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 6, 2022 Agenda

BILLS FOR REVIEW

1. S.B. No. 11 (COMM) AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET. (FIN) **Proposed Action: JFS to the Floor**

Summary of Fully Drafted Provisions:

- The bill makes various tax- and revenue-related changes, including the following:
  - increases the property tax credit from $200 to $300 and expands the number of taxpayers who may claim the credit for the 2022 tax year by eliminating the provision restricting its eligibility to seniors and people with dependents;
  - accelerates the phase-in of the pension and annuity income tax exemption by allowing qualifying taxpayers to deduct 100% of their eligible income beginning with the 2022 tax year (under current law, the exemption is 56% for 22, 70% for 2023, 84% for 2024, and 100% beginning in 2025);
  - establishes a personal income tax exemption for amounts received under the 2020 and 2021 Earned Income Tax Credit enhancement program;
  - (1) expands the eligible loans for purposes of the state's employer student loan tax credit to include any loans issued by the Connecticut Higher Education Supplemental Loan Authority (CHESLA), rather than just CHESLA loans for refinancing student loans, and (2) authorizes qualified small businesses (i.e., those with gross receipts of $5 million or less) to apply to the DRS commissioner to exchange the credit for a refund;
  - reduces, from $1,194.9 million to $994.9 million, the FY 23 transfer to the General Fund from designated American Rescue Plan Act (ARPA) funds;
  - requires the comptroller to reserve $83.2 million of General Fund revenue received in FY 22 under ARPA for home and community-based services to be used in FY 23 for federal revenue collections;
  - allows foreign captive insurers to open a branch in Connecticut and creates an insurance premiums tax amnesty program for captive insurers that establish a branch or transfer their domicile here that waives (1) certain taxes, interest, and penalties due before July 1, 2019, and (2) penalties for these taxes due between July 1, 2019, and June 30, 2022; decreases the minimum capital and surplus requirements for several types of captive insurers; and
  - repeals the law requiring the OPM secretary to create a plan to establish a state-level child tax credit if certain changes to the federal child tax credit occur.
- EFFECTIVE DATE: Most provisions effective July 1, 2022

Fiscal Impact:

- Revenue impacts listed (in $ millions) in the table below:

Policy	Section	Fund	FY 22	FY 23	FY 24	FY 25	FY 26
Adjust Property Tax Credit Amount	1	General Fund	0.0	(60.0)	(60.0)	(60.0)	(60.0)
Restore Eligibility for Property Tax Credit	1	General Fund	0.0	(53.0)	0.0	0.0	0.0
Accelerate Schedule for Tax Exemptions for Certain Income from Pensions and Annuities	2	General Fund	0.0	(42.9)	(29.3)	(15.6)	0.0
Expand Student Loan Tax Credit	3	General Fund	0.0	(9.4)	(9.9)	(10.4)	(10.9)
Reduce Revenue Replacement from ARPA - Federal Stimulus	4	General Fund	(559.9)	(250.0)	0.0	0.0	0.0
Transfer HCBS/SUD Revenue from FY 2022 to FY 2023	5	General Fund	(83.2)	83.2	0.0	0.0	0.0
Provide Tax Amnesty for Certain Insurers	6-17	General Fund	0.0	7.5	0.2	0.2	0.2
Designate revenue cap equivalents to Children's Trust Fund*	19	General Fund	0.0	0.0	(319.9)	(383.7)	(451.3)
TOTAL		**General Fund**	**(643.1)**	**(324.6)**	**(418.9)**	**(469.5)**	**(522.0)**

*Newly established, separate non-lapsing fund

Background:

Use of Federal ARPA (State Fiscal Recovery Fund) as CT Revenue (in $ millions)

Fiscal Year	Original Budget	sSB 11	Difference
2022	559.9	0.0	(559.9)
2023	1,194.9	944.9	(250.0)
TOTAL	**1,754.8**	**944.9**	**(809.9)**

The FY 22-FY 23 state budget allocated $2,579.3 million of the $2,812.3 million total allocated to CT per the ARPA State Fiscal Recovery Fund administered by the US Treasury. Of the total state allocation, $1,754.8 million was designated as state revenue during the FY 22-FY 23 biennium.

Substitute Senate Bill 11, in concurrence with the Governor's Recommended Budget Revision to FY 23, reduces the allocation for state revenue purposes by $809.9 million in total over the biennium.

