CONNECTICUT GENERAL ASSEMBLY

Office of Fiscal Analysis Office of Legislative Research

TO: Members of the Finance, Revenue and Bonding Committee

FROM: OFA & OLR Staff

RE: Items for April 22, 2021 Agenda

BILLS FOR REVIEW

1. **S.B. No. 887 (COMM) AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS, TRANSPORTATION AND OTHER PURPOSES. (FIN)**

Fiscal Impact: Changes bond authorizations; see associated attached materials

2. **H.B. No. 6443 (COMM) AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET. (FIN)**

Summary:

- makes permanent the 10% corporation business tax surcharge, which under current law expires after the 2020 income year
- increases, from 50.01% to 70%, the amount by which a company may reduce its corporation business tax liability using R&D credits
- increases the aggregate cap on Invest CT tax credits by $200 million, from $350 million to $550 million
- allows film and digital media production tax credits to be claimed against the sales and use tax (1) if there is common ownership of at least 50% between the transferor and transferee and (2) at 92% of face value
- terminates the 6% ambulatory surgical centers (ASC) gross receipts tax and instead subjects ASC services to 6.35% sales tax, subject to certain exclusions; authorizes a refundable state tax credit against the sales and use tax for ASCs; From July 1, 2020, to July 1, 2021, allows ASCs to deduct certain COVID-19 expenses from their gross receipts for purposes of the ASC gross receipts tax
- allows certain businesses (e.g., hotels, restaurants, and bars) to keep 13.6% of the 7.35% sales tax they collect on sales of meals and beverages for FY 22
- eliminates the admissions tax as of July 1, 2021, limiting the tax to dues only
- exempts breastfeeding supplies from sales and use tax
- increases the state earned income tax credit (EITC) from 23% to 40% of the federal credit and requires it to be funded through the Connecticut Equitable Investment Fund
- establishes a child tax credit against the personal income tax for resident taxpayers with qualifying incomes

- extends the existing pension and annuity income tax exemption to include income from individual retirement accounts
- imposes a 2% surcharge on net gain from the sale or exchange of capital assets (i.e., capital gains) for taxpayers with incomes above specified thresholds; applies to taxpayers with Connecticut taxable income over (1) $500,000 for single filers and married individuals filing separately, (2) $800,000 for heads of households, and (3) $1,000,000 for married joint filers and surviving spouses.
- generally requires state agencies accepting credit, debit, or charge card payments to (1) charge payors a service fee for doing so and (2) disclose the fee to payors before imposing it, in accordance with any disclosure requirements set by the card issuer or processor
- extends the limited eligibility for the property tax credit against the personal income tax to the 2021 and 2022 tax years
- beginning January 1, 2023, imposes a highway use tax (HUT) on carriers operating certain motor vehicles (generally, vehicles with trailers and a gross weight over 26,000 pounds) on roads in Connecticut. The tax is imposed as a per-mile rate that ranges from $0.025 to $0.175, depending on gross weight, and tax revenue is deposited into the STF
- requires the comptroller to transfer, from the General Fund to the Tourism Fund, $9.8 million for FY 21 and $3.1 million for FY 22
- deems that $1 is appropriated in FYs 22 and 23 to pay off the General Fund's unassigned negative balances (i.e., Generally Accepted Accounting Principles (GAAP) deficits)
- transfers FY 21 General Fund surplus to FYs 22 and 23 ($117.5 million in each FY)
- requires the comptroller to transfer, from the BRF to the General Fund, (1) $890 million to be used as FY 22 revenue and (2) $995 million to be used as FY 23 revenue; he must reduce these transfers by the amount of any federal aid the state receives that is used to reduce state budgetary requirements for the fiscal year
- requires the DRS commissioner to establish a tax amnesty program for individuals, businesses, or other taxpayers that owe Connecticut state taxes (other than motor carrier road taxes) to DRS; eligible taxpayers may receive a 75% reduction in the interest that would otherwise be due
- imposes a new tax on the gross revenue companies derive from digital advertising services in the state; tax rate is graduated and ranges from 2.5% for companies with global annual gross revenues of $100 million to $1 billion to 10% for companies with annual gross revenues greater than $15 billion
- establishes a voluntary wage compensation tax program under which eligible employees and vendors may elect to have their employers pay a 5% tax on their wages or compensation; electing employees and vendors are allowed a refundable credit against their personal income tax equal to 95% of the taxes paid by the employer; also allows electing employees to deduct, for personal income tax purposes, the amount of contributions they made during the tax year to a Roth IRA
- imposes a new consumption tax on state residents with federal adjusted gross incomes (AGI) of at least $500,000; the tax rate ranges from 0.7% for taxpayers with federal AGIs between $500,000 and $2 million to 1.5% for taxpayers with federal AGIs of $13 million or more
- requires the Connecticut Lottery Corporation (CLC) to establish a program to sell lottery tickets for lottery draw games through its website, an online service, or mobile application (i.e., online lottery)
- establishes a new fund, the Connecticut Equitable Investment Fund, to receive, invest, and distribute specified revenue and private investments and creates a nine-member council to manage and oversee the fund for specified purposes; directs to the fund revenue from (1) the wage

compensation, consumption, and digital advertising taxes established under the bill; (2) any private investments made by state residents to be invested in venture capital firms in the state; and (3) any taxes collected and retained by the state on or after July 1, 2021, on recreational cannabis and cannabis products and online wagering

- expands the existing estate tax reduction for decedents that made qualifying investments; allows the deduction for investments made in the Connecticut Equitable Fund and eliminates the $30 million cap on the total amount of reductions allowed under this program

Fiscal Impact:

Summary Impact in $ millions				
	FY 21	FY 22	FY 23	FY 24
General Fund (GF)	(244.8)	1,262.5	1,434.2	8.1
Tourism Fund (Tour)	9.8	3.1	-	-
Special Transportation Fund (STF)	-	-	47.5	92.5
Equitable Investment Fund (EIF)	-	486.2	547.8	563.6
Total	(235.0)	1,751.8	2,029.5	664.2

item #	Policy	Fund	FY 21	FY 22	FY 23	FY 24
1	Maintain 10% Tax Surcharge	GF	-	80.0	50.0	50.0
2	Restore the R&D tax credit to 70% of liability	GF	-	(31.4)	(21.5)	(21.5)
3	Raise the aggregate cap on the Insurance Reinvestment Fund	GF	-	-	-	-
4	Expand potential use of the Film Production Tax credit (at a discount)	GF	-	0.8	1.6	1.6
5	Adjust Ambulatory Surgical Center Tax - SB 1107	GF	-	(6.4)	(6.4)	(6.4)
6	Provide that restaurants retain the 1% 'meals tax' revenue in FY 22	GF	-	(49.5)	-	-
7	Eliminate admissions tax	GF	-	(17.0)	(17.0)	(17.0)
8	Exempt breast feeding supplies from sales tax	GF	-	(0.5)	(0.5)	(0.5)
8	Exempt breast feeding supplies from sales tax	STF	-	-	-	-
9	Adjust EITC rate	EIF	-	(76.9)	(76.9)	(76.9)
10	Shift existing EITC to the equitable investment fund	EIF		(104.0)	(107.0)	(110.1)
10	Shift existing EITC to the equitable investment fund	GF		104.0	107.0	110.1
11	Establish a state child tax credit	GF	-	-	(150.0)	(300.0)

item #	Policy	Fund	FY 21	FY 22	FY 23	FY 24
12	Extend existing tax exemption for pensions/annuities to IRAs	GF	-	-	(40.1)	(38.7)
13	Impose a surcharge on capital gains	GF	-	-	262.0	262.0
14	Impose Convenience Fee for Credit/Debit Card Use	GF	-	-	2.5	2.5
14	Impose Convenience Fee for Credit/Debit Card Use	STF	-	-	2.5	2.5
15	Maintain current eligibility on the Property Tax Credit	GF	-	53.0	53.0	-
16	Implement Highway Use Tax	STF	-	-	45.0	90.0
17	Transfer to the Tourism Fund	GF	(9.8)	(3.1)	-	-
17	Transfer to the Tourism Fund	Tour	9.8	3.1	-	-
18	Delay GAAP Deficit Payment to FY 2024	GF	-	85.1	85.1	(34.0)
19	Transfer FY 21 General Fund surplus	GF	(235.0)	117.5	117.5	-
20	Federal Stimulus/Transfer from Budget Reserve Fund	GF	-	890.0	995.0	-
21	DRS Tax Amnesty Program	GF	-	40.0	(4.0)	-
22	Establish a social media advertising tax	EIF	-	150.0	162.0	175.0
23	Establish a voluntary wage compensation tax program	EIF		-	50.0	50.0
24	NEW consumption tax	EIF		500.0	500.0	500.0
25	i-Lottery - Draw Games	EIF	-	17.1	19.7	25.6

3. S.B. No. 1077 **(RAISED) AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR TAX ADMINISTRATION AND REVISIONS TO THE TAX AND RELATED STATUTES. (FIN)**

Summary:

- This bill makes the following tax-related changes:
  - codifies an existing Department of Revenue Services (DRS) policy by allowing pass-through entities to elect to remit composite income tax on behalf of their nonresident members (§§ 1 & 2)
  - makes technical corrections to the estate and gift tax laws (§§3-5)
  - modifies the conveyance tax credit that applies against the personal income tax (§ 6)
  - generally prohibits taxpayers from filing refund claims for closed audit periods (§ 7)
  - establishes conditions under which taxpayers must file amended income tax returns, and may file claims for refunds, as a result of certain changes and corrections made by another qualifying jurisdiction (§§ 8 & 9)
  - modifies the responsible party penalty for income tax withholding (§ 10)

- establishes conditions under which the DRS commissioner and DRS special policemen may disclose specified tax return information in connection with criminal investigations (§ 11 & 12)
- designates DRS special policemen as "peace officers," thus giving them certain powers and legal protections under state law (§ 13)

- EFFECTIVE DATE: Upon passage, except the technical corrections to the estate and gift tax laws are effective October 1, 2021, and the amended tax return provisions apply to tax years beginning on or after January 1, 2021.

Fiscal Impact:

- No fiscal impact; the changes are clarifying, technical, and/or procedural in nature.

4. H.B. No. 6630 (RAISED) AN ACT CONCERNING THE RATE OF THE REAL ESTATE CONVEYANCE TAX ON CERTAIN CONVEYANCES. (FIN)

Summary:

- This bill decreases the real estate conveyance tax rate on certain high-value new homes conveyed by (1) a new home construction contractor with a current valid certificate or (2) any business that has housing as one of its purposes. Under current law, the tax rate for residential dwellings is:
  - 0.75% for the portion of the sales price that is less than or equal to $800,000;
  - 1.25% for the portion of the sales price that exceeds $800,000 and is less than or equal to $2.5 million; and
  - 2.25% for the portion of the sales price that exceeds $2.5 million
- Under the bill, the new home conveyances described above are subject to a 1.25% rate for the entire portion of the sales price that exceeds $800,000, and are thus exempt from the 2.25% rate.
- EFFECTIVE DATE: July 1, 2021

Fiscal Impact:

- $3 million revenue loss annually beginning in FY 22

5. H.B. No. 6629 (RAISED) AN ACT CONCERNING THE COLLECTION AND REMITTANCE OF THE E 9-1-1 FEE BY MARKETPLACE FACILITATORS. (FIN)

Summary:

- This bill makes marketplace facilitators retailers for purposes of collecting and remitting the prepaid wireless E-911 fee, which supports the state's Enhanced 911 program.
- By law, this fee is levied on each sale of prepaid wireless telecommunications service by a retailer. Retailers may keep 1% of the amount collected and must remit the balance to the state.
- Marketplace facilitators are generally businesses that (1) facilitate retail sales for sellers by providing a forum that lists or advertises the sellers' goods and services and (2) collect receipts from customers and remit payments to sellers.
- EFFECTIVE DATE: July 1, 2022, and applicable to sales occurring on or after July 1, 2022, except that a technical change is effective October 1, 2021

Fiscal Impact:

- The bill makes marketplace facilitators retailers for the purposes of collecting the E-911 fee which results in a potential revenue gain to the Enhanced 911 Telecommunications Fund to the extent sales occur through marketplace facilitators. The fee is determined annually by the Public Utilities Regulatory Authority.

