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 19, 2023 Agenda

BILLS FOR REVIEW

1. S.B. No. 980 (COMM) AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE. (FIN) **Proposed Action: JFS to the Floor**

   - Changes bond authorizations; see associated attached materials

Besides the bond authorizations, Sections 2 & 3 of the attached LCO establish an income tax exemption for certain residents of qualifying census tracts. While income tax data is not currently reported by census tract, for context the following cities/towns contain qualifying census tracts (along with the total amount of income taxes attributed to those cities/towns in 2020):

City/Town	Income Taxes Paid 2020
Bridgeport	73,886,961
Hartford	64,768,019
Meriden	58,455,659
Middletown	66,124,649
New Britain	47,789,292
New Haven	112,328,387
Tolland	36,358,137
Waterbury	65,549,229
Windham	14,771,889

Additionally, these sections result in a cost to the Department of Revenue Services estimated at $677,245 ($474,195 for salary and $203,050 for fringe benefit costs) in FY 24 and annually thereafter associated with five Revenue Examiners and two Revenue Agents to implement the provisions.

2. S.B. No. 981 (COMM) AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET. (FIN) **Proposed Action: JFS to the Floor**

Summary of Drafted Provisions:

- Extends the 10% corporation business tax surcharge for three additional years, to the 2023 through 2025 income years (see SB 981)
- Starting with the 2024 tax year, decreases the bottom two marginal income tax rates for all filers from (1) 3% to 2% and (2) 5% to 4.75%, modifies the current benefit recapture schedule to reflect

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the marginal rate changes, and adds an additional benefit recapture provision to eliminate the benefit from the bill's rate reductions for taxpayers with taxable incomes over $200,000 (single filers and married filing separately), $320,000 (heads of household), or $400,000 (joint filers) (see HB 6934, § 1)

- Increases the earned income tax credit (EITC) from 30.5% to 45% of the federal credit beginning with the 2023 tax year
- Beginning with the 2024 income year, increases the corporation business tax credit for human capital investments from 5% to 10% (for most eligible investments) or 25% (for eligible child care-related expenditures) and makes donations or capital contributions to nonprofits for acquiring, constructing, or improving child care centers for use by children residing in the community an eligible human capital investment for purposes of the credit (see HB 6934, § 4)
- Requires the DRS commissioner to (1) annually estimate the state tax gap (i.e., the difference between taxes owed under full compliance with all tax laws and the taxes voluntarily paid), develop a strategy to promote compliance and discourage tax avoidance, evaluate DRS staffing needs for implementing the strategy, and conduct a cost-benefit analysis of major tax compliance initiatives and an analysis of audit rates from the prior fiscal year; (2) annually report this information to the Finance, Revenue and Bonding and Appropriations committees and post it on DRS's website; and (3) publish a strategic plan on the department's mission and goals and a timetable to achieve them (see HB 6934, § 5)
- Expands the scope of DRS's tax incidence report by, among other things, (1) adding the pass-through entity tax and any tax generating at least $100 million in the most recent fiscal year to the taxes analyzed in the report, (2) requiring that the tax burden of the top 0.5% of income taxpayers be broken out, (3) requiring the inclusion of certain demographic information about taxpayers in each income class, and (4) requiring information on the distribution of specified tax credits (see HB 6934, § 6)
- Beginning with the 2024 income year, increases, from 78% to 92% of the credit's value, the redemption rate of film and digital media credits applied against the sales and use tax; requires production companies to report specified job creation data and DECD to report this information in its annual report (see HB 6929)
- Increases, from 65% to 80% of the credit amount, the amount of cash refund a biotechnology company that is a qualified small business may receive for R&D tax credits it cannot use; keeps the percentage at 65% for companies in other sectors (see HB 6932)
- Requires deposit initiators (e.g., distributors) to keep all unclaimed deposits from July 1, 2023, to the end of the calendar year to reimburse them for the 10-cent deposit on redeemed beverage containers taking effect on January 1, 2024; for FY 25, reduces the amount of unclaimed deposits that deposit initiators must remit to the General Fund from 55% to 50%; beginning in FY 26, ties the required remittance to the General Fund to the average statewide redemption rate for the preceding fiscal year (see SB 1236 JFS)
- Exempts all job-related or personnel training services from sales and use tax, rather than just those services provided by higher education institutions (see HB 6925)
- Increases, from $4,000 to $7,500, the maximum tax credit allowed for each construction trade apprentice under the apprenticeship training tax credit program; requires each person sponsoring a Department of Labor (DOL)-registered apprenticeship program to annually submit to DOL specified information related to the program (see HB 6921)