2. S.B. No. 12 (COMM) AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS AND INFRASTRUCTURE INVESTMENT AND JOBS ACT MATCHING FUNDS AND EXTENDING THE TIME PERIOD FOR DISTRIBUTING GRANTS FOR CERTAIN LAW ENFORCEMENT EQUIPMENT. (FIN) **Proposed Action: JFS to the Floor**

Fiscal Impact:

- Changes bond authorizations; see associated attached materials

3. S.B. No. 379 (RAISED) AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS CONCERNING THE UNCLAIMED PROPERTY PROGRAM. (FIN) **Proposed Action: JFS to the Floor**

Summary:

- This bill makes various changes to the abandoned (i.e., escheated) property program. Among other things it:
    - expands the property the treasurer must publish in his abandoned property notice to include property of any value for which there is sufficient information for the treasurer to identify its apparent owner, rather than just property reported or delivered to him in the previous year and valued at $50 or more;
    - changes the required notice's format from a biennial notice posted on the treasurer's website to a searchable list;
    - shifts the funding source for the abandoned property program's administrative expenses from the General Fund to a new dedicated account (the unclaimed property expenses account);
    - beginning in FY 23, requires the treasurer to transfer at least $7 million (adjusted annually for inflation) of abandoned property proceeds to this account;
    - establishes conditions under which the treasurer must pay abandoned property amounts of less than $2,500 to the property's sole owner without the owner having to have submitted a certified claim for the property;
    - requires the treasurer to notify certain abandoned property owners, by first-class mail, about the process for verifying their ownership of the property and claiming it;
    - requires the treasurer to pay interest on all abandoned property claims delivered to him on or after January 1, 2023, rather than just claims for (1) demand or savings deposits in this state and (2) matured time deposits made in this state; and
    - eliminates the authorization for aggregate reporting of abandoned property valued at less than $50.
- EFFECTIVE DATE: January 1, 2023, except the unclaimed property expenses account provisions are effective upon passage

Fiscal Impact:

- General Fund Impacts
    - Loss of at least $7 million annually, escalating annually with CPI, to GF from required transfer to the unclaimed property expenses account
        - Partially offset by reduction in administrative cost to the GF associated with the unclaimed property program, up to the amount deposited
    - Additional cost possible associated with new mailing requirements if overall administrative costs for the program exceed the amount dedicated to the unclaimed property expenses account

    - Potential foregone revenue from abandoned property that is returned that would not otherwise be, along with interest earned on the same
- Unclaimed property expenses account (non-lapsing account within the GF)
    - Gain of at least $7 million of revenue from unclaimed property, escalating annually with CPI
    - Will incur current administrative costs of the program, which had been paid from the GF
    - Increase of postage and administrative costs associated with mailing notice for certain unclaimed property
- Potential cost if earned interest accrued to the state is less than deposit interest rate to be repaid to property owner

4. S.B. No. 380 (RAISED) AN ACT CONCERNING A STUDY OF STATE TAX POLICIES. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill requires the Department of Revenue Services (DRS) commissioner to (1) study the state's tax policies and identify legislative changes to improve the state's business climate and economic opportunities and (2) report his findings to the Finance Committee by January 1, 2023.
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- None

5. S.B. No. 381 (RAISED) AN ACT CONCERNING A STUDY OF STATE REVENUE COLLECTIONS. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill requires the DRS commissioner to (1) study the department's collection processes to identify legislative and programmatic changes to improve their efficiency and reduce administrative costs and (2) report his findings to the Finance Committee by January 1, 2023.
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- None

6. S.B. No. 384 (RAISED) AN ACT IMPLEMENTING THE TREASURER'S RECOMMENDATIONS CONCERNING THE CONNECTICUT BABY BOND TRUST PROGRAM. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill makes various changes to the Connecticut Baby Bond Trust program enacted under the FY 22-23 bond act. Principally, the bill:
    - eliminates the requirement that the state treasurer establish an accounting for each designated beneficiary and makes conforming changes;
    - increases, from $50 million to $100 million, the amount of bonds authorized for the program in FY 23 and eliminates the $50 million authorization for FY 34;
    - authorizes the program's implementation expenses to be added to the capped amount of bonds authorized for each year of the program; and