6. **[H.B. No. 6633](#) (RAISED) AN ACT RESTRUCTURING UNEMPLOYMENT INSURANCE BENEFITS AND IMPROVING FUND SOLVENCY. (FIN)**

Summary:

- This bill makes several changes in the unemployment system. Among its changes, beginning in 2024, the bill does the following:
  - generally increases the minimum weekly benefit from $15 to $40 and requires it to be annually adjusted for inflation in subsequent years, but requires the minimum rate to be $15 when the federal government provides a fully federally funded supplement to the individual's weekly benefit amount;
  - increases the minimum earnings claimants need to qualify for the minimum benefit from $600 to $1,600 (annually adjusted for inflation), except as described above;
  - prohibits the labor commissioner from increasing the maximum benefit rate for 2024-2027 benefit years;
  - increases the taxable wage base from $15,000 to $25,000 and requires it to be annually adjusted for inflation in subsequent years;
  - for 2024 and 2025, reduces employers' experience tax rates by requiring their charged rates to be divided by 1.471 and 1.269, respectively;
  - expands the range of experience tax rates, from the current range of 0.5% to 5.4% to the bill's range of 0.1% to 10%;
  - temporarily reduces the experience period used for calculating employer's experience rates from three years to (a) one year for 2026 and (b) two years for 2027;
  - creates a "non-charge" against an employer's experience rate for benefits paid to a claimant through the Shared Work program for claims filed during weeks in which the average rate of unemployment in the state exceeds a specified threshold;
  - reduces the maximum fund balance rate from 1.4% to 1.0%;
  - eliminates an exception that allows certain claimants to receive UI benefits during a week in which they received severance pay; and
  - prohibits claimants from receiving benefits during any week for which they received specified vacation pay.
- EFFECTIVE DATE: January 1, 2022

Fiscal Impact:

- Results in a cost savings and revenue gain to the Unemployment Compensation Trust Fund in the out years.

7. **[H.B. No. 6658](#) (RAISED) AN ACT CONCERNING THE LEGISLATIVE COMMISSIONERS' RECOMMENDATIONS FOR MINOR AND TECHNICAL REVISIONS TO THE TAX AND RELATED STATUTES. (FIN)**

Summary:

- This bill makes numerous minor and technical changes to state tax statutes.
- EFFECTIVE DATE: October 1, 2021

Fiscal Impact:

- No fiscal impact

8. [H.B. No. 6655](#) (RAISED) AN ACT CONCERNING MUNICIPAL TAXATION AND INCENTIVIZING REGIONALIZATION. (FIN)

Summary:

- This bill generally limits the total revenue a municipality can raise through property taxes, while allowing them to exceed the limits under certain conditions. It does so by imposing two limits on municipal property taxes: a levy ceiling (2.5% of the municipality's net grand list) and a levy limit (2.5% of the maximum levy ceiling for the preceding fiscal year) (§ 1)
- The bill allows municipalities to impose, by ordinance, a local tax on income, goods, services, or other tangible or intangible assets, or any combination of these things, that their legislative bodies determine are necessary or desirable to meet the municipality's public service or other needs (§ 2).
- The bill (1) establishes state grants for municipalities that enter into interlocal agreements to jointly provide services that they are currently providing separately and (2) requires the grants to be funded through the municipal revenue sharing account (§ 3).
- The bill deems that any provision of a municipal charter, special act, or home rule ordinance that prohibits or limits a municipality from sharing services with other municipalities is repealed, revoked, and rescinded. It also allows collective bargaining units to enter into agreements with one or more units to establish a coalition bargaining unit to negotiate with municipalities to provide regional public services (§ 3).
- EFFECTIVE DATE: July 1, 2022, except the local option tax provision is effective upon passage.

Fiscal Impact:

- The bill results in a significant shift in municipal revenue away from property taxes. It establishes a property tax cap of 2.5% of a municipality's net grand list and establishes a phase in of the cap by requiring municipalities whose property tax levy exceeds 2.5% to reduce such levy by 15% each year until the cap is met.
- A cap of 2.5% of net grand list is equivalent to a mill rate of 25. Thus, a municipality with a mill rate of 50 would ultimately have to reduce its mill rate by 50% but would be allowed to do so in 15% increments until the 25 mill cap was reached. The amount of property tax revenue currently exceeding 25 mills statewide is approximately $2.7 billion in FY 21. If all municipalities with mill rates over 25 instead reduced their property tax levy by 15%, the revenue loss would be $1.3 billion.
- The bill also allows municipalities to impose a local tax on income, goods, services, or other tangible or intangible assets. As the bill does not set a limit on these taxes, the revenue generated from them could be a significant offset to the loss of property tax revenue related to the property tax cap.
- Lastly, the bill creates a grant for municipalities that regionalize education, public safety, or other services. The grant reimburses municipalities for a portion of the cost of providing the municipal service that is regionalized, and is funded via the Municipal Revenue Sharing Account. To the extent that this facilitates regionalization, there is 1) a potential savings that would vary significantly based

on the service being regionalized, and 2) a revenue gain to municipalities that receive state grant funding as a result of such regionalization efforts.

9. H.B. No. 6674 (RAISED) AN ACT ESTABLISHING AN INCOME TAX CREDIT FOR LONG-TERM CARE INSURANCE PREMIUM PAYMENTS. (FIN)

Summary:

- This bill establishes a personal income tax credit for 20% of the long-term care (LTC) policy premiums paid by eligible taxpayers. To qualify for the credit, a taxpayer must be a state resident with a federal adjusted gross income of less than $200,000. The credit applies to LTC policy premiums paid by the eligible taxpayer during the tax year for an individual LTC policy for which the eligible taxpayer is the insured.
- EFFECTIVE DATE: January 1, 2022, and applicable to tax years beginning on or after that date.

