwelling the veteran actually resides in; (3) explicitly excluding

commercial and rental properties; (4) generally expanding it to cover mobile homes, dwellings possessed as tenants for life, certain leased property, and property held in trust for qualifying veterans; (5) establishing specific documentation and verification requirements; (6) making it portable to other municipalities like the other veteran-related property tax exemptions; and (7) explicitly requiring veterans to disclose if their disability rating changes ([PA 25-168](#), §§ 233-239, effective October 1, 2025, and applicable to assessment years starting on or after that date).

Certificates of Correction for Property Tax Errors

By law, assessors may issue certificates of correction to fix property tax assessment errors when (1) a clerical omission or mistake was made (e.g., a mathematical error) or (2) the assessor determines tangible personal property was taxed that should not have been (e.g., the taxpayer listed the property on his or her personal property declaration, but it belonged to someone else). New legislation allows municipalities to adopt ordinances extending the time, from three years to four years after the taxes were due, during which assessors may issue these corrections and taxpayers may claim any resulting refunds ([PA 25-73](#), §§ 3-5, effective July 1, 2025).

Exemption Deadline Waivers

Under a new law, taxpayers in six municipalities (Berlin, Canton, Manchester, Milford, New Haven, and Newington) may now claim a property tax exemption for machinery and equipment used for manufacturing, biotechnology, and recycling for specified grand lists even though they missed the filing deadline. Among other things, these taxpayers must file for the exemption by July 31, 2025, and pay the statutory late filing fee ([PA 25-175](#), §§ 8-14, effective July 1, 2025).

Exemption for Capital Region Development Authority Property

A law passed this session exempts any land and improvements the Capital Region Development Authority owns or leases from any taxes or assessments levied by any municipality, political subdivision, or special taxing district. Correspondingly, the new law deems these properties as state-owned properties for which, unless they are otherwise exempt from taxation, the state must make payment in lieu of taxes (PILOT) grants to the municipalities in which they are located ([PA 25-168](#), § 126, effective July 1, 2025).

Exemption for Class I Renewable Energy Sources

Starting with the 2025 assessment year, new legislation creates a property tax exemption for Class I renewable energy sources that consist of equipment and devices that primarily collect solar energy and generate energy by photovoltaic effect. The act limits this exemption by applying it only

to equipment and devices with the primary purpose of generating electricity and not to any real property where the equipment or devices are located or installed.

Relatedly, the act applies this same limitation to an existing property tax exemption for Class I renewable energy sources (other than nuclear power generating facilities) (1) installed on or after January 1, 2014; (2) for commercial or industrial purposes; and (3) with a nameplate capacity that does not exceed the location's load or, if the facility is participating in virtual net metering, the aggregated load of its beneficial accounts ([PA 25-173](#), § 58, effective October 1, 2025).

Exemption for Property on Reservation Land

Beginning with the 2026 assessment year, a new law establishes a property tax exemption for real property and tangible personal property located on reservation land that is held in trust for a federally recognized Indian tribe. The exemption applies regardless of ownership (i.e. it applies to Indian and non-Indian owned property) and is in addition to existing exemptions specifically for (1) reservation land held in trust by the state and (2) motor vehicles owned by tribal members or their spouses and garaged on the tribe's reservation ([PA 25-168](#), § 434, as amended by [PA 25-174](#), § 204; effective October 1, 2026, and applicable to assessment years starting on or after that date).

Farm Machinery Exemption

This session, the legislature increased, from \$100,000 to \$250,000 in assessed value, the mandatory property tax exemption for farm machinery, other than motor vehicles. As under existing law, municipalities may exempt up to an additional \$250,000 in assessed value for farm machinery by local option ([PA 25-168](#), § 455, and [PA 25-152](#), § 6; effective October 1, 2025, and applicable to assessment years beginning on or after that date).

Foreclosure and Assignment of Liens for Delinquent Sewer Assessments and Charges

A new law generally limits the foreclosure and assignment of liens for delinquent sewer assessments and charges on owner-occupied real estate by municipal and regional sewer or water pollution control authorities. But the act's restrictions do not apply to sewer lien (1) foreclosures if they are foreclosed in an action involving tax or other municipal liens and (2) assignments if tax or other municipal liens on the property are currently assigned or are being assigned at the same time. Additionally, the restrictions do not apply if a lien's principal amount exceeds \$3,000 or three years have passed since the lien was filed and it remains unpaid ([PA 25-150](#), effective October 1, 2025, and applicable to actions filed on or after that date).

