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 March 30, 2026, Agenda

BILLS FOR REVIEW

1. S.B. No. 1 (COMM) AN ACT CONCERNING AFFORDABILITY. (FIN) (**JF to the floor**)

Summary:

- Exempts from sales and use tax:
  - most clothing and footwear costing less than $100; exemption does not apply to (1) special athletic and protective clothing and footwear not normally worn except for its specialized use and (2) jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items that people carry but do not wear; correspondingly eliminates "sales-tax-free-week" for these items (§§ 1 & 7)
  - nonelectronic school supplies, like backpacks, lunchboxes, pens, pencils, crayons, rulers, and paper (§ 1)
  - air conditioners, boilers, furnaces, heat pumps, clothes washers and dryers, standard size refrigerators, dehumidifiers, and programmable thermostats, so long as they are (1) for residential use and (2) meet or exceed federal Energy Star standards (§ 1)
  - sandwiches, grinders, coffee, and tea sold in a supermarket for takeout, other than when sold in the food court or snack bar area (§ 2)
- Increases, from $300 to $400, the maximum property tax credit against the state income tax, beginning in 2027 (§ 3)
- Creates a nonrefundable income tax credit beginning in 2027 for income-eligible family caregivers who incur eligible expenditures to care and support an eligible family member (§ 4)
  - To qualify, the family caregiver must have federal AGI of less than $100,000 (for married filers) or $50,000 (for single filers)
  - Credit equals 50% of the eligible expenses the family caregiver incurred, up to a maximum credit of $2,000 per year
  - Requires DRS to administer a tax credit voucher system for the credit and approve applications on a first-come, first-served basis; caps at $1.8 million the total amount of tax credit vouchers that DRS may issue each tax year

- Creates a refundable income tax credit for eligible renters that have federal adjusted gross income (AGI) of $100,000 or less for joint filers or $50,000 or less for all other filers and meet other specified eligibility criteria; credit equals 20% of eligible rent paid minus 4% of their federal AGI, up to a maximum credit amount of $1,000 for all filers (§ 5)
- Fully exempts all Social Security benefits from state income tax, starting with the 2027 tax year (§ 6)
- EFFECTIVE DATE: Various

Fiscal Impact:

- **Section 1** results in the following revenue losses to the state by exempting the items from the sales and use tax below:

    - $175.5 million for clothing and footwear less than $100;
    - $7 million for certain school supplies;
    - $12 million for certain appliances.

  These revenue losses will impact the General Fund, Special Transportation Fund, and Municipal Revenue Sharing Account which all receive a portion of the collections from 6.35% general sales tax.

- **Section 2** results in a General Fund revenue loss of approximately $9 million annually by exempting certain items sold in the supermarket from 7.35% meals tax.

- **Section 3**, which increases the maximum property tax credit from $300 to $400, results in a General Fund revenue loss of approximately $46 million annually beginning in FY 28.

- **Section 4**, which establishes a refundable personal income tax credit for caregiver costs, results in (1) a General Fund revenue loss of $1.8 million annually beginning in FY 28 and (2) a one-time cost to the Department of Revenue Services of up to $50,000 in FY 28 for the development and implementation of a voucher system.

- **Section 5**, which establishes a refundable personal income tax credit for rent paid of up to $1,000 for eligible filers, results in (1) a General Fund revenue loss of approximately $202 million annually beginning in FY 28 and (2) a one-time cost to the Department of Revenue Services of up to $75,000 in FY 28 associated with programming updates to the CTax tax administration system and myconneCT online portal, as well as form modification.

- **Section 6**, which fully exempts Social Security benefits from the personal income tax, results in a General Fund revenue loss of approximately $57.5 million beginning in FY 28. The revenue loss would grow annually thereafter in accordance with the number of filers receiving Social Security benefits and the growth in benefit amounts received.

- **Section 7** results in a revenue gain of $2 million annually to the state by repealing the "sales-tax-free-week" holiday.