Fiscal Impact:

- Revenue loss of $59.3 million in FY 23, $60.7 million in FY 25, and $62.2 million in FY 26; the revenue loss would increase annually beyond that subject to the number of long term care policies active in Connecticut and the inflation rate on those policies. Additionally, a one-time cost of $30,000 in FY 23 for technical changes to the Taxpayer Service Center, and an ongoing cost of approximately $140,000 annually beginning in FY 23 associated with one Revenue Examiner to ensure compliance.

10. Substitute for S.B. No. 842 (RAISED) AN ACT CONCERNING HEALTH INSURANCE AND HEALTH CARE IN CONNECTICUT. (INS)

Summary:

- This bill requires the comptroller to offer a fully insured group health insurance and pharmacy plan for multiemployer plans, nonprofit employers, and smaller employers.
- It establishes the Connecticut Health Insurance Exchange account containing money generated from a fee on health insurers the bill imposes. It sets the initial aggregate assessment on insurers at $50 million and caps the aggregate assessment in any year at $50 million.
- It requires the Office of Health Strategy (OHS) and Access Health CT to make a plan to use money in the account to (1) reduce the cost of qualified health plans (QHPs), including by eliminating premiums for people at or below 200% FPL, (2) provide up to $25 million annually in premium and cost-sharing subsidies for individuals ineligible for QHPs, and (3) apply for and implement a 1332 waiver.
- It requires Insurance and Real Estate Committee approval of the plan.
- It expands minimum health benefits for silver-level QHPs, including requiring a minimum actuarial value.
- Additionally, it increases the income eligibility for Husky A Medicaid assistance from 155% FPL to 201% FPL.
- EFFECTIVE DATE: July 1, 2021

Fiscal Impact:

- The bill is estimated to result in:

- 1) a potential revenue gain of $50 million annually to the HIE account within the General Fund (GF) beginning in FY 22, dependent on approval of the OHS plan,
- 2) a potential annual cost of $50 million to the HIE account to be incurred by the exchange, also dependent on plan approval and beginning in FY 22,
- 3) a cost of $36 million in FY 22 and $61.3 million in FY 23 to the Department of Social Services (DSS),
- 4) a one-time cost of at least $750,000 to the Office of the State Comptroller (OSC) in FY 22,
- 5) a potential minimal revenue gain to the resources of the General Fund in FY 22 from fines and a potentially significant revenue gain to the GF annually beginning in FY 23 associated with federal pass-through funding under an approved Section 1332 waiver, and
- 6) a potential minimal cost to the resources of the General Fund pursuant to the Affordable Care Act.
- The bill is also estimated to result in potential costs to the exchange, from its own resources, of approximately $15.3 million in FY 22 and $12.5 million in FY 23.

11. H.B. No. 6617 (RAISED) AN ACT CONCERNING AUTHORIZATION OF STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS AND REVISIONS TO THE SCHOOL BUILDING PROJECTS STATUTES. (ED,FIN)

Summary:

- This bill authorizes grant commitments for 16 new or reauthorized school construction projects committing the state to approximately $425 million in grants to towns (§ 1).
- It requires all plans for school building projects submitted on and after July 1, 2022, to include the installation of water bottle filling stations (§ 2).
    - Specifies there must be at least one water bottle filling station included in each new school building, extension, major alteration, renovation, or replacement: (1) per 100 students of the projected school enrollment, (2) on each new floor or wing of the school, and (3) in any food service area of the school
- It requires local or regional boards of education, rather than the town or regional school district, to establish or reestablish school building committees for school building projects (§ 3).
- The bill adds new requirements a school building project construction manager must meet to self-perform some of the project construction work. It requires bids for a specific project element, including from a construction manager, to be submitted simultaneously with the project bid and only opened at the time and place set in the bid notice. And it establishes specific requirements for successful construction manager bidders (e.g., prohibiting them from using any of the project contingency money to assist in the performance of self-performed work) (§ 4).

Fiscal Impact:

- The $425 million state share for the newly approved or adjusted projects will be paid for through General Obligation bonds. This bill does not authorize new bonds. If fully issued, the total debt service cost is estimated to be $600 million.
- The bill makes several changes to contracting requirements for the school construction process, and adds new requirements regarding inclusion of water bottle filling stations. To the extent these changers alter the total cost of future projects, there would be a change in project costs for school construction projects, which would be shared between municipalities and the state.

12. S.B. No. 1094 (RAISED) AN ACT AUTHORIZING BONDS OF THE STATE FOR CTNEXT AND THE INNOVATION PLACE PROGRAM. (FIN)

Summary:

- This bill authorizes $64 million in GO bonds principally to recapitalize the CTNext innovation place program as follows: (1) $13.5 million in FY 23, (2) $23.5 million in FY 24, (3) $13.5 million in FY 25, and (4) $13.5 million in FY 26.
- The bill requires $10 million to be deposited in the CTNext Fund for general operating costs in FY 24.
- EFFECTIVE DATE: July 1, 2022

Fiscal Impact:

- The bill authorizes $64 million of General Obligation (GO) bonds. The authorizations are effective as follows: $13.5 million in FY 23, $23.5 million in FY 24, $13.5 million in FY 25, and $13.5 million in FY 26. To the extent bonds are fully allocated and expended, total debt service is expected to be approximately $90 million over the 20-year duration of the bonds.

13. S.B. No. 1095 (RAISED) AN ACT EXPANDING THE ANGEL INVESTOR TAX CREDIT PROGRAM TO SOCIAL EQUITY APPLICANTS. (FIN)

Summary:

- This bill extends the angel investor tax credit program to eligible cannabis businesses for which qualifying "social equity applicants" have been granted a license or provisional license. It allows investors to claim a 40% income tax credit for credit-eligible investments in these businesses, rather than the 25% credit allowed under the current credit program, subject to the same minimum and maximum credit requirements that apply under existing law.
- The bill imposes a $15 million per fiscal year cap on these credits and thus increases the total credits allowed under the program to $20 million per fiscal year.
- EFFECTIVE DATE: July 1, 2021

Fiscal Impact:

- Revenue loss of up to $15 million in FY 22, FY 23, and FY 24 only.