  - makes various technical and conforming changes and corrections.
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- Bonding –
  - The bill increases FY 23 General Obligation (GO) bond authorizations by $50 million and eliminates the FY 34 authorization of the same amount. Future GF debt service may be incurred sooner, to the extent the increased authorization in FY 23 is fully allocated and expended
  - The various administrative and programmatic changes to the bill may change the rate at which the existing GO bond authorizations are allocated and spent, which would also impact associated GF debt service payments.
- Precludes a revenue gain beginning in FY 40

7. S.B. No. 441 (RAISED) AN ACT CONCERNING A CREDIT FOR AMBULATORY SURGICAL CENTERS. (FIN) **Proposed Action: JFS to the Floor**

Summary:

- This bill authorizes a refundable state tax credit against the ambulatory surgical center (ASC) gross receipts tax based on a portion of the (1) Medicaid payments the ASC received or would have been received by a hospital if substantially similar services had been performed there instead and (2) payments received from ASC services provided to individuals covered under the state employee health plan or municipal employees health insurance program (MEHIP).
- The bill also makes a technical correction to the effective date of a provision in the FY 22-23 budget implementer act authorizing ASCs to file written refund claims (PA 21-2, June Special Session, § 465).
- EFFECTIVE DATE: July 1, 2023, and applicable to calendar quarters beginning on or after July 1, 2023, except the technical correction is effective upon passage.

Fiscal Impact:

- $1.5 million revenue loss in FY 24 and annually thereafter

8. S.B. No. 442 (RAISED) AN ACT INCREASING THE AMOUNT OF THE TEACHERS' RETIREMENT SYSTEM HEALTH INSURANCE SUBSIDY. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill increases, from $220 to $350 per person, the monthly health insurance subsidy under the Teachers' Retirement System (TRS) for certain retired teachers, and their spouses or surviving spouses, who receive health insurance coverage from the retiree's last employing board of education. As under current law, to qualify for this subsidy, the retiree must (1) have attained normal age to participate in Medicare (currently, age 65); (2) not be eligible for Part A of Medicare without cost; and (3) contribute at least the subsidy amount towards his or her medical and prescription drug plan provided by the board of education.
- EFFECTIVE DATE: July 1, 2022

Fiscal Impact:

- The bill results in an estimated cost of $650,000 in FY 23 to the Teachers' Retirement Board (TRB) municipal health insurance subsidy account which funds the state's one-third share of the TRB municipal subsidy cost.
- The estimate reflects those currently eligible for the $220 subsidy (939 teachers and 42 dependents) and builds in a small increase to reflect that there are eligible retirees that don't currently participate in the subsidy that may begin based on the higher subsidy.
- The remaining two-thirds of the cost from the increased subsidy is funded by the Teachers' Health Insurance Fund that is supported by active teachers' contributions of 1.25% of salary.

9. S.B. No. 478 (RAISED) AN ACT CONCERNING PROPERTY ASSESSMENT APPEALS AND HOMEOWNERSHIP INCENTIVE TRACTS, ESTABLISHING TAX CREDIT VOUCHER PROGRAMS TO INCENTIVIZE COMMERCIAL LEASES AND RESIDENTIAL CONVERSIONS AND AUTHORIZING THE CAPITAL REGION DEVELOPMENT AUTHORITY TO SOLICIT INVESTMENT FUNDS. (FIN) **Proposed Action: JFS to the Floor**

Summary:

- This bill requires property owners who are aggrieved by a board of assessment appeals' decision and appeal their tax assessments to the Superior Court to file a property appraisal with the court within 90 days after filing their appeals. The appraisal must be completed by an individual or company licensed to perform real estate appraisals in Connecticut. The bill authorizes the court to (1) extend the 90-day period for good cause and (2) dismiss the appeal if it is not timely filed.

- In certain property tax assessment appeals brought to the Superior Court, the bill prohibits (1) anyone compensated on a contingency fee basis from representing an applicant and (2) expert witnesses compensated on a contingency fee basis from testifying. The bill's provisions apply to appeals in which the assessed value of the property is $700,000 or less.