Local Option Homestead Property Tax Exemption

A 2024 law authorized municipalities to exempt between 5% and 35% of the assessed value of owner-occupied single-family homes and duplexes, including condominiums and common interest community units. New legislation allows municipalities that adopt this local option homestead exemption to limit its eligibility by (1) capping the assessed value of qualifying dwellings; (2) requiring owners to have lived in the property for a specified period of time to qualify; or (3) implementing both ([PA 25-168](#), § 393, effective upon passage).

Municipal Option Veteran Property Tax Exemptions

The FY 26-27 budget and implementer act establishes two new municipal-option veteran-related property tax exemptions that provide similar benefits as the 100% P&T exemption (see above). Specifically, exemptions for (1) surviving spouses of active duty servicemembers killed in the line of duty and (2) state residents determined by U.S. DVA to have a service-connected total disability based on individual unemployability rating. Municipalities may choose to limit or expand these exemptions by (1) exempting up to two acres of the dwelling lot; (2) extending them to certain eligible surviving spouses of qualifying veterans who died before the exemption took effect; or (3) limiting the exemption amount based on the median assessed value of residential property in the municipality ([PA 25-168](#), §§ 234, 237 & 240-242, generally effective October 1, 2025).

Municipal Spending Cap Suspension

Existing law generally requires the Office of Policy and Management (OPM) to reduce a municipality's municipal revenue sharing grant if its expenditures exceed the statutory spending cap. By law, the spending cap is the greater of the inflation rate or 2.5% of the prior fiscal year's adopted budget expenditures. For FY 26, a new law prohibits OPM from reducing the grants when the cap is exceeded ([PA 25-3](#), § 2, effective October 1, 2025).

Municipal Tax Lien Assignment

The law generally gives an assignee of a municipal tax lien for unpaid taxes the same powers and rights as the municipality in terms of the lien's priority, interest accrual, and the fees and expenses of collection and to prepare and record the assignment. New legislation, however, prohibits the assignee from imposing post-charge-off charges or fees for collection costs. The act also, among other things, treats these assignees as consumer collection agencies, subjecting them to banking department requirements for these agencies ([PA 25-168](#), §§ 446-448, effective October 1, 2025).

Municipal Uniform Solar Capacity Tax

A new law establishes a municipal uniform solar capacity tax of \$10,000 per MW of nameplate capacity on certain solar photovoltaic systems that are over one MW in size and receive permission to operate from an electric distribution company or a municipal electric utility on or after July 1, 2026. The tax does not apply to systems (1) at specific locations (e.g., on state-owned land, brownfields, or residential rooftops) or (2) that are part of a microgrid serving a critical facility (e.g., hospitals, police stations, or commercial areas).

Generally, the tax applies for 20 years, but municipalities may enter agreements to stabilize or freeze it. Among other things, the act designates revenue from the tax as municipal revenue and sets an appeal process ([PA 25-173](#), § 57, effective July 1, 2026).

Optional Alternative Motor Vehicle Depreciation Schedule

Under an existing law, motor vehicles are generally valued for property tax purposes based on their manufacturer's suggested retail price (MSRP), which is then reduced according to a 20-year depreciation schedule. New legislation passed this session provides an alternative depreciation schedule that municipalities may adopt. The modified schedule generally increases, by five percentage points, the portion of a vehicle's MSRP that is subject to property tax.

For municipalities that adopt this alternative depreciation schedule, the legislation also generally authorizes them to adjust their grand lists to reflect this change and to make other corresponding changes to their FY 26 budgets and tax levies ([PA 25-2](#), §§ 2 & 3, effective upon passage and the provision on the depreciation schedule is applicable to assessment years beginning on and after October 1, 2024).