2. S.B. No. 511 (RAISED) AN ACT ESTABLISHING MUNICIPAL GROWTH DIVIDEND PAYMENTS. (FIN) (**JF to the floor**)

Summary:

- Establishes a revenue sharing program that diverts a portion of state revenue from income, sales and use, and corporation business taxes into a new statewide municipal growth account and requires OPM to disburse the funds as "municipal growth dividends" to eligible municipalities beginning with FY 31
- Requires each municipality to set up a municipal revenue stabilization fund and deposit their municipal growth dividends in the fund; they may use the dividends to (1) reduce their mill rates; (2) pay for municipal services, as allowed under the bill; or (3) do both
- Requires OPM to annually report to the legislature on the program starting by November 1, 2030
- EFFECTIVE DATE: October 1, 2026

Fiscal Impact:

- Expands municipal revenue sharing to include 0.5% of state revenue from the: 1) withholding portion of the personal income tax; 2) corporation business tax, and 3) the General Fund's remaining portion of the sales and use tax.[1] For reference, 0.5% of the aggregate amount of these revenue streams is projected to be $88.2 million in FY 29. Under the bill, the revenue would begin to be set aside in FY 30 and distributed to municipalities beginning in FY 31 as municipal growth dividends.
- The municipal growth dividend amounts per municipality would be determined according to each municipality's respective growth from a baseline determined by the Department of Revenue Services.
- There is a potential cost to the Office of Policy and Management beginning in FY 27 to the extent additional resources are necessary to (1) manage the new Municipal Growth Account, and (2) submit a report annually beginning November 1, 2030.
- The bill results in a revenue gain to municipalities beginning in FY 31 that is dependent on the funds available and if the municipality meets certain requirements.

[1] By law, 0.5 of the 6.35 general sales tax (equal to 7.87% of the total rate) is shared via the Municipal Revenue Sharing Fund

3. S.B. No. 513 (RAISED) AN ACT CONCERNING STRUCTURAL EFFICIENCY IN THE COLLECTION OF STATE REVENUE. (FIN) (**JF to the floor**)

Summary:

- Starting with the 2027 tax year, establishes a voluntary payroll tax program that covered employees can elect to participate in by agreeing to a reduction in their wages and compensation, as calculated under the bill; in turn, they receive a refundable credit against their personal income tax liability for a portion of the payroll tax paid by their employer
    - Payroll tax rates range from 5% to 10.5% and are based on the electing covered employee's wages and compensation (payroll expense) and filing status; employers must pay the tax on the same dates, and in the same way, as withholding tax payments
    - Each electing covered employee is allowed a refundable income tax credit equal to a portion of the payroll tax paid by their employer for that year; the credit rate is either 92% or 65%, depending on the taxpayer's filing status, federal AGI, and the applicable tax year
- Creates the administrative efficiency account and requires DRS to deposit in the account each fiscal year the amount by which the revenue generated by the payroll tax program exceeds the revenue that would have been collected from income tax withholding on electing covered employees' wages; requires the state treasurer to use the funds in the account to reduce the public benefits charge on electric bills
- Requires the comptroller to develop educational materials about the payroll tax program and distribute them, as well as materials about the Connecticut Retirement Security Program, to employers and employees by January 1, 2027; also requires covered employers to inform their employees about the payroll tax program and give specified information to each covered employee
- EFFECTIVE DATE: Upon passage, except the income tax credit provisions are effective January 1, 2027, and tax revenue accrual provision is effective June 30, 2027

Fiscal Impact:

- Establishment of a payroll tax and associated personal income tax credit for payroll taxes paid results in a potential revenue gain to the "administrative efficiency account" to the extent employees elect to participate in the voluntary payroll tax. The magnitude of the revenue gain is dependent on (1) the number of electing employees, (2) electing employees' wage income, and (3) continued participation in the program.
- The bill results in (1) a one-time cost to the Department of Revenue Services of $1.1 million[2] in FY 27 for information technology and administrative costs to develop and implement the payroll tax, (2) a one-time cost to the Office of the State Comptroller of up to $250,000 in FY 27 for the development and distribution of educational materials, and (3) an ongoing cost of $921,830 annually ($650,000 for salary and $271,830 for fringe benefits total) to DRS

[2] This estimate is based on the development and implementation costs of the pass-through entity tax.

beginning in FY 27 for personnel to administer the payroll tax program and associated "administrative efficiency account."