- Current law authorizes Hartford to implement a homeownership incentive program providing 100% municipal property tax abatements and state income tax exemptions for residents of designated areas who meet specified criteria. The bill (1) limits the tax benefits provided under the program to a 100% income tax exemption and (2) expands the areas Hartford may designate for the program, from two census blocks to two or more census tracts. As under current law, the designated areas must have a homeownership rate of 15% or less to qualify.

- The bill establishes a new business tax credit program designed to incentivize new or expanded commercial office space leases in certain distressed municipalities. The credit equals 10% of the amount of (1) lease payments made by qualifying participants for up to 10 years and (2) capital improvements made to newly leased or additionally leased commercial office space. The bill establishes eligibility criteria for the program, including requirements that the (1) property or project be located in the downtown area of a distressed municipality with a population of 80,000 or more (i.e., Bridgeport, Hartford, or Waterbury) and (2) business meet specified minimum investment and hiring thresholds.

- The bill establishes a new business tax credit program for property owners rehabilitating or renovating commercial office buildings in distressed municipalities to convert them to residential or mixed uses. The credit equals 25% of the project's qualified expenditures or 30% if the project is in a designated area. It caps the total amount of credits that may be awarded at $60 million per year and $9 million per project.

- The bill authorizes the Capital Regional Development Authority (CRDA) to solicit private investment funds from companies for projects it undertakes. These private investments must (1) be made on equivalent or substantially similar terms and conditions as the investments the authority makes for the project and (2) have repayment priority over the authority's investments.

- The bill specifies that businesses are not prohibited from making these investments if one of their officers, directors, shareholders, or employees is a member of the CRDA board. But the bill requires such board members to abstain from any deliberation, action, or vote related to the business.

- EFFECTIVE DATE: October 1, 2022, except the tax credit program provisions are effective July 1, 2022

Fiscal Impact:

- Sections 1 & 2 do not result in any fiscal impact to the Judicial Department. The court system disposes of over 400,000 cases annually and the number of cases is not anticipated to be great enough to have a material impact on court operations.
- Section 3 may result in a minimal General Fund revenue loss to the extent the geographical expansion results in additional program participants. It also precludes potential municipal revenue losses (given constant mill rates) by eliminating property tax abatements under the program.
- Section 4 results in a potential General Fund revenue loss to the extent that eligible program participants apply and are granted credits by the Department of Economic and Community Development, the magnitude of which is dependent on the specifics of qualifying projects.
- Section 5 results in a General Fund revenue loss of up to $60 million annually to the extent that qualifying projects are undertaken.
- Sections 6 & 7 do not result in any fiscal impact.

10. S.B. No. 479 (RAISED) AN ACT ESTABLISHING A COMMERCIAL DRIVER'S LICENSE TRAINING PROGRAM. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill establishes an OPM-administered program to provide tuition expense support to individuals seeking to get a CDL to establish a career as a commercial truck driver. OPM must select the nonprofit organizations that will provide training programs under the program, which must be provided at three or more locations in distressed municipalities. Among other things, the training program must offer enrollees the option of financing expenses with an "income share agreement," which is a contract where an enrollee offers to pay a share of his or her future earnings toward training expenses. The bill sets requirements for the programs, including requiring that priority be given to individuals who are unemployed, underemployed, formerly incarcerated, or veterans.

- The bill also authorizes $6.5 million in GO bonds to fund the initial program start-up costs, with $1.5 million reserved for use for equipment, trucks, trailers, and garages and other capital expenses.

- EFFECTIVE DATE: July 1, 2022

Fiscal Impact:

- Potential cost to OPM to administer. It is anticipated that such costs would be paid from the commercial driver's license training account established by the bill.
- Bonding – The bill authorizes $6.5 million of GO bonds for startup costs of the program. Expected General Fund debt service cost of $9.3 million.

11. H.B. No. 5401 (RAISED) AN ACT EXEMPTING COVID-19 AT-HOME TEST KITS FROM THE SALES AND USE TAXES. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill establishes a sales and use tax exemption for COVID-19 at-home test kits. Under current law, these kits are subject to the tax except when they are sold to a tax-exempt entity (e.g., the state, local governments, hospitals, and charitable nonprofits).
- EFFECTIVE DATE: July 1, 2022, and applicable to sales occurring on or after that date.

Fiscal Impact:

- $2 million revenue loss in FY 23; less than $2 million annually thereafter (or post-pandemic)
    - Any future Covid surges, testing requirements, or availability of free testing may impact this estimate.