- Extends, from 20 to 30 years, the period that corporations may carry forward a net operating loss deduction for corporation business tax purposes for losses incurred in the 2015 income year or later (see HB 6922 JFS)
- For income years beginning on or after January 1, 2024, allows certain corporations who own LLCs to claim the fixed capital investment tax credit for amounts the LLC invested in qualifying fixed capital (see HB 6927)
- Eliminates the FY 23 transfer of designated ARPA funds to the General Fund (see SB 981, § 21)
- Extends eligibility for the pension and annuity and IRA income tax deductions to taxpayers with federal AGIs of (1) at least $75,000 but less than $100,000 for single filers, married people filing separately, and heads of household and (2) at least $100,000 but less than $150,000 for joint filers; gradually reduces the deduction for these taxpayers until it fully phases out at $100,000 or $150,000, as applicable (as under current law, taxpayers with incomes below $75,000 or $100,000, as applicable, qualify for the full deduction) (see HB 6934, § 2)
- For FYs 23 and 24, requires up to $300 million of General Fund revenue that exceeds the adopted revenue estimates to be transferred to a new supplemental grants in lieu of taxes account and requires OPM to use the account funds to pay PILOT grants (see LCO 6913)
- Sets up a new revenue sharing program that (1) diverts a portion of state revenue from the corporation business, sales and use, and personal income tax into a new municipal tax revenue account, beginning in FY 25; (2) requires DRS to calculate the amount of this revenue that is attributed to each municipality, subject to certain requirements; and (3) disburses the funds to municipalities based on the amount sourced to them and their fiscal capacity (see LCO 6913)
- EFFECTIVE DATE: Various

Fiscal Impact:

Summary impact by fund/program in $ millions

	FY 23	FY 24	FY 25	FY 26
General Fund	(614.9)	(279.7)	(422.9)	(470.2)
Special Transportation fund	-	(0.3)	(0.3)	(0.3)
Municipal Revenue Sharing Account	-	(0.3)	(0.3)	(0.3)
Host towns meals tax diversion	-	50	50	50
Municipal grants based on needs / capacity meals tax diversion	-	25	25	25
Cultural grants meals tax diversion	-	25	25	25
Total	(614.9)	(180.3)	(323.5)	(370.8)

Policy list in $ millions

Policy	Fund impacted	FY 23	FY 24	FY 25	FY 26
Extend the temporary corporate tax surcharge	General Fund	-	80	50	20
Expand the human capital tax credit	General Fund	-	(2.1)	(3.5)	(3.5)
Increase the state's Earned Income Tax Credit (EITC) rate to 45%	General Fund	-	(68.4)	(68.4)	(68.4)
Lower the 3% marginal personal income tax rate to 2%, effective 1/1/24	General Fund	-	(49.4)	(109.7)	(113)
Lower the 5% marginal personal income tax rate to 4.75%, effective 1/1/24	General Fund	-	(68.1)	(151.3)	(155.8)
Limit the personal income tax reductions above to taxpayers with less than $100k (single) or $200k (married filing jointly)	General Fund	-	3.3	6.5	6.5
Adjust volatility cap transfer amount to reflect E&F portion of the personal income tax policies above	General Fund	-	6.5	14.5	14.9
Increase the amount of the film and digital media production tax credits to be claimed against the sales tax under certain circumstances	General Fund	-	(2.2)	(4.3)	(4.3)
Increase the rate of the credit refund value for research and experimental expenditures or research and development expenses of biotechnology companies	General Fund	-	(1.7)	(1.7)	(1.7)
Allow otherwise federally disallowed business expense deductions for cannabis businesses	General Fund	-	(4.7)	(6.2)	(9.6)
Provide a holiday for the return of escheats (1)	General Fund	-	(11.7)	-	-
Exclude personnel training services from the sales and use taxes	General Fund	-	(2.9)	(2.9)	(2.9)