4. S.B. No. 514 (RAISED) AN ACT CONCERNING COMMUNITY PARTNERSHIP OPPORTUNITY AGREEMENTS. (FIN) (**JF to the floor**)

Summary:

- Creates a program within DECD designed to increase educational achievement and workforce skills in communities experiencing persistent economic disadvantages through partnerships between DECD and specified stakeholders (participating investors, certified community development corporations (CDCs), service providers, and independent evaluators)
- Requires DECD and these stakeholders to enter into "community partnership opportunity agreements" under which participating investors commit capital to fund specified education and workforce development programs by eligible service providers
    - The programs are tied to specific performance outcomes over a five-year period and their progress must be measured by an independent evaluator; If the programs achieve the performance metrics outlined in the agreement, investors are (1) repaid their investment plus a performance-based premium and (2) receive a "success payment" from DECD
    - Requires the community partnership opportunity agreements to be proposed by a certified CDC and then approved by DECD if they meet the bill's criteria
- Establishes the community partnership opportunity account as a separate, nonlapsing account that DECD must use to fund the program; any funds provided by participating investors must be deposited into the account and DECD must use it to pay for (1) implementing the specified initiatives, (2) evaluating their performance, and (3) making the success payments
- Requires the DECD commissioner to report to the Finance, Revenue and Bonding Committee on each of these agreements, annually for each year of its five-year period
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- The bill results in a cost of:
    - An annualized cost of $146,000 ($103,000 in salary and related $43,000 in fringe benefits) for one community development specialist in the Department of Economic and Community Development (DECD) to administer the program
- Creates a "community partnership opportunity" account. The bill deposits funding from participating investors in the program into the account. The funds are used to finance the costs associated with the program listed below. The actual impact will be contingent on the number of agreements and specifics within the agreement.
    - Implementation of services for each agreement.
    - Consultant services to evaluate each agreement.

- Payments to participating investors, contingent on the success of the agreement.

5. [S.B. No. 515] (RAISED) AN ACT CONCERNING THE CONNECTICUT WORKFORCE AND A PRODUCTIVITY GAP SURCHARGE. (FIN) (**JF to the floor**)

Summary:

- Requires the OPM secretary, together with the DRS and DOL commissioners and chief workforce officer, to submit a plan to the General Assembly by January 1, 2027, to ensure that (1) technological advancements serve to augment worker capability rather than make it obsolete and (2) productivity gains lead to a more skilled workforce
- Requires the plan to include specified topics, including a formula for a surcharge to be assessed annually for each income or tax year in which an employer maintains a "productivity gap" (measurable increase in revenue-per-employee hours that occurs when its Connecticut payroll is reduced materially while gross revenue remains stable or increases)
- Requires the OPM secretary to issue policies and procedures to implement its submitted plan if the General Assembly does not enact it before July 1, 2027
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- Results in a cost of up to $100,000 to the Office of Policy and Management (OPM) in FY 27 for a consultant to meet the requirements of the bill and submit a report by the deadline of January 1, 2027.
- Results in a potential cost to OPM in FY 28 to the extent OPM is required to issue policies and procedures to implement this plan in the instance that the General Assembly does not enact the plan prior to July 1, 2027.

6. [H.B. No. 5109] (COMM) AN ACT REPLACING THE CANNABIS TOTAL THC TAX WITH AN EXCISE TAX. (FIN) (**JFS to the floor**)

Summary of Substitute Bill:

- Replaces the current state taxes on retail sales of cannabis plant material, cannabis edible products, and other cannabis (which are 0.625 cents, 2.75 cents, and 0.9 cents respectively per milligram of total THC reflected on its label) with a single tax of 10.75% of a retailer's gross receipts from cannabis sales
- Increases, from 65% to 70%, the amount of cannabis tax revenue directed to the social equity and innovation account for FYs 27 and 28 and correspondingly decreases the amount directed to the General Fund for those years, from 10% to 5%
- EFFECTIVE DATE: October 1, 2026, and applicable to sales occurring on or after that date

Fiscal Impact:

- Results in a revenue loss of (1) $1.4 million in FY 27 and $1.5 million in FY 28 to the General Fund and (2) $1.6 million to the social equity and innovation account beginning in FY 29 and annually thereafter by modifying the cannabis excise tax rate and modifying the transfer percentages to each fund and account. Under current law and unchanged by the bill, the GF transfer sunsets in FY 29.
- The bill also results in a revenue loss of $500,000 beginning in FY 27 to the Prevention Recovery and Services Fund because of the cannabis excise tax decrease.