12. H.B. No. 5404 (RAISED) AN ACT CONCERNING A SALES AND USE TAXES EXEMPTION FOR WATER COMPANIES. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill exempts from sales and use tax goods and services purchased by a water company to maintain, operate, manage, or control a pond, lake, reservoir, stream, well, or distributing plant or system that supplies water to at least 50 customers.
- EFFECTIVE DATE: July 1, 2022, and applicable to sales occurring on or after July 1, 2022.

Fiscal Impact:

- $4 million revenue loss annually

13. H.B. No. 5406 (RAISED) AN ACT CONCERNING A STUDY OF STATE REVENUE POLICIES. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill requires the OPM secretary, in consultation with the DRS commissioner, to (1) study the state's revenue policies and identify legislative changes to improve the state's business competitiveness with surrounding states and (2) report the findings to the Finance Committee by January 1, 2023.
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- None

14. H.B. No. 5407 (RAISED) AN ACT CONCERNING A STUDY OF STATE FISCAL POLICIES. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill requires the DRS commissioner, in consultation with the OPM secretary, to (1) review the state's fiscal policies and identify legislative changes to improve economic opportunities for the state's businesses and residents and (2) report his findings to the Finance Committee by January 1, 2023.
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- None

15. [H.B. No. 5473](H.B. No. 5473) (RAISED) AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR TAX ADMINISTRATION AND REVISIONS TO THE TAX AND RELATED STATUTES. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill makes the following tax-related changes:
  - modifies the responsible party penalty for income tax withholding (§ 1);
  - 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 (§§ 2 & 3);
  - caps at $5 million the amount of interest (1) added to any tax refund issued by the DRS commissioner for a tax period and (2) that a court may award in any tax appeal in connection with a tax refund claim for a tax period (§ 4);
  - generally prohibits taxpayers from filing refund claims for closed audit periods (§ 5);
  - establishes conditions under which the DRS commissioner and DRS special police may disclose specified tax return information in connection with criminal investigations (§§ 6 & 7);
  - designates DRS special police as “peace officers,” thus giving them certain powers and legal protections under state law (§§ 8-14);
  - codifies an existing DRS policy by allowing pass-through entities to elect to remit composite income tax on behalf of their nonresident members (§§ 15 & 16);
  - makes technical corrections to the estate and gift tax laws (§§ 17-19);
  - modifies the conveyance tax credit that applies against the personal income tax (§ 20);
  - authorizes the DRS commissioner to impose more than one sales and use tax deficiency assessment (i.e., reassessments) for a tax period (§§ 21-30);
  - generally prohibits the DRS commissioner from collecting a tax after 10 years (1) from the date the tax was reported on a return filed with DRS or (2) in the case of an assessment, from the date the assessment became final (§ 31);
  - establishes conditions under which the DRS commissioner may sell certain outstanding tax debt to state-licensed consumer collection agencies (§ 32);
  - explicitly authorizes the DRS commissioner to enter into agreements with collection agencies and attorneys for collection services within or outside the state and bring an action in the name of the state in the appropriate court in any other state or the District of Columbia (§§ 33 & 34);
  - expands the circumstances under which the DRS commissioner is prohibited from issuing or renewing certain permits or licenses (§ 35); and
  - requires the DRS commissioner to study alternative approaches for imposing the personal income tax with respect to taxpayer residency (§ 36).
- EFFECTIVE DATE: Upon passage, except the technical corrections to the estate and gift tax laws are effective October 1, 2022, and the amended tax return provisions apply to tax years beginning on or after January 1, 2022.

Fiscal Impact:

- The bill results in the following fiscal impacts:

- Sections 21-30, 33-34, and 35 result in a potential revenue gain to the extent they result in additional collections from delinquent taxpayers.
- Section 32 results in a potentially significant revenue gain as early as FY 24, the magnitude of which is dependent on the design, execution, and terms of a tax debt sale program. There is currently approximately $1.3 billion in outstanding tax debt.