14. S.B. No. 1096 (RAISED) AN ACT AUTHORIZING THE EXCHANGE OF EXCESS CREDITS WITH THE STATE AT A REDUCED RATE. (FIN)

Summary:

- This bill allows any corporation or pass-through entity with credits it cannot use in the tax year to apply to DRS to exchange the credits for a refund equal to 90% of the credit's value.
- It caps the annual amount of refunds at $500 million.
- The bill allows the commissioner to disallow credit refunds if the corporation or pass-through entity has unpaid taxes or related charges and penalties.
- EFFECTIVE DATE: July 1, 2021

Fiscal Impact:

- Revenue loss of up to $500 million annually beginning in FY 22. It appears credit refunds are only disallowed in the case of a company with unpaid taxes or penalties; thus, it is assumed the full $500 million revenue loss would occur annually until all "stranded" tax credits are utilized (at a 90% rate). The current amount of "stranded" tax credits is approximately $2.9 billion.

15. S.B. No. 1097 (RAISED) AN ACT CONCERNING MEETINGS OF THE STATE BOND COMMISSION. (FIN)

Summary:

- This bill requires Bond Commission, starting January 1, 2022, to meet at least quarterly to allocate bonds.
- Under the bill, the governor, Senate President Pro Tempore, and House Speaker (in consultation with the Senate and House minority leaders) must jointly agree on the grants and projects included on Bond Commission meeting agendas starting January 1, 2022.
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- Indeterminate fiscal impact. The impact is dependent on future decisions of the office-holders the bill directs to make decisions regarding agendas of the State Bond Commission. Potential increases are mitigated by annual bond allocation limits.

16. S.B. No. 1098 (RAISED) AN ACT AUTHORIZING BONDS OF THE STATE FOR PEDIATRIC EARLY LITERACY PROGRAMS. (FIN)

Summary:

- This bill requires the Office of Early Childhood to provide a grant to pediatric early literacy programs that are located in alliance districts and that (1) meet specified programmatic criteria and (2) match at least 50% of the grant, up to $500,000, with private contributions
- It authorizes $2 million in GO bonds for this purpose, $1 million in each of FYs 22 and 23
- EFFECTIVE DATE: July 1, 2021

Fiscal Impact:

- The bill authorizes $2 million of General Obligation (GO) bonds ($1 million in each of FY 22 and FY 23). To the extent bonds are fully allocated and expended, total debt service is expected to be approximately $3 million over the 20-year duration of the bonds.

17. S.B. No. 1099 (RAISED) AN ACT AUTHORIZING BONDS OF THE STATE FOR A RESEARCH FACULTY RECRUITMENT AND HIRING PROGRAM BY THE UNIVERSITY OF CONNECTICUT TO ENCOURAGE THE CREATION OF NEW BUSINESS VENTURES. (FIN)

Summary:

- This bill requires UConn to start a research faculty recruitment and hiring program to (1) hire faculty with demonstrated excellence in their field who are interested in research that meets societal needs or in the commercialization of discoveries, innovations and technologies and (2) support the faculty's compensation and related construction and equipment costs

- The bill requires that the program facilitate new business venture creation and provide resources for proof-of-concept, technology maturation, venture capital funding, and other measures to expand the university's entrepreneurial ecosystem
- It authorizes $46.1 million in GO bonds for these purposes, as follows: (1) $6,460,000 in FY 22; (2) $11,729,200 in FY 23; (3) $14,489,200 in FY 24; (4) $9,220,000 in FY 25; and (5) $4,201,600 in FY 26
- EFFECTIVE DATE: July 1, 2021

Fiscal Impact:

- The bill authorizes $46.1 million of General Obligation (GO) bonds. The authorizations are effective as follows: $6.46 million in FY 22, $11.7292 million in FY 23, $14.4892 million in FY 24, $9.22 million in FY 25, and $4.2016 million in FY 26. To the extent bonds are fully allocated and expended, total debt service is expected to be approximately $65 million over the 20-year duration of the bonds.

18. S.B. No. 1100 (RAISED) AN ACT CONCERNING THE FAILURE TO FILE FOR CERTAIN GRAND LIST EXEMPTIONS. (FIN)

Summary:

- This bill allows taxpayers in four municipalities (Hartford, Middlefield, Middletown, and Plainville) to claim a property tax exemption for specified property and grand lists even though they missed the November 1 filing deadline.
- EFFECTIVE DATE: July 1, 2021

Fiscal Impact:

- The bill results in either a revenue loss to the municipalities of Hartford, Middlefield, Middletown, and Plainville or a cost to reimburse taxpayers that have paid taxes for exempt property. Any impact would only occur in FY 22.

19. S.B. No. 1101 (RAISED) AN ACT ESTABLISHING CT RENAISSANCE AND CONCERNING INVESTMENTS IN RENAISSANCE ZONES. (FIN)

Summary:

- This bill creates a quasi-public agency, CT Renaissance, as a subsidiary of the Capital Region Development Authority (CRDA), to provide grants to community development corporations (CDC) making specified investments in eligible municipalities. It establishes a 10-member board to govern CT Renaissance. Under the bill, CDCs (i.e., nonprofit organizations seeking to support and revitalize a community) may apply to the board for (1) a renaissance zone designation within an eligible municipality and (2) grants to fund proposed projects in the zone.
- The bill requires CT Renaissance to establish a community renaissance account to fund these grants and pay the authority's operational and administrative costs. The funding source for the account is an investment fund, established by the state treasurer under the bill, that (1) receives investments from certain state contractors, nonprofit organizations, and other individuals and entities and (2) transfers them to the community renaissance account for the grants described above. It requires the state treasurer to ensure these investments are returned to these individuals, businesses, organizations, and entities, plus interest at a rate comparable to a time deposit.