7. H.B. No. 5113 (COMM) AN ACT ESTABLISHING A PERSONAL INCOME TAX DEDUCTION FOR THE AMOUNT OF CANCELLED DEBT AND DEBT RELIEF RECEIVED BY A TAXPAYER FOR STUDENT LOANS, MEDICAL DEBT AND CREDIT CARD DEBT. (FIN) (**JF to the floor**)

Summary:

- Creates a personal income tax deduction for the amount of any cancelled debt or state or federal debt relief received by a taxpayer for student loan debt, medical debt, and credit card debt
- EFFECTIVE DATE: January 1, 2027, and applicable to tax years beginning on or after that date

Fiscal Impact:

- Establishes a personal income tax deduction for certain taxable debt cancellation, resulting in (1) a General Fund revenue loss of approximately $250,000 annually beginning in FY 28 and (2) a one-time cost to the Department of Revenue Services of $20,000 associated with programming updates to the CTax tax administration system and myconneCT online portal, as well as form modification.
- The estimate is based on data from the Internal Revenue Service indicating that approximately $4.5 billion of debt relief was taxable federally in 2023.

8. H.B. No. 5114 (COMM) AN ACT ESTABLISHING A REFUNDABLE CREDIT AGAINST THE PERSONAL INCOME TAX FOR A PORTION OF ANNUAL RENT PAYMENTS MADE BY A TAXPAYER FOR A PRIMARY RESIDENCE IN THE STATE. (FIN) (**JFS to the floor**)

Summary of Substitute Bill:

- Establishes a refundable personal income tax credit for eligible renters; to qualify, the renter must:
  - have federal adjusted gross income (AGI) of $150,000 or less for joint filers or $75,000 or less for all other filers,
  - have rented and occupied at least one Connecticut residence for the entire tax year as their primary residence and paid rent there, and

    - not have been claimed as a dependent on someone else's federal income return for the year
- Credit equals 20% of eligible rent paid by the renter for the applicable tax year minus 4% of their federal AGI, subject to a maximum credit amount of $2,500 for all filers
- Requires (1) property owners or managing agents to provide certificates of rent paid to renters and (2) renters to files these certificates with DRS when claiming the credit
- Requires the DRS commissioner to annually report to the Finance, Revenue and Bonding Committee on the tax credit program; authorizes him to coordinate with the housing department to promote public awareness of the credit and adopt regulations to implement it
- EFFECTIVE DATE: January 1, 2027

Fiscal Impact:

- Establishes a refundable personal income tax credit for rent paid of up to $2,500 for eligible filers, resulting in (1) a General Fund revenue loss of approximately $575 million annually beginning in FY 28, (2) a one-time cost to the Department of Revenue Services of up to $150,000 in FY 28 associated with programming updates to the CTax tax administration system and myconneCT online portal, as well as form modification, and (3) an on-going cost of $92,183 for salary and fringe costs for one Revenue Examiner beginning in FY 28.

9. H.B. No. 5115 (COMM) AN ACT ESTABLISHING A PERSONAL INCOME TAX DEDUCTION FOR CERTAIN LOSSES INCURRED AS A RESULT OF CRYPTOCURRENCY INVESTMENT FRAUD OR WIRE FRAUD. (FIN) (**JF to the floor**)

Summary:

- Establishes a state income tax deduction for theft losses from cryptocurrency investment fraud or wire fraud that are deductible for federal income tax purposes
- EFFECTIVE DATE: January 1, 2027, and applicable to tax years starting on or after that date

Fiscal Impact:

- Establishes a personal income tax deduction for theft losses relating to cryptocurrency and wire fraud, which results in a potential indeterminate General Fund revenue loss beginning as early as FY 28. It is unclear the volume and magnitude of losses that would be deductible under the bill.