16. H.B. No. 5474 (RAISED) AN ACT ESTABLISHING A PROPERTY TAX EXEMPTION FOR PROPERTY LOCATED ON CERTAIN INDIAN LANDS. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill exempts from property tax real property and personal property located on reservation land held in trust for a federally recognized Indian tribe. Existing law exempts from property tax reservation land and motor vehicles garaged there that are owned by tribal members (CGS § 12-81(2) & (71)).
- EFFECTIVE DATE: October 1, 2022, and applicable to assessment years beginning on or after that date

Fiscal Impact:

- Grand list reduction in Montville and Ledyard, which results in a revenue loss, given a constant mill rate
- Revenue loss is estimated to be at least $600,000 in Ledyard and at least $700,000 in Montville

17. H.B. No. 5475 (RAISED) AN ACT CONCERNING THE LEGISLATIVE COMMISSIONERS' RECOMMENDATIONS FOR MINOR AND TECHNICAL REVISIONS TO THE TAX AND RELATED STATUTES. (FIN) **Proposed Action: JFS to the Floor**

Summary:

- This bill makes numerous minor and technical changes to state tax statutes, including (1) correcting statutory references to personal property declarations required under CGS § 12-41 and (2) making technical corrections to the estate and gift tax laws.
- EFFECTIVE DATE: October 1. 2022, except an effective date correction is effective upon passage.

Fiscal Impact:

- The bill makes a number of minor and technical changes that do not result in any fiscal impact to the state or municipalities.

18. H.B. No. 5478 (RAISED) AN ACT CONCERNING A PROPERTY TAX EXEMPTION FOR CERTAIN VETERANS. (FIN) **Proposed Action: JFS to the Floor**

Summary:

- This bill authorizes municipalities to establish a local option property tax exemption for qualifying veterans equal to 10% of their primary residence's assessed value. To qualify, a veteran's federal AGI must be $50,100 or less.
- The bill also requires the OPM secretary, together with the Department of Veterans Affairs commissioner, to provide an annual written notice to municipalities and veterans' organization of the various local option property tax exemptions allowed by law for veterans, their relatives or spouses, and armed forces members killed in action while performing active military duty.

- EFFECTIVE DATE: October 1, 2022

Fiscal Impact:

- Optional exemption; if all towns chose to implement it, the revenue loss at current mill rates, is approximately $63.5 million

19. H.B. No. 5487 (RAISED) AN ACT CONCERNING THE PROPERTY TAX CREDIT. (FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill does the following:
    - increases, from $200 to $400, the property tax credit against the personal income tax and requires the credit amount to be annually adjusted for inflation beginning with the 2023 tax year;
    - expands the number of taxpayers who may claim the credit for the 2022 tax year by eliminating the provision restricting its eligibility to seniors and people with dependents;
    - increases, from $70,500 to $80,000, the income threshold above which the credit begins to phase out for joint filers and makes the phase-out increments larger so that it phases out slower;
    - beginning in 2023, requires the maximum property tax income thresholds for all filers to be annually adjusted for inflation; and
    - makes the credit refundable.
- EFFECTIVE DATE: July 1, 2022, and applicable to tax years beginning on or after January 1, 2022

Fiscal Impact:

- General Fund revenue losses of $322.7 million in FY 23 and $269.7 million in FY 24.
- The revenue losses would increase annually in accordance with inflation in FY 25 and beyond.

20. Substitute for S.B. No. 98 (RAISED) AN ACT EXTENDING THE MANUFACTURING APPRENTICESHIP TAX CREDIT TO PASS-THROUGH ENTITIES. (CE,FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill extends the manufacturing apprenticeship tax credit to the personal income tax and affected business entity tax (i.e., pass-through entity or PE tax), thus allowing owners or partners of pass-through entities, limited liability companies (LLCs), partnerships, and S corporations to claim it against these taxes.
- EFFECTIVE DATE: July 1, 2022, and applicable to tax years beginning on or after January 1, 2022.

Fiscal Impact:

- $1.4 million General Fund revenue loss annually beginning in FY 23.
- One-time cost of less than $100,000 in FY 23 to the Department of Revenue Services associated with updates to the online Taxpayer Service Center to allow pass-through entities to claim the credit on their tax forms.