Port Eastside and Park City Landing Infrastructure Improvement Districts

This session, the legislature authorized two special taxing districts to provide services and finance infrastructure improvements in designated areas: the Port Eastside Infrastructure Improvement District in East Hartford and the Park City Landing Infrastructure Improvement District in Bridgeport. The act delineates each district's geographic boundaries and formation process, each of which is similar to the one for establishing special taxing districts under the statutes. It authorizes the districts to levy taxes, charges, and benefit assessments and, after entering into an interlocal agreement with their respective municipalities, issue and secure bonds backed by these revenues and their full faith and credit.

The act exempts the districts' revenues and real and personal property used for public purposes from state and municipal taxes and benefit assessments. It also exempts the principal and interest on their bonds from taxes except state estate and gift, franchise, and excise taxes ([PA 25-90](#), effective upon passage).

Revaluation Delays

This session, the legislature authorized Newington and Trumbull to delay a revaluation scheduled for 2025 until the 2026 assessment year if their legislative bodies approve the delay. If either town opts to do so, it must implement its next revaluation according to the schedule it was following prior to the delay ([PA 25-175](#), §§ 15 & 16, effective upon passage).

South Meadows Site

New legislation makes several changes related to the "South Meadows site," which encompasses two Hartford properties located at 300 Maxim Road and 100 Reserve Road and contains closed resource recovery and jet turbine facilities. Among other things, the act exempts the site and any personal property located there from property tax until a development or redevelopment project is started there and requires the state to include the site as a basis for any state PILOT grant to Hartford for PILOTs made on or after June 30, 2025, until the site is redeveloped ([PA 25-168](#), §§ 435-442 & 456, and [PA 25-174](#), §§ 228-232, effective June 30, 2025).

Sales and Use Tax

Ambulances

This session, the legislature exempted the following vehicles from sales and use tax: (1) ambulance-type vehicles used exclusively to transport medically incapacitated individuals, except those used to transport these individuals for payment, and (2) ambulances operating under a license or certificate issued by the Department of Public Health ([PA 25-168](#), § 368, effective July 1, 2025, and applicable to sales occurring on or after that date).

Certain Aircraft Industry Joint Ventures

A new law extends, from 40 to 50 consecutive years, the duration of the sales tax exemption for specified business services rendered between participants in certain kinds of joint ventures in the aircraft industry that existed before January 1, 1986. By law, the exemption for all other qualifying joint ventures is for 20 consecutive years from the date the joint venture is formed, incorporated, or organized ([PA 25-168](#), § 369, effective July 1, 2025).

Precious Metals and Rare or Antique Coins

New legislation modifies the current sales and use tax exemption on certain sales of rare or antique coins, gold or silver bullion, and gold or silver legal tender of any nation, traded according to their value as precious metals by (1) applying it to all sales, instead of just those valued at \$1,000 or more; (2) extending it to sales of palladium bullion and platinum; and (3) limiting the gold and silver bullion exemption to those with a purity level of at least 90% ([PA 25-168](#), § 444, effective July 1, 2027, and applicable to sales occurring on or after that date).

Tax Administration and Enforcement

Cigarette Dealer Licenses and Renewals

Existing law allows municipalities to adopt ordinances requiring anyone applying to renew a cigarette dealer's license with the Department of Revenue Services (DRS) to simultaneously give written notice of the application to the municipality's chief law enforcement official or his or her designee. New legislation requires, rather than allows, the official or designee to send written comments on the application to the DRS commissioner within 15 days after receiving the notice. It also requires the DRS commissioner to provide a detailed, written response to these comments before approving or denying the application. The same legislation also expands the types of objections town residents may file with DRS on the suitability of a cigarette dealer's proposed or current business location to include issues controlled by local zoning ([PA 25-166](#), §§ 1 & 2, effective July 1, 2025).

E-Cigarette Shipping and Transporting Restrictions

A new law places restrictions on in-state shipping and transporting of e-cigarettes that are similar to those in law for cigarettes and makes a first violation of these provisions a class B misdemeanor and subsequent violations a class A misdemeanor. It also authorizes the DRS commissioner to impose a maximum civil penalty of \$10,000 for each violation, where each shipment or transport is a separate offense ([PA 25-168](#), § 395, effective July 1, 2025).