- The bill also modifies the state's existing community banking program. Current law allows the state treasurer to establish a fund of up to $100 million for investing in eligible community banks or credit unions with less than $1 billion in assets. The bill requires the state treasurer to (1) invest at least $100 million in the program and (2) direct all of the investments to eligible community banks and credit unions located in renaissance zones on and after the date the zones are first designated. The bill requires the community banks and credit unions receiving these investment funds to provide loans and lower interest rates to residents and businesses within the zones than would otherwise be available to them.
- Lastly, from FY 23 through FY 32, the bill prohibits the General Assembly from enacting any bill that authorizes new GO bonds for specified bond programs (e.g., Urban Act, Housing Trust Fund, and Manufacturing Assistance Act program) unless the bill also requires $20 million to be deposited in the community renaissance account in each of these fiscal years.
- EFFECTIVE DATE: October 1, 2021

Fiscal Impact:

- The bill results in a potential revenue increase to CT Renaissance within the community renaissance account from various sources detailed in the bill, including returns from mandatory temporary investments and required deposits. It also results in costs to CT Renaissance associated with required loan and/or grant investments in renaissance zones and administration of the same.
- The bill results in a potential, significant cost to the operating funds of each higher education constituent unit, including UConn Health Center, which have many contracts affected by the bill. It is anticipated the bill will increase costs to the constituent units for every applicable contract. The bill also results in a cost to the constituent units for each instance of borrowing through CHEFA.
- Likewise, the state could experience increased contract costs across multiple funds to the extent the bill's investment provisions impact the cost for the state to procure goods and services from such contracted entities. This potential cost is somewhat limited by discretion within the bill regarding amounts of required deposits per contract.
- There would be a one-time cost to the Capital Region Development Authority (CRDA) to establish the CT Renaissance quasi-public as subsidiary. There may also be transfers of funds from CRDA to CT Renaissance, as allowed in the bill, and potential ongoing administrative costs to CRDA.
- The bill results in potential foregone investment revenues to the state, to the degree cash pools of at least $100 million are invested annually in community banks and credit unions within renaissance zones and yield lower returns on investment than other available options.
- There is a potential cost to the State Treasurer for establishing and administering a new investment fund, along with marketing and promotion of the investment fund and the community bank and credit union programs.
- To the extent bills are adopted that include new GO bonds authorizations for specified programs or uses between FY 23 and FY 32, there would be a $20 million revenue increase per instance to the community renaissance account and cost to the state. As example, if one bill was passed each applicable year that modified bonds for one of the specified programs, there would be a total revenue increase of $200 million to the community renaissance account and $200 million cost to the state.

20. S.B. No. 1102 (RAISED) AN ACT CONCERNING A LOAN PROGRAM TO ASSIST TAXPAYERS WITH THE PAYMENT OF CERTAIN REAL PROPERTY TAXES. (FIN)

Summary:

- This bill establishes an OPM-administered program to give eligible taxpayers loans to pay property taxes that they owe for the 2021 grand list or that are delinquent (except that taxpayers who were delinquent prior to January 1, 2020 are not eligible).
- The bill authorizes $3 billion in GO bonds to fund the program.
- It requires taxpayers to request loans through their municipalities and municipalities to apply to OPM for the amount of loans requested by taxpayers.
- Loans must be amortized over 5 years, starting January 1, 2023.
- EFFECTIVE DATE: July 1, 2021

Fiscal Impact:

- The bill authorizes $3 billion of General Obligation (GO) bonds in FY 22. To the extent bonds are fully allocated and expended, total debt service is expected to be approximately $4.215 billion over the 20-year duration of the bonds.
- The bill precludes a revenue loss to municipalities equal to the amount of taxes and interest owed by registrants of the loan program for any tax period between July 1, 2020 and June 30, 2022.

21. S.B. No. 1103 (RAISED) AN ACT CONCERNING EMISSIONS AND DECIBEL LEVEL TESTING, THE TAXATION OF CERTAIN MOTORCYCLES AND PARTS AND THE PASSPORT TO THE PARKS FEE. (FIN)

Summary:

- This bill eliminates the emissions test exemption for motorcycles, thus requiring that they be tested.
- It requires (1) all motor vehicles, at the time of emissions inspection, to have their vehicle's noise level tested to ensure it does not exceed the maximum level set in law and (2) DEEP and DMV to develop the testing program's specifications, requirements, and penalties.
- The bill increases the sales and use tax rate to 50% for sales of (1) motorcycles that exceed the maximum allowable noise level and (2) aftermarket motorcycle mufflers exceeding this level.
- EFFECTIVE DATE: October 1, 2021

Fiscal Impact:

- Eliminating the emissions test exemption for motorcycles is anticipated to generate a revenue gain of approximately $50,000 annually.
- Requiring noise level testing in addition to emissions testing is likely to result in increased fees. As a reference point, total annual state revenue generated by the emissions testing program's $20 fee is approximately $1.7 million.

22. S.B. No. 1104 (RAISED) AN ACT CONCERNING COMMUNITY RESTORATION FUNDS. (FIN)

Summary:

- The bill establishes a tax structure on cannabis that is operative upon its legalization. This results in a potential revenue gain to the Community Development Corporation Trust Fund and to municipalities where legal marijuana sales occur.
- This bill imposes a 20% state sales tax and 3% local sales tax on cannabis and cannabis products, beginning on and after the date the Cannabis Control Commission (established under sSB 888 of the current session) first issues a license to a cannabis retailer.