21. S.B. No. 112 (COMM) AN ACT CONCERNING FUNDING FOR A SPECIALTY CHEMICAL AND WATER TREATMENT MANUFACTURING FACILITY AND GLOBAL RESEARCH AND DEVELOPMENT LABORATORY FOR THE MARINE INDUSTRY. (CE,CE) **Proposed Action: JF to the Floor**

Summary:

- This bill requires DECD to provide a $1 million grant in FY 23 to a supply chain specialty chemical and water treatment manufacturing facility and global research and development laboratory for the marine industry located in the state. It earmarks $1 million in Manufacturing Assistance Act funds for this purpose.
- EFFECTIVE DATE: July 1, 2022

Fiscal Impact:

- Bonding – The bill requires that $1 million of previously authorized GO bonds are used for a grant-in-aid. Future GF debt service may be incurred sooner, to the extent the required grant is allocated and spent in FY 23 and the funds would not otherwise have been allocated or spent.

22. S.B. No. 113 (COMM) AN ACT AUTHORIZING BONDS OF THE STATE FOR A HANDICAP ACCESSIBLE PLATFORM AT THE WATERBURY STOP OF THE NAUGATUCK RAIL LINE. (CE,CE) **Proposed Action: JF to the Floor**

Summary:

- This bill authorizes up to $100,000 in GO bonds for DECD to provide a grant to the Naugatuck Railroad to design and construct a handicap accessible platform at the Waterbury stop of the Naugatuck rail line.
- EFFECTIVE DATE: July 1, 2022

Fiscal Impact:

- Bonding – The bill authorizes $100,000 of GO bonds for a handicap accessible platform. Expected GF debt service cost of $143,000.

23. S.B. No. 298 (RAISED) AN ACT ESTABLISHING THE URBAN HOMEOWNERSHIP LOAN FUND. (HSG,FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill does the following:
    - establishes an "Urban Homeownership Loan Fund" and requires CHFA, in administering the fund, to provide local community development financial institutions (CDFIs) with funds to establish local revolving loan funds for the purpose of providing home loans in communities that contain qualified census tracts (i.e., generally those (1) in which at least 50% of households have an income under 60% of the area median gross income or (2) a poverty rate of at least 25%);
    - allows DOH or state funding contributed to the fund to be used as forgivable loans for certain redevelopment costs associated with homes purchased with funds from a local revolving loan fund established under the program;
    - creates occupancy restrictions and related penalties for homeowners that receive forgivable loans;

- allows CHFA, beginning October 1, 2022, and for a period of five years after, to match funding committed to local revolving loan funds using the Urban Homeownership Loan Fund;
- requires CDFIs that establish local revolving loan funds to allocate the funds, on a revolving basis, to (1) residents residing in qualified census tracts or (2) community development corporations located in a municipality containing at least one qualified census tract; and
- requires that these funds be used for residential home purchases or projects in qualified census tracts.

- EFFECTIVE DATE: October 1, 2022

Fiscal Impact:

- Potential cost to DOH of unspecified amount; The bill does not provide funding for the Urban Homeownership Loan Fund (UHLF). Any funding DOH or the state provides to the UHLF would be a cost and no repayment is anticipated.
- Costs for CHFA to administer the program, from its own resources, to the extent the loan fund receives funding.

24. Substitute for S.B. No. 429 (RAISED) AN ACT CONCERNING AUTHORIZATION OF STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS AND REVISIONS TO THE SCHOOL BUILDING PROJECTS STATUTES. (ED,FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill does the following:
  - authorizes school construction grant commitments for nine new projects and reauthorizes one project due to a change in scope or cost (§ 1);
  - requires future school construction projects to include in all classrooms at least one window that can be opened and used a means of escape during an emergency (§§ 2-3);
  - makes magnet school operators eligible for school construction grants under the criteria of the school construction program (current law says they “may” be eligible)(§ 4);
  - requires the Capitol Region Education Council to adopt a long-range plan of capital improvement and school building project priorities for the magnet schools it operates that help address the Sheff court settlement (§ 5);
  - increases the reimbursement rate by 5 percentage points on a school construction project where the project contractor has reserved a portion equivalent to 12.5% of the total value of the contract or the portion set aside pursuant to state small contractor and minority business enterprise set-aside law for awards to subcontractors who are minority business enterprises (§ 6); and
  - beginning with projects authorized on or after July 1, 2024, requires DAS to withhold 5% of a reimbursement grant if the commissioner determines that the applicant has failed to comply with the provisions of the state set-aside law for small contractors and minority business enterprises relating to minority business enterprises (§ 7).
- EFFECTIVE DATE: July 1, 2022, except that the grant commitment provision is effective upon passage.