After several months, separate new legislation repeals the other law's provisions and replaces them with substantially similar ones. However, it subjects violators to different penalties, including removing the criminal penalties, and makes violations an unfair trade practice under the Connecticut Unfair Trade Practices Act ([PA 25-166](#), §§ 5, 6, 44 & 45, effective October 1, 2025).

Pilot Program to Collect Certain Delinquent State Taxes

Under a new law, the OPM secretary and DRS commissioner must set up a pilot program to collect unpaid state taxes, penalties, and interest due from anyone receiving payments from a state

agency (i.e. any state department, board, council, commission, institution, or other state executive branch agency). They must (1) design the program to minimize the administrative burdens on DRS and other state agencies and (2) present it to the Finance, Revenue and Bonding Committee by January 1, 2026 ([PA 25-168](#), § 397, effective upon passage).

Price Caps on Identified Prescription Drugs and Penalties for Violations

New legislation (1) caps the price at which pharmaceutical manufacturers and wholesale distributors may sell identified prescription drugs (e.g., generic drugs) in the state; (2) generally imposes a civil penalty on violators; (3) requires the DRS commissioner to impose, calculate, and collect the penalty on a calendar year basis; and (4) creates a process for penalty disputes. Under the act, the civil penalty is (1) excluded from Medicaid provider tax calculations, (2) cannot be waived by the Penalty Review Committee under existing law or any other applicable law, and (3) cannot be reduced by applying a tax credit.

Starting by July 1, 2027, the act requires the DRS commissioner to (1) annually prepare a list of the pharmaceutical manufacturers and wholesale distributors that violated the identified prescription drug price cap-related provisions during the preceding calendar year and (2) make each annual list publicly available ([PA 25-168](#), §§ 345-347, effective July 1, 2025).

Revenue Accrual

Beginning in FY 26, a new law authorizes the state comptroller to record revenue from certain taxes received within five business days after July 31 as revenue for the preceding fiscal year. Specifically, it applies to the taxes on (1) tobacco products and (2) sales and transfers of a controlling interest in specific corporate entities. By law, the same revenue accrual rules apply to payments from other state taxes ([PA 25-168](#), §§ 365 & 366, effective July 1, 2025).

Shellfish Tax Filings and Appeal Rights

A new act requires the owner of shellfish grounds or a franchise within the state's exclusive jurisdiction to certify to the agriculture commissioner that he or she completed all required business and shellfish-related state tax filings for the prior year. It also grants appeal rights to shellfish grounds owners and franchise holders aggrieved by any commissioner actions under the state law that allows the taxation of shellfish grounds. Appeals must be made to the Superior Court in the judicial district where the franchise or ground is located or the owner appealing resides ([PA 25-152](#), §§ 15 & 16, effective upon passage).

Tax Credits and Incentives

CHET Contribution Tax Credit Established

This session, the legislature established a new business tax credit for contributions employers make to a qualifying employee's CHET account. The credit equals 25% of the employer's contribution and is capped at \$500 per employee per income or tax year. Taxpayers may apply the credit against the corporation business, insurance premiums, or personal income taxes (but not the withholding tax) ([PA 25-168](#), § 374, effective July 1, 2025, and applicable to income and tax years starting on or after January 1, 2025).

Digital Animation Tax Credit Repealed

The legislature repealed the digital animation tax credit, which was previously available to eligible companies with in-state studio facilities and 200 or more in-state employees that incurred eligible production expenses and costs in Connecticut. No credits have been issued under this program since 2016 ([PA 25-165](#), §§ 3 & 10-13, most provisions effective upon passage; [PA 25-168](#), §§ 63-66 & 68, effective upon passage).

Exemptions From Nonrelocation Agreements Requirements

Under existing law, the Department of Economic and Community Development (DECD) and Connecticut Innovations, Inc. (CI) generally must require nonrelocation agreements as a condition of any financial assistance they provide. A new law makes any tax credit programs administered by DECD or CI exempt from these nonrelocation agreement requirements ([PA 25-165](#), § 7, effective July 1, 2025).