- The bill directs the (1) state sales tax revenue from cannabis sales to a new Community Development Corporation (CDC) Trust Fund and (2) local sales tax revenue to a new municipal cannabis revenue account. It generally requires the Department of Revenue Services (DRS) commissioner to distribute the funds in the municipal cannabis revenue account each quarter to municipalities on a point-of-sale basis. Any funds for which the commissioner cannot determine the point of sale must be transferred to the CDC Trust Fund. It prohibits any tax credits from being applied against the state sales tax on cannabis.
- The bill also creates a framework for establishing nonprofit community development corporations (CDCs) to partner with qualifying community development credit unions (CDCUs) in undertaking specified community restoration and revitalization programs and activities. It establishes a seven-member legislative council (the CDC oversight council) to designate the CDCs and CDCUs and oversee the distribution of cannabis tax revenue in the CDC Trust Fund for such programs and activities. It also establishes a process by which the Office of Policy and Management (OPM) secretary and CDC oversight council identify and designate community impact zones in which CDCs and CDCUs focus their programs and activities.
- Lastly, the bill authorizes the state, municipalities, and nonprofit organizations that are exempt from property tax to make deposits with CDCUs that must in turn be invested by the CDCU to further the bill's community restoration and revitalization purposes.
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- Projected annual revenues are anticipated to be $116 million (state) and $18 million (municipal) by FY 25.
- The bill creates a framework for establishing nonprofit community development corporations (CDCs) to partner with qualifying community development credit unions (CDCUs) in undertaking specified community restoration and revitalization programs and activities.
- The bill allows the state and municipalities to make deposits into an account established for CDCUs. To the extent that the state or municipalities choose to do this, there is a cost that will vary based on the deposit they choose to make.
- The bill results in a one-time cost to the Treasurer to establish the Community Development Corporation Trust Fund. To the extent that revenues are available to support the various programs established by the bill, there is an annual cost to the Treasurer to hire staff to administer such programs.

23. H.B. No. 6675 (RAISED) AN ACT CONCERNING A MUNICIPAL OPTION FOR A HOMESTEAD PROPERTY TAX EXEMPTION. (FIN)

Summary:

- This bill authorizes municipalities, by vote of their legislative bodies (or board of selectmen where the town meeting is the legislative body), to provide a property tax exemption for owner-occupied homes of up to 40% of their assessed value.
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- The bill results in a potentially significant grand list reduction in a municipality that chose to exempt 40 percent of the assessment on residential property used as a primary residence.

- This results in a significant tax shift towards commercial and industrial property and residences used as secondary homes.

24. S.B. No. 1108 (RAISED) AN ACT CONCERNING A CONNECTICUT NEW MARKETS TAX CREDIT PROGRAM. (FIN)

Summary:

- This bill establishes a Connecticut new markets tax credit program, administered by the Connecticut Health and Educational Facilities Authority (CHEFA) Community Development Corporation (CDC), to stimulate economic development in low-income communities. Under the program, private investors and businesses making qualified low-income community investments through a community development entity (CDE) may receive state tax business credits equal to their investment, subject to the bill's conditions.
- The bill authorizes the CHEFA CDC to establish one or more CDEs as subsidiaries to receive the qualified investments. The CDEs must use the funds to invest in or provide loans to eligible nonprofits (i.e., community businesses). The community businesses must, in turn, use the loan or investment proceeds for activities that address a low-income community's needs and social and economic priorities. Under the bill, this may include, among other things, (1) capitalizing a program that benefits the community, (2) financing the costs of certain capital projects, and (3) providing working capital. The bill caps the total amount of credit-eligible investments a community business can receive at the lesser or 40% of the expected eligible costs or $2 million.
- Under the bill, the credit-eligible investments must be made during the 2022 and 2023 calendar years. The bill caps the aggregate amount of credits that the CHEFA CDC may designate each year at $10 million per calendar year. The credits apply against various business taxes, including the corporation business and insurance premiums taxes, and must be claimed over a seven-year period. Taxpayers may carry forward unused credits for up to five years and may sell, assign, or transfer the credits up to three times. The bill also establishes credit recapture requirements.
- EFFECTIVE DATE: July 1, 2021

Fiscal Impact: Revenue losses as follows:

- FY 23: $1 million
- FY 24: $2 million
- FY 25: $2.6 million
- FY 26: $3.2 million
- FY 27: $3.2 million
- FY 28: $3.2 million
- FY 29: $3.2 million
- FY 30: $1.6 million

25. S.B. No. 1105 (RAISED) AN ACT ELIMINATING THE PROPERTY TAX ON CERTAIN MOTOR VEHICLES AND ADJUSTING THE UNIFORM PROPERTY ASSESSMENT RATE. (FIN)

Summary:

- Beginning October 1, 2021 (for property tax bills sent out beginning July 1, 2022), this bill exempts motor vehicles from property tax but allows municipalities, by vote of their legislative bodies, to elect to continue imposing the tax on rental motor vehicles. The bill also requires municipalities to assess real and personal property at its full fair market value, instead of 70% of that value (i.e., the assessment ratio), as current law requires, and makes numerous conforming changes.

- Additionally, the bill allows municipalities, by vote of their legislative bodies, to elect to reduce the tax burden shift resulting from these two changes over a five-year period. The bill allows assessors to use methods they determine to be appropriate and reasonable to reduce this tax burden shift, including implementing (1) annually decreasing surcharges on taxpayers that were previously subject to motor vehicle property tax and (2) tax credits for residential property owners.
- EFFECTIVE DATE: October 1, 2021; except that the (1) property tax exemption and assessment ratio provisions are applicable to assessment years beginning on or after October 1, 2021, and (2) provisions authorizing municipalities to continue taxing rental motor vehicles (§ 3) and making a conforming change to Hartford's property tax assessment law (§ 6) are effective upon passage

Fiscal Impact:

- The bill eliminates the property tax for motor vehicles but allows municipalities to continue to tax vehicles owned by rental car companies. The bill also increases the ratio at which municipal assessors must assess real and personal property from 70% to 100%.
- In FY 21, municipalities collected $960.8 million in motor vehicle taxes. It is not known how much of this tax was generated from vehicles owned by rental car companies.
- Increasing the assessment ratio from 70% to 100% results in a reduction in municipal mill rates, assuming a constant levy.
- The bill shifts the tax burden from owners of motor vehicles to owners of real and personal property. The bill allows municipalities to mitigate the impact of this shifting tax burden by implementing a surcharge on taxpayers that previously owned cars and a tax credit for residential property owners. The impact of this would vary based on the surcharges and credits adopted by municipalities.
- Due to the timing of the bill, FY 23 is the first year any impact would occur.

