
OLR Bill Analysis

sSB 9 (File 449, as amended by Senate "A" and "B")*

AN ACT SUPPORTING COMMUTERS AND MICROTRANSIT SERVICES.

SUMMARY

This bill makes various changes in laws related to, among other things, commuters, transit, and the Department of Transportation (DOT), including:

1. allowing certain employers to claim tax credits for providing qualifying transportation benefits to employees for commuting to and from work (§ 1);
2. requiring the DOT commissioner, in consultation with chambers of commerce and community-based and business advocacy organizations, to create a related public awareness campaign for employers (§ 2);
3. repealing statutes on an inactive, DOT-administered voluntary traffic reduction program for certain employers that includes a tax credit incentive (§ 10);
4. requiring the DOT commissioner, by January 1, 2027, to submit a report to the Transportation Committee detailing (a) the status of potential transit-oriented development (TOD) sites, (b) request for proposals timelines for these TOD developments (including for reviewing and evaluating the responses), and (c) the estimated number of housing units associated with these potential TOD developments (§ 3);
5. extending, from two to three years, the length of DOT's microtransit pilot program (for multi-passenger vehicles that use a digital network or software to offer fixed or dynamic routes) and delaying the date by which DOT must report on the program

to the Transportation Committee, from January 1, 2025, to January 1, 2028 (§ 4);

6. requiring DOT to (a) make available \$4 million of its FY 27 rail operations appropriation from the Special Transportation Fund (STF) under PA 25-168 for the Shore Line East rail line in FY 27 and (b) spend \$3 million of this funding in FY 27 to increase service on this line (§ 5);
7. specifying that current law's notice requirements for DOT mass transit fare changes only apply to fare increases, and modifying how the department must advertise the notice (§§ 6 & 9); and
8. requiring the (a) State Department of Education (SDE) to administer a free bus pass program for students and (b) Department of Veterans Affairs (DVA) to provide free bus passes for veterans (§§ 7 & 8).

*Senate Amendment "A" removes an FY 27 appropriation to DOT from the STF for extending its microtransit pilot program.

*Senate Amendment "B" replaces the underlying bill, and in doing so, (1) modifies the qualified commuter transportation benefit tax credit program and (2) adds the provisions related to Shore Line East, notice of mass transit fare changes, and free bus passes.

EFFECTIVE DATE: July 1, 2026, except the provisions (1) establishing new tax credits are effective January 1, 2027, and applicable to income years starting on or after that date; (2) on (a) a related tax credit public awareness campaign and (b) Shore Line East are effective upon passage; (3) on (a) transit-oriented development and (b) transit fare changes are effective October 1, 2026; and (4) repealing statutes on an inactive DOT program are effective January 1, 2027.

QUALIFIED COMMUTER TRANSPORTATION BENEFIT TAX CREDITS

Starting with the 2027 income year, the bill allows an eligible employer to claim a tax credit for the first five income years in which the

employer provides a qualified commuter transportation benefit according to an “approved commuter benefit plan” (a written proposal submitted by the employer and approved by the DOT commissioner). Employers can claim these credits against the corporation business tax, insurance premium tax, or affected business entity tax. These employer-provided benefits must generally be for an employee’s commute between home and work, including for:

1. participation in the CTpass program for state agency employees, which provides discounted monthly local bus passes, and
2. any other qualified transportation fringe under federal law.

Under the bill, fuel or mileage reimbursement for commuting to and from work in a single-occupancy vehicle are not qualifying benefits.

Eligible employers must (1) be an entity licensed to operate in Connecticut that is subject to the corporation business tax, insurance premium tax, or affected business entity tax; (2) have at least five employees in the state (based on their average employee number during the prior 12 months); and (3) provide benefits as described above.

Tax Credit Amount, Application, and Approval

Under the bill, an eligible employer may claim a tax credit in an amount equal to (1) 25% of the qualified commuter benefit expenditures made in the first income year in which these expenditures are made, (2) 20% in the second income year, (3) 15% in the third income year, (4) 10% in the fourth income year, and (5) 5% in the fifth income year. “Qualified commuter benefit expenditures” are amounts an eligible employer pays or incurs during the income year to provide a qualified commuter transportation benefit to participating employees under an approved commuter benefit plan.

The bill caps the total amount of these tax credits that the DOT commissioner can reserve at \$7.5 million. Credits may be carried forward and credited against the taxes imposed for the three immediately succeeding income years or until the full credit has been allowed, whichever happens first. They may also be sold, assigned, or

otherwise transferred (in whole or in part) to one or more taxpayers subject to corporation business tax (who may also sell, assign, or transfer the credits).

To claim the credit, an eligible employer must apply to the DOT commissioner. Applications must describe the eligible employer's proposed commuter benefit plan and include:

1. the type of qualified commuter transportation benefits the employer will create or expand,
2. the projected qualified commuter benefit expenditures over the five-year period,
3. the number of "participating employees" expected to be covered (those who work at least 20 hours per week in the state and receive qualified commuter transportation benefits), and
4. any additional information the commissioner requires.