Farm Investment Tax Credit Established

During the 2025 session, the legislature created a new refundable business tax credit for farmers' investments in eligible machinery, equipment, and buildings. The credit equals 20% of the amount a farmer spends or incurs on this eligible property and may be applied against the corporation business or personal income taxes. The act sets eligibility criteria for credit-eligible investments and requires farmers to derive a specified percentage of their total income from farming in order to qualify. It also requires all or part of the credit to be repaid under certain conditions for five years after the property is acquired ([PA 25-168](#), § 373, and [PA 25-152](#), § 5, effective January 1, 2026, and applicable to income and tax years beginning on or after that date).

Film and Digital Media Production and Film Infrastructure Tax Credit Program Changes

The legislature made several administrative changes to the state's tax credit programs for film and digital media production and film infrastructure. Specifically, a new law:

1. exempts eligible production companies that produce an interactive website from the requirement that they conduct at least 50% of their principal photography days in Connecticut or incur at least 50% or at least \$1 million of their post-production costs in the state in order to qualify for the film and digital media production tax credit;
2. requires all eligible production companies to apply to DECD for a film and digital media production credit voucher within 90 days after completing an independent certification of their production costs, rather than within 90 days after incurring their last production expense;
3. specifies that the administrative fee DECD charges to cover the department's costs to analyze film and digital media and film infrastructure tax credit applications is nonrefundable; and
4. allows, rather than requires as under prior law, DECD to adopt regulations to administer these film tax credit programs ([PA 25-165](#), §§ 3 & 4, effective July 1, 2025; the film and digital media tax credit provisions apply to applications open or filed on or after that date).

Housing Tax Credit Contribution Program Procedures

This session, the legislature eliminated the requirement that the DRS commissioner approve the Connecticut Housing Finance Authority's (CHFA) written procedures to implement the Housing Tax Credit Contribution program. By law, CHFA administers this program, which provides tax credits to businesses making cash contributions of at least \$250 to nonprofits that develop, sponsor, or manage housing programs benefitting low- and moderate-income households. The law requires CHFA to adopt written procedures to implement the program, including a ranking system for awarding the tax credits ([PA 25-168](#), § 398, effective upon passage).

JobsCT Tax Rebate Program Application Preferences

Legislation passed this session authorizes the DECD commissioner to give preference to JobsCT tax rebate program applications that (1) make significant investments in environmentally sustainable practices (e.g., zero-carbon energy and energy efficiency); (2) are in economic sectors such as renewable energy, energy efficiency, and zero-emission vehicles; or (3) are for farming operations that are sustainable from a climate perspective ([PA 25-125](#), § 4, effective July 1, 2025).

R&D and R&E Tax Credits for Qualifying LLCs

Corporations that incur eligible research and development (R&D) spending in Connecticut may qualify for one of two state business tax credits, namely the R&D credit or research and experimental expenditures (R&E) credit. Under a new law, a single member limited liability company (LLC) that meets specified employment and industry parameters may also earn these credits for its eligible R&D spending and, in turn, its corporate owner may use the credits against its corporation business tax liability ([PA 25-165](#), §§ 1 & 2, and [PA 25-168](#), §§ 58 & 59, effective upon passage and applicable to income and tax years beginning on or after January 1, 2025).

Refund Value of R&D and R&E Credits for Qualifying Small Biotechnology Companies

A new law increases the cash refund a qualifying small biotechnology company may receive for R&D and R&E tax credits from 65% to 90% of the credit amount. By law, this refund is available to qualified small businesses that earn R&D and R&E tax credits for R&D expenditures but cannot use them because they have no corporation business tax liability ([PA 25-168](#), § 358, effective July 1, 2025, and applicable to income years beginning on or after January 1, 2025).

UConn Tax Credit Incentive Program Established

New legislation authorizes UConn to set up and administer a tax credit incentive program to promote and publicly recognize the university and its programs, services, and mission. The act creates a tax credit for amounts people, businesses, and entities pay UConn according to a written agreement with the university under this program. The credit equals 50% of the payments made for the tax or income year, as applicable, and is capped at \$500,000 per taxpayer for each tax or income year. The act caps the total credits allowed for each calendar year at \$5 million ([PA 25-168](#), §§ 384 & 385, effective upon passage and applicable to tax and income years beginning on or after January 1, 2025).