26. S.B. No. 1106 (RAISED) AN ACT ESTABLISHING THE CONNECTICUT EQUITABLE INVESTMENT FUND AND DEDICATING CERTAIN REVENUES TO SAID FUND. (FIN)

Summary:

- This bill establishes a new fund, the Connecticut Equitable Investment Fund, to receive, invest, and distribute specified revenue and private investments and creates a nine-member council to manage and oversee the fund. It establishes a framework to direct the council's use of the fund, requiring that it be used for, among other things, (1) building wealth in traditionally underserved communities through specified initiatives and services; (2) reducing income inequality; (3) retaining and attracting talent to the state by increasing the availability of venture capital; and (4) reducing the reliance on the property tax through various initiatives.
- The bill directs to the fund revenue from the following sources:
    - the capital gains surcharge and the wage compensation, consumption, and digital advertising taxes established under the bill (described below);
    - any private investments made by state residents to be invested in venture capital firms in the state; and
    - any taxes collected and retained by the state on or after July 1, 2021, on recreational cannabis and cannabis products and online wagering.
- Beginning with the 2022 tax year, this bill imposes a 2% surcharge on net gain from the sale or exchange of capital assets (i.e., capital gains) for taxpayers with incomes above specified thresholds. The surcharge applies to taxpayers with Connecticut taxable income over (1) $500,000 for single

filers and married individuals filing separately, (2) $800,000 for heads of households, and (3) $1,000,000 for married joint filers and surviving spouses (§ 1).

- The bill establishes a voluntary wage compensation tax program under which eligible employees and vendors may elect to have their employers pay a 5% tax on their wages or compensation. Under the bill, electing employees and vendors are allowed a refundable credit against their personal income tax equal to 95% of the taxes paid by the employer. The bill also allows electing employees to deduct, for personal income tax purposes, the amount of contributions they made during the tax year to a Roth IRA (§§ 2 & 3).
- The bill imposes a new consumption tax on state residents with federal adjusted gross incomes (AGI) of at least $140,000. The tax rate ranges from 0.1% for taxpayers with federal AGIs between $140,000 and $185,000 to 1.5% for taxpayers with federal AGIs of $13 million or more.
- The bill imposes a new tax on the gross revenue companies derive from digital advertising services in the state. The tax applies to revenue from digital ads (e.g., ads displayed on websites, applications, and search engines) sold by companies that do more than $100 million in ad sales each year. The tax rate is graduated and ranges from 2.5% for companies with global annual gross revenues of $100 million to $1 billion to 10% for companies with annual gross revenues greater than $15 billion.
- The bill also expands the existing estate tax reduction for decedents that made qualifying investments. Under current law, decedents qualify for the deduction for amounts they invested for at least 10 years in a private investment fund or "fund of funds" through the Connecticut Innovations, Inc. investment program for state residents. The bill instead allows the deduction for investments made in the Connecticut Equity Fund. As under current law, the reduction is equal to 50% of the eligible investment, up to $5 million per decedent. The bill also eliminates the $30 million cap on the total amount of reductions allowed under this program.
- EFFECTIVE DATE: Various

Fiscal Impact:

- The bill establishes a new state fund and dedicates several new revenue sources to it. Annual revenues to the fund could reach approximately $1 billion in total, once fully implemented.
- Lastly, the provision of the bill that would expand the existing estate tax reduction for decedents that made qualifying investments could result in a significant, future state revenue loss to the extent that participation in the new program reduces tax liabilities under the estate tax.

27. S.B. No. 1107 (RAISED) AN ACT CONCERNING THE TAXATION OF AMBULATORY SURGICAL CENTER SERVICES. (FIN)

Summary:

- Beginning July 1, 2021, this bill terminates the 6% ambulatory surgical centers (ASC) gross receipts tax and instead subjects ASC services to 6.35% sales tax, subject to certain exclusions. It also authorizes a refundable state tax credit against the sales and use tax for ASCs.
- Under the bill, the sales tax generally applies to ASC services (i.e., items and services included in a facility fee payment to an ASC) rendered by an ASC for consideration. The tax does not apply to, among other things, (1) the first $1.5 million of gross receipts received during each twelve-month period beginning on July 1 for the provision of ASC services; (2) Medicaid or Medicare payments; or (3) amounts received by the ASC for tangible personal property used in connection with an ASC services (e.g., implants, devices, and drugs).

- The bill also allows ASCs to claim a refundable credit against the sales tax for each reporting period equal to:
    - the greater of 50% of the aggregate amount of Medicaid payments (a) received during the period for providing ASC services or (b) that would have been received had services similar to ASC services provided during the applicable reporting period been performed by and at a hospital instead, plus
    - 25% of the aggregate payments received from or on behalf of each individual who is covered under the state employee health plan or municipal employees health insurance program (MEHIP) for the provision of ASC services.
- From July 1, 2020, to July 1, 2021, the bill also allows ASCs to deduct certain COVID-19 expenses from their gross receipts for purposes of the ASC gross receipts tax. Specifically, they may deduct any amounts they incurred, directly or indirectly, as a result of COVID-19, including amounts for purchasing, leasing, licensing, or using tangible or intangible property in connection with COVID-19 tests, protection, or prevention.
- EFFECTIVE DATE: July 1, 2021, and applicable to calendar quarters beginning on or after July 1, 2020.

Fiscal Impact:

- A revenue loss of between $5 million - $ 10 million annually is estimated due to the bill.

28. H.B. No. 6628 (RAISED) AN ACT CONCERNING THE APPLICABILITY OF THE DIGITAL MEDIA TAX CREDIT. (FIN)

Summary:

- Starting January 1, 2022, this bill allows film and digital media production tax credits to be claimed against the sales and use tax, subject to certain conditions. Specifically, the transferred credits may be claimed against the tax (1) only if there is common ownership of at least 50% between the transferor and transferee and (2) at 92% of face value. Similar limitations apply under existing law to transferred credits claimed against the gross receipts tax on cable, satellite, and competitive video services.
- EFFECTIVE DATE: January 1, 2022

Fiscal Impact:

- The bill results in a revenue gain of $800,000 in FY 22 and $1.6 million FY 23 assuming all film tax credits issued are currently utilized. To the extent there are more credits issued that utilized, there is a potential revenue loss.