Exclude personnel training services from the sales and use taxes	Special Transportation Fund	-	(0.3)	(0.3)	(0.3)
Exclude personnel training services from the sales and use taxes	Municipal Revenue Sharing Account	-	(0.3)	(0.3)	(0.3)
Increase the maximum tax credit allowed for each construction trade apprentice	General Fund	-	(0.2)	(0.2)	(0.2)
Divert meals tax revenues	General Fund	-	(100)	(100)	(100)
Divert meals tax revenues	Municipal Revenue Gain: Host Towns	-	50	50	50
Divert meals tax revenues	Cultural Grants	-	25	25	25
Divert meals tax revenues	Municipal Grants: Needs/ Capacity based	-	25	25	25
Divert certain surplus state revenues to municipalities (2)	General Fund	SEE BELOW			
Extend the period that corporations may carry forward a net operating loss deduction	General Fund	Indeterminate			
Allow certain corporations who own LLCs to claim the fixed capital investment tax credit for amounts the LLC invested in qualifying fixed capital	General Fund	-	-	(0.4)	(0.4)
Eliminate use of ARPA for FY 23 General Fund revenue replacement	General Fund	(314.9)	-	-	-
Eliminate the benefits cliff by phasing out the pension & annuity exemption for joint filers from $100,000 to $150,000 and single, separate, and head of household filers from $75,000 to $100,000 with an alternative phase-out	General Fund	-	(48.1)	(32)	(32)
Eliminate the benefits cliff by phasing out the IRAs exemption for joint filers from $100,000 to $150,000 and single, separate, and head of household filers from $75,000 to $100,000 with an alternative phase-out	General Fund	-	(10)	(13.3)	(19.8)
Divert excess revenues to pay PILOT grants	General Fund	(300)	-	-	-

(1)

- Potential revenue losses of up to $3.2 million in FY 25, up to $10 million in FY 26 and up to $19.4 million in FY 27 and annually thereafter (see LCO 6904)
    - These revenue estimates are dependent on certain redemption rates being achieved

(2)

- Potential revenue gain annually (and revenue loss to the state) by transferring excess revenue above the revenue estimates adopted by Finance, Revenue and Bonding into a new “municipal tax revenue account.” Any impact would occur only in years where revenues exceed budgeted estimates and can be potentially significant depending upon the year. (see LCO 6913)
- In order to track, record, and attribute to municipalities the various revenue sources covered under the bill, the Department of Revenue Services would require one Revenue Examiner ($74,522 for salary and $31,910 for fringe benefit costs) for ongoing audit, resulting in a total annualized cost of $106,432. (see LCO 6913)
- LCO 6913 results in a potential cost to the Office of Policy and Management (OPM) beginning in FY 24 for staff to (1) calculate the growth rate projections on a municipal basis for certain taxes and (2) calculate a municipal needs capacity gap metric for each municipality. There is also a cost to OPM to administer grants from the municipal tax revenue account and a corresponding revenue gain to certain municipalities that receive the grant. It is estimated the total grant amount will be approximately $20 million as OPM may not administer the grant until the account reaches $40 million and may not allow the account to fall below $20 million. Any revenue gain to municipalities will depend on when the account reaches the required amount.

- The provisions of the bill which require the Department of Revenue Services to conduct an annual study of the state tax gap and expand the biennial Tax Incidence Report, result in one-time consulting costs estimated at up to $600,000 in FY 24 only. It is anticipated that the agency's Data Analytics team would be able to accomplish the requirements of these sections in FY 25 and beyond (it is anticipated that the consulting contract would specify that DRS would retain ownership of the sources and methodology for producing the report so that existing agency staff could update the report in subsequent years). See HB 6934, Sections 5 and 6.