Workforce Housing Opportunity Tax Credit Rate

Starting in the 2025 tax year, the law establishes a tax credit administered by the Department of Housing (DOH) for people and entities making cash contributions of at least \$250 to eligible developers building or rehabilitating qualifying workforce housing opportunity development projects in federally designated opportunity zones. A new law sets this tax credit at 50% of eligible cash contributions, rather than an amount specified by the DOH commissioner as prior law required ([PA 25-168](#), § 97, effective upon passage, and applicable to income and tax years beginning on or after January 1, 2025).

Youth Development Organization Tax Credit

Existing law allows a tax credit for the 2024 and 2025 income and tax years for cash contributions individuals and businesses make to eligible youth development organizations to fund programs like afterschool tutoring, mentoring, and workforce preparedness training. A new law limits the donations that qualify for this tax credit to those made to eligible organizations in Connecticut. Under prior law, donations made to any eligible nonprofit, regardless of where it was located, qualified for the credit ([PA 25-168](#), § 54, effective upon passage, and applicable to applications filed on or after that date).

Tax Studies

Defending Connecticut Residents From Income Taxes Imposed by Other Jurisdictions

A new law requires the attorney general to study specific steps his office, the governor's office, and the General Assembly can take to defend Connecticut residents from having taxes imposed by another jurisdiction on income derived from services rendered while they were in Connecticut. By January 1, 2026, he must submit a report with findings and recommendations to the Finance, Revenue and Bonding Committee ([PA 25-172](#), § 1, effective upon passage).

DRS Tax Gap Report

Prior law required DRS to annually estimate and analyze the state's "tax gap," develop a strategy to address it, and report certain information to the legislature. A new law delays the next required tax gap report by one year, from December 15, 2025, to December 15, 2026, and requires DRS to submit subsequent reports every two years, rather than annually ([PA 25-168](#), § 387, effective upon passage).

DRS Tax Incidence Report

Existing law requires DRS to produce a biennial tax incidence report that provides, for the 10 most recent years for which complete data are available, the overall incidence of specified taxes. Starting with the report due in 2025, a new law limits, from every two years to every four years, the frequency with which the report must include incidence projections for the property tax and any other tax that generated \$100 million or more in the fiscal year before the report's submission. As under existing law, each biennial report must continue to include projections of the income tax, pass-through entity tax, sales and excise taxes, and corporation business tax ([PA 25-168](#), § 388, effective upon passage).

Fiscal Accountability Reports

This session, the legislature changed specified components of the annual legislative reports OPM and the Office of Fiscal Analysis must submit on revenue and spending estimates for the current biennium and the three following fiscal years, commonly known as the fiscal accountability reports. Among the changes, the new law requires the reports to include an analysis of the state's preparedness for plausible recession scenarios, including (1) estimating the size of multiyear budget deficits from revenue declines and other contingencies and (2) assessing whether the Budget Reserve Fund and other state resources are enough to address these deficits. It also requires the reports to estimate the material and likely changes to nonfixed costs, in addition to spending changes due to fixed cost drivers, as existing law requires ([PA 25-140](#), effective upon passage).

Sourcing Revenue to Municipalities

Under a new law, starting with FY 26, the DRS commissioner must track and record the source of state sales and use, personal income, and corporation business tax revenue to accurately and fairly attribute the revenue from each of these taxes to municipalities. He must determine the sourcing method for attributing this revenue to each municipality, subject to certain requirements.

The new law also requires taxpayers paying these taxes to provide disaggregated information and any other data the commissioner requests to carry out these requirements. Annually, starting by October 31, 2026, the commissioner must post on DRS's website a list of all municipalities and the amount of revenue from each of these taxes attributed to each one for the applicable fiscal year. ([PA 25-168](#), § 391, effective upon passage).

Veterans' Property Tax Exemption Study

The legislature passed a law this year requiring the state Department of Veterans Affairs to enter into a memorandum of understanding with UConn for their School of Public Policy to conduct a study on veteran property tax exemptions, including modifying the exemption amounts and income limits. By January 1, 2027, the law requires UConn to report its findings and recommendations for legislation to the Appropriations; Finance, Revenue and Bonding; Planning and Development; and Veterans' and Military Affairs committees ([PA 25-95](#), § 17, effective July 1, 2025).

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