Fiscal Impact:

- The $184 million state share for the newly approved or adjusted projects will be paid for through GO bonds. This bill does not authorize new bonds. If fully issued, the total debt service cost is estimated to be $259 million.
- The bill changes statute regarding eligibility for school construction projects for interdistrict magnet schools. To the extent additional projects are approved, there may be increased future costs through the school construction GO bonds. The impact of additional projects on the school construction priority list will be reflected when such projects are considered by the legislature in the future.
- The bill has the potential to increase reimbursement rates by 5 percentage points or withhold 5 percent of reimbursement for school construction projects exceeding or missing certain contractor standards. To the extent this changes future reimbursement rates, there would be a commensurate change in revenue gain to relevant municipalities and change in debt service for the State.

25. Substitute for H.B. No. 5043 (COMM) AN ACT REFORMING MOTOR VEHICLE ASSESSMENT. (PD,FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill (1) changes the method of valuing residential motor vehicles, moving to a system based on the MSRP with a corresponding 20-year depreciation schedule; (2) requires individuals to file personal property declarations for commercial motor vehicles; and (3) exempts from the property tax snowmobiles, ATVs, and residential trailers.
- EFFECTIVE DATE: July 1, 2022; most provisions are applicable to assessment years beginning on or after October 1, 2023.

Fiscal Impact:

- Precludes fluctuations in motor vehicle grand lists that occur under current assessment practices. This generally shifts total municipal grand lists away from motor vehicles and towards personal and real property by requiring motor vehicle assessments to be reduced according to a depreciation schedule.
- Exempts ATVs and snowmobiles from property taxes. This reduces municipal grand lists, which results in a reduction in motor vehicle revenue, given a constant mill rate.

26. H.B. No. 5127 (RAISED) AN ACT ESTABLISHING THE JOBSCT TAX REBATE PROGRAM. (CE,FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill establishes the JobsCT tax rebate program under which companies in specified industries may earn rebates against the insurance premiums, corporation business, and pass-through entity taxes for reaching certain job creation targets. It caps the aggregate amount of rebates awarded at $40 million per fiscal year.
- The rebate is based on (1) the number of new full-time equivalent employees (FTEs) the business creates and maintains, (2) these FTEs' average wage, and (3) the state income tax that would be paid on this average wage for a single filer. Generally, the rebate equals 25% of the state income tax paid by the new FTEs (50% for FTEs in an opportunity zone or distressed municipality). The rebate is refundable if it exceeds the business's tax liability and may exceed the existing insurance premiums and corporation business tax credit limits.

- A business is eligible for the program if it is subject to at least one of the above taxes and in an industry related to finance, insurance, manufacturing, clean energy, bioscience, technology, digital media, or any similar industry, as determined by the DECD commissioner
- Generally, the business must create and maintain at least 25 new FTEs to claim a rebate; the bill establishes minimum wage requirements that the new FTEs must meet to qualify for the rebate but allows the DECD commissioner to waive these requirements for FTEs meeting other criteria.
- EFFECTIVE DATE: July 1, 2022, and applicable to taxable or income years beginning on or after January 1, 2023.

Fiscal Impact:

- $40 million General Fund revenue loss annually beginning in FY 25.

27. Substitute for H.B. No. 5427 (RAISED) AN ACT CONCERNING THE RECOMMENDATIONS OF THE OFFICE OF FINANCE WITHIN THE OFFICE OF POLICY AND MANAGEMENT. (PD,FIN) **Proposed Action: JF to the Floor**

Summary:

- This bill changes the criteria for municipalities to be referred to the Municipal Finance Advisory Commission (MFAC) (§ 4) and integrates and aligns the criteria used for MFAC and Municipal Accountability Review Board (MARB) referrals (§§ 7-9). In doing so, it automatically designates municipalities as tier I under specified circumstances.
- It also makes numerous minor changes related to the financial oversight of municipalities and municipal entities.
- EFFECTIVE DATE: October 1, 2022

Fiscal Impact:

- The bill generally changes the conditions in which a municipality can be referred to the Municipal Accountability Review Board (MARB) and alters the subsequent actions MARB can take. These changes have no fiscal impact as they impose no additional requirements on municipalities and make no additional financial commitments of MARB.