After the commissioner approves an employer's application and commuter benefit plan, he must determine and reserve the credit amount the employer will be entitled to claim over the five-year period.

Verification and Compliance

Under the bill, an eligible employer must submit documentation to the DOT commissioner on an annual basis that shows actual qualified commuter transportation benefit expenditures made according to the approved commuter benefit plan. After verifying these expenditures, the commissioner must issue the employer a voucher in the amount of the applicable credit percentage as discussed above.

If an eligible employer notifies the DOT commissioner that it is ending its approved plan or does not submit the required annual documentation within a reasonable time period (as set by the commissioner), he must give the employer a written notice of noncompliance. If the employer fails to address this within 90 days after the notice, the commissioner must revoke approval of the plan and any

reserved credit associated with the employer.

The bill allows the DOT and revenue services commissioners to examine any books, papers, or records related to an approved commuter benefit plan or any credit claimed under the bill, to verify compliance and accuracy.

Repeal of DOT Voluntary Traffic Reduction Program

Relatedly, the bill also repeals several statutes on an inactive DOT-administered voluntary traffic reduction program related to achieving the Clean Air Act's goals. Under current law, this program allows certain employers to submit plans to DOT describing the steps they will take to (1) reduce employees' single-occupancy vehicle trips to and from work and (2) relieve traffic congestion. Current law makes these employers eligible for certain incentives if DOT approves their plans, including tax credits that may be claimed against the corporation business tax. (In practice, an employer has not claimed such a credit since 2005.)

Among other things, the bill repeals statutes that (1) require the labor commissioner to give DOT information needed to carry out its responsibilities under the Clean Air Act and (2) specify how DOT must use certain federal funding, including requiring that a portion be used for the voluntary traffic reduction program.

DOT MASS TRANSIT FARE INCREASE NOTICE

The bill specifies that (1) a provision of current law requiring DOT to follow a notice process before changing fares for mass land transportation (rail and bus services) only applies to fare increases and (2) the notice must include both the date and time the increase will take effect, rather than just the date as under current law.

The bill also modifies how DOT must advertise this notice by requiring the department to do so in one or more newspapers with circulation in all areas that would be affected by the proposed fare increase. Under current law, DOT must do so in at least one newspaper with general circulation in all areas of the state that may be affected by

the fare change. As under existing law, unchanged by the bill, DOT must advertise this notice at least once.

The bill specifies that the advertised notice must include the date (in addition to the time and place as current law requires) that a public hearing will be held on the proposed fare increase.

Additionally, the bill makes a technical change by specifying that the Uniform Administrative Procedure Act (UAPA) does not apply to the law on mass land transportation fare changes. Existing law on these fare changes already exempts them from UAPA.

FREE BUS PASS PROGRAM FOR STUDENTS

The bill requires SDE to administer a program to give local or regional boards of education (“school boards”) grants for (1) purchasing passes for state-owned or -controlled public buses (CTtransit buses) and (2) distributing them without cost to their public school students in grades 9-12.

The bill authorizes SDE to develop guidelines and grant criteria needed to administer the program, including setting the application process. Each school board that receives a grant must submit to SDE any reports and financial statements the department requires. If SDE finds that a grant is being used for purposes not allowed by the bill, the department may require the school board to repay the state.

The bill requires SDE, starting by July 1, 2027, to annually report on the program to the Education and Transportation committees, including on the number of grants it awarded during the prior year and the program’s impact on student outcomes.

FREE BUS PASSES FOR VETERANS

The bill requires DVA to purchase passes for CTtransit buses and distribute them without cost to Connecticut veterans. It relatedly (1) requires veterans to apply to DVA for the bus passes and (2) allows DVA to develop guidelines and criteria needed to distribute the passes, including setting the application process.

The bill requires DVA, starting by July 1, 2027, to annually report to the Veterans' and Military Affairs and Transportation committees on the number of passes it purchased and distributed during the prior year and the impact on veterans.

Under the bill, a "veteran" is anyone honorably discharged or released under honorable conditions, or released with an other than honorable discharge based on a qualifying condition, from active service in the armed forces (the U.S. Army, Navy, Marine Corps, Coast Guard, Space Force, Air Force, and any of their reserve components, including the Connecticut National Guard when under federal service) (CGS § 27-103).

BACKGROUND

Related Law on School Board Bus Passes

PA 25-65 (§ 37) allows school boards to (1) purchase passes for CT transit buses at a discounted rate and (2) distribute them at no cost to their public school students in grades 9-12 or sell them to these students at cost or for a reduced cost (codified at CGS § 13b-38j(c)).

Related Bill

sSB 237 (File 453), reported favorably by the Transportation and Appropriations committees, has identical provisions on (1) notice of mass transit fare changes (§§ 3 & 7) and (2) bus passes (§§ 4 & 5).

COMMITTEE ACTION

Transportation Committee

Joint Favorable Substitute

Yea 32 Nay 4 (03/16/2026)

Appropriations Committee

Joint Favorable

Yea 53 Nay 0 (04/17/2026)

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 48 Nay 0 (04/27/2026)