3. S.B. No. 1236 (RAISED) AN ACT CONCERNING THE AMOUNTS OF UNCLAIMED BEVERAGE CONTAINER DEPOSITS TO BE PAID FOR DEPOSIT IN THE GENERAL FUND. (FIN) **Proposed Action: JFS to the Floor**

Summary of Proposed Substitute (LCO 6904):

- Requires deposit initiators (e.g., distributors) to keep all unclaimed deposits from July 1, 2023, to the end of the calendar year to reimburse them for the 10-cent deposit on redeemed beverage containers taking effect on January 1, 2024
- For FY 25, reduces the amount of unclaimed deposits that deposit initiators must remit to the General Fund from 55% to 50%
- Beginning in FY 26, ties the required remittance to the General Fund to the average statewide redemption rate for the preceding fiscal year, as shown in the following table (the DEEP commissioner must, beginning by August 1, 2024, annually calculate and publish this rate for the preceding fiscal year)

Fiscal Year	Statewide Redemption Rate	Required Remittance
26	At least 65%	25%
	Less than 65%	45%
27	At least 70%	5%
	Greater than 65%, but less than 70%	25%
	65% or less	45%
28 and after	At least 80%	5%
	Greater than 70%, but less than 80%	10%
	Greater than 65% to 70%	25%
	65% or less	45%

Fiscal Impact:

- General Fund revenue loss of $11.7 million in FY 24
- Potential revenue losses of up to $3.2 million in FY 25, up to $10 million in FY 26 and up to $19.4 million in FY 27 and annually thereafter
    - These revenue estimates are dependent on certain redemption rates being achieved

4. S.B. No. 1239 (RAISED) AN ACT CONCERNING CERTAIN EMPLOYEE STOCK-SHARING ARRANGEMENTS. (FIN) **Proposed Action: JFS to the Floor**

Summary of Proposed Substitute (LCO 6827):

- Beginning with the 2027 income year, exempts corporations making periodic distributions of their company's common stock to eligible employees (i.e., offering a "share plan") from the corporation business tax surcharge if the DRS commissioner finds that the share plan meets the bill's conditions
    - To qualify as a share plan, the employee stock-sharing plan must meet specified requirements, including distributing stock to at least (1) 80% of the company's eligible employees (excluding the 1% of the company's highest paid employees) and (2) some eligible employees who are state residents
- Exempts from state income tax any (1) share plan stock taxpayers receive and (2) net gain on the stock, up to the taxpayer's eligible expenses for certain student loans, medical care, and mortgage payments
- EFFECTIVE DATE: January 1, 2024

Fiscal Impact:

- Potential General Fund revenue loss beginning in FY 27 to the extent that companies offer a share plan and: (1) the corporation business tax surcharge is extended (the current surcharge expired 1/1/23), or (2) the surcharge is not extended and companies are instead eligible to claim tax credits.
    - For context, in the 2020 income year a total of 3,694 filers paid an aggregate of $69.7 million in corporate surcharge at the 10% rate.
- Potential General Fund revenue loss from the personal income tax exemption for qualifying share plan stock, the magnitude and timing of which is dependent on (1) companies offering a share plan, and (2) employee stock sales.
- One-time cost of up to $75,000 in FY 24 associated with programming updates to the CTax tax administration system and myconneCT online portal, and form modification.

5. H.B. No. 6919 (RAISED) AN ACT ESTABLISHING A TAX CREDIT FOR CERTAIN PRE-BROADWAY AND POST-BROADWAY THEATER PRODUCTIONS. (FIN) **Proposed Action: JFS to the Floor**

Summary of Proposed Substitute:

- Establishes a new tax credit for production companies performing pre- and post-Broadway productions at qualified production facilities in the state
- Credit equals 30% of the companies' eligible production and performance expenditures (including up to $250,000 of payroll per week); unused credits may be carried forward for up to three years and transferred to other taxpayers
- Caps the total credits allowed at $10 million per fiscal year; allows the credit to be applied against the personal income, corporation business, insurance premiums, and utility companies tax
- Requires DECD commissioner to annually report to the Commerce and Finance, Revenue, and Bonding Committees on the credits' usage beginning by March 1, 2025
- EFFECTIVE DATE: January 1, 2024, and applicable to income and tax years beginning on or after January 1, 2024

Fiscal Impact:

- General Fund revenue loss of up to $10 million annually beginning in FY 25
- One-time set up and programming cost of $100,000 in FY 24 to the Department of Revenue Services to administer the tax credit

6. H.B. No. 6925 (RAISED) AN ACT EXEMPTING CHILDREN'S CLOTHING AND FOOTWEAR, PERSONAL PROTECTIVE EQUIPMENT AND JOB-RELATED AND PERSONNEL TRAINING SERVICES FROM THE SALES AND USE TAXES. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Exempts from sales tax (1) children's clothing and footwear (classified as such, according to trade standards) specifically for the exclusive use of children under age 10 and (2) personal protective equipment (i.e., specialized clothing or equipment used to protect against infectious disease)
- Exempts all job-related or personnel training services from sales and use tax, rather than just those services provided by higher education institutions (under DRS regulations, job-related personnel training services that businesses pay to provide to their employees are generally subject to sales tax as business management services)
- EFFECTIVE DATE: July 1, 2023, and applicable to sales occurring on or after that date

Fiscal Impact:

- $8 million annualized revenue loss from the sales and use tax exemption on children's clothing and footwear
- $2 million annualized revenue loss from the sales and use tax exemption on personal protective equipment
- $3.5 million annualized revenue loss from the sales and use tax exemption on personal training services

7. H.B. No. 6926 (RAISED) AN ACT ESTABLISHING A PERSONAL INCOME TAX DEDUCTION FOR CERTAIN HOME HEALTH CARE EXPENSES. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Allows taxpayers to deduct from their adjusted gross income up to $60,000 of expenses paid or incurred for the full-time home health care of (1) a relative (by blood, adoption, or marriage) age 70 or older or (2) a qualifying dependent or spouse who is physically or mentally incapable of caring for himself or herself
- EFFECTIVE DATE: January 1, 2024, and applicable to income years starting on or after that date

Fiscal Impact:

- General Fund revenue loss estimated at $19.8 million in FY 25 and $20.8 million in FY 26, with losses increasing in the out years in line with medical inflation
- General Fund cost to the Department of Revenue Services (DRS) of less than $152,877 in FY 24 (partial year) and $106,432 in FY 25 and annually thereafter.
    - In order to administer the deduction, DRS would require one Revenue Examiner ($74,522 for salary and $31,910 for fringe benefit costs) for ongoing audit and compliance, resulting in a total annualized cost of $106,432. The agency would also incur a one-time cost of up to $75,000 in FY 24 associated with programming updates to the CTax tax administration system and myconneCT online portal, and form modification.
- It is assumed for the purposes of this analysis that costs reimbursed by private insurance, Medicaid, or Medicare would not be eligible for deduction.

8. H.B. No. 6929 (RAISED) AN ACT CONCERNING THE FILM AND DIGITAL MEDIA PRODUCTION TAX CREDITS. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Beginning with the 2024 income year, increases, from 78% to 92% of the credit's value, the redemption rate of film and digital media credits applied against the sales and use tax (As under existing law, transferees may claim credits against the sales and use tax only if there is at least 50% common ownership between the transferee and eligible production company)
- Requires (1) production companies to report the number of full-time and part-time jobs the company created during an annual period, a description of each job, and an explanation of what the company considers to be job creation for the report's purposes and (2) DECD to report this information in its annual report
- EFFECTIVE DATE: January 1, 2024

Fiscal Impact:

- General Fund revenue loss of $2.2 million in FY 24 and $4.3 million in FY 25 and annually thereafter

9. H.B. No. 6931 (RAISED) AN ACT CONCERNING THE REPORTING FREQUENCY FOR THE HIGHWAY USE TAX. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Reduces the frequency for highway use tax filing from monthly to quarterly beginning July 1, 2023

- EFFECTIVE DATE: July 1, 2023

Fiscal Impact:

- None

10. H.B. No. 6932 (RAISED) AN ACT INCREASING THE RATE OF THE CREDIT REFUND VALUE FOR CERTAIN EXPENDITURES BY BIOTECHNOLOGY COMPANIES. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Increases, from 65% to 80% of the credit amount, the amount of cash refund a biotechnology company that is a qualified small business may receive for R&D tax credits it cannot use; keeps the percentage at 65% for companies in other sectors
- "Biotechnology companies" are those applying certain technologies to produce or modify products, improve plants or animals, identify targets for small molecule pharmaceutical development, transform biological systems into useful processes and products, or develop microorganisms for specific uses
- EFFECTIVE DATE: July 1, 2023

Fiscal Impact:

- General Fund revenue loss of up to $1.7 million annually beginning in FY 24

11. H.B. No. 6933 (RAISED) AN ACT CONCERNING AN EXAMINATION OF THE TAXATION OF REAL PROPERTY AND TANGIBLE PERSONAL PROPERTY LOCATED ON CERTAIN INDIAN LANDS. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Establishes a working group to examine the taxation of land held in trust for federally recognized Indian tribes and tangible personal property located on the land and requires the group to report its recommendations to the legislature by January 1, 2024
- Group consists of OPM secretary; the chairpersons and ranking members of the Appropriations, Planning and Development, and Finance, Revenue and Bonding committees; and at least one representative from each tribe and municipality affected
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- None

12. Substitute for S.B. No. 1201 (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: JFS to the Floor**

Summary of Proposed Substitute (LCO 6818):

- Authorizes the DAS commissioner to enter into state grant commitments for 22 new projects, plus 2 previously authorized projects that have changed in scope or cost

- Adds the Department of Emergency Services and Public Protection commissioner (or designee) and the Technical Education and Career System board chairperson (or designee) to the School Building Projects Advisory Council's membership
- For grant applications made as of June 1, 2022, increases the reimbursement percentage range for new construction projects from 10-70% to 10-80%; under current law the range can be 20-80% when the applicant district can show that new construction is less expensive than renovation, extension, or major alteration
- Discontinues the practice of deducting federal funds received for the project from the project costs before calculating the state reimbursement grant
- Allows any town, rather than only priority school districts, to use federal funds to finance a school building project, which will be considered part or all of the town's local share
- Exempts one town's school construction renovation project and board of education facility project from various statutory and regulatory requirements (referred to as "notwithstandings"); for both projects, it allows the town to (1) have the projects reauthorized due to a change in scope or cost and (2) receive a higher grant reimbursement percentage for both parts of the project, the school renovation and the board of education facility
- EFFECTIVE DATE: July 1, 2023, except the grant commitment and notwithstanding provisions are effective upon passage

Fiscal Impact:

- The $839 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.
- The bill changes the statutory reimbursement range for new school construction projects from 10-70% to 10-80%. It also allows federal funds to be used as municipal share of project costs. Both provisions result in increased costs through higher levels of state reimbursement for projects approved in the future.

13. H.B. No. 6577 (RAISED) AN ACT CONCERNING LONG-TERM CARE INSURANCE PREMIUM RATES. (AGE,FIN) **Proposed Action: JF to the Floor**

Summary:

- Creates a personal income tax deduction for long-term care (LTC) insurance premiums
- Requires insurers implementing a LTC insurance premium rate increase of more than 10% to hold a public hearing prior to doing so and notify policyholders of the hearing time and date at least 14 days in advance
- EFFECTIVE DATE: Upon passage and applicable to tax years beginning on or after January 1, 2023

Fiscal Impact:

- General Fund revenue loss of $16.1 million beginning in FY 24
- One-time cost of between $10,000 and $20,000 to the Department of Revenue Services to implement tax form changes in FY 24 only

14. Substitute for H.B. No. 6584 (RAISED) AN ACT CONCERNING A RESEARCH AND DEVELOPMENT EXPENSES TAX CREDIT FOR PASS-THROUGH ENTITIES. (CE,FIN) **Proposed Action: JF to the Floor**

Summary:

- Allows owners and partners of pass-through entities to claim a tax credit against the income tax equal to 6% of the research and development (R&D) expenses a taxpayer pays or incurs during the taxable year
- EFFECTIVE DATE: January 1, 2024, and applicable to tax years beginning on or after this date

Fiscal Impact:

- Indeterminate as it is unknown how much credit-eligible activity is attributable to pass-through entities
- A February 2023 study by the Department of Economic & Community Development on the impact of extending the research & development tax credit to pass-through entities concluded "the state does not currently have a way to measure current R&D expenses of pass-through entities (PTEs) in Connecticut, as this data is not reported to DRS. Furthermore, there is no reliable methodology to extrapolate the impact from corporate earned and utilized credits to estimate the utilization rate of PTEs. This lack of data on R&D expenses by PTEs means the state is not able to approximate the amount of tax credits they may utilize if it were available, making it impossible to realistically estimate the immediate fiscal cost."