10. [H.B. No. 5442]() (RAISED) AN ACT CONCERNING THE PROPERTY TAX EXEMPTION FOR AND TAX AGREEMENTS RELATED TO CERTAIN CLASS I RENEWABLE ENERGY SOURCES. (FIN) (**JF to the floor**)

Summary:

- Makes changes to the property tax exemption created in 2025 for certain solar-related Class I renewable energy sources
  - Delays the exemption by one year (so it starts with the 2026 assessment year) and authorizes municipalities to amend their 2025 grand lists
  - Limits the exemption's application to equipment and devices whose owners receive permission to operate from an electric distribution company or municipal electric utility on or after July 1, 2026 (i.e. the start date of the municipal uniform solar capacity tax)
- Specifies that the terms of agreements between municipalities and solar photovoltaic system owners to freeze or stabilize the municipal uniform solar capacity tax created by the 2025 act apply instead of the tax
- EFFECTIVE DATE: Upon passage, except the provision on tax agreements is effective July 1, 2026

Fiscal Impact: The bill:

- Adds a requirement to an existing property tax exemption on Class I renewable energy source equipment and devices that ensures the owner of the equipment has received certain permissions. This results in a grand list increase beginning in FY 28 to the extent that less property qualifies for the exemption.
- Allows municipalities to correct the 2025 grand list to include the new requirements in the bill. This results in a grand list increase in FY 27 to the extent that less property qualified for the exemption.
- Limits certain agreements in lieu of taxes to only apply if the owner of the solar photovoltaic system has received certain permissions to operate. This results in a potential revenue loss associated with the agreement in lieu of taxes and corresponding grand list increase to the extent the agreements no longer apply, and the property becomes taxable.

11. [H.B. No. 5445]() (RAISED) AN ACT CONCERNING THE AMORTIZABLE BOND PREMIUM SUBTRACTION FOR PURPOSES OF THE PERSONAL INCOME TAX. (FIN) (**JF to the floor**)

Summary:

- Expands the income tax deduction for amortizable bond premium to include any such premium on bonds that provide interest income taxable in Connecticut but exempt from federal income tax that was not deductible in determining federal adjusted gross income; under current law, this premium is only deductible if it is attributable to the taxpayer's trade or business

- EFFECTIVE DATE: January 1, 2027, and applicable to tax years starting on or after that date.

Fiscal Impact:

- Establishes a personal income tax deduction for certain bond premiums resulting in a revenue loss of less than $100,000 annually beginning in FY 28.

12. H.B. No. 5536 (RAISED) AN ACT ESTABLISHING A STATE SHORT-TERM RENTAL REGISTRY AND AUTHORIZING AN OPTIONAL MUNICIPAL SUPPLEMENTAL TAX ON SHORT-TERM RENTALS. (FIN) (**JFS to the floor**)

Summary of Substitute Bill:

- Beginning January 1, 2027, requires certain short-term rental (STR) owners and operators to register their rental properties with DRS each year; sets a $100 registration fee per property
  - Excludes municipally licensed STRs from this registry requirement
- Authorizes the DRS commissioner to impose a civil penalty of up to $1,000 on owners and operators that list or advertise an unregistered or unlicensed STR
- Requires the DRS commissioner to (1) establish a registry that compiles these registrations in a way that allows people to view the registered STRs in each municipality and (2) post the registry on the department's website
- EFFECTIVE DATE: October 1, 2026

Fiscal Impact:

- The $100 registration fee per short-term rental property results in a revenue gain of $600,000 to $1 million.
- Establishment and maintenance of a short-term rental registry by the Department of Revenue Services results in (1) a one-time cost of up to $150,000 in FY 27 for information technology costs and form development and (2) an on-going cost of $184,366 annually beginning in FY 27 for two Revenue Examiners ($65,000 for salary and $27,183 for fringe benefit costs each) to develop, maintain, and post a searchable registry on the department's website.

13. H.B. No. 5537 (RAISED) AN ACT IMPOSING A TAX ON CERTAIN SWEETENED BEVERAGES, SYRUPS AND POWDERS AND DEDICATING THE REVENUE GENERATED TO A UNIVERSAL FREE SCHOOL MEALS PROGRAM. (FIN) (**JFS to the floor**)

Summary of Substitute Bill:

- Creates a working group to study ways to fund a program to provide public school students with free breakfasts and lunches and report its findings and recommendations to the legislature by January 1, 2027
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- No fiscal impact

14. [H.B. No. 5538](#) (RAISED) AN ACT CONCERNING A STUDY OF STATE FINANCE POLICIES. (FIN) (**JF to the floor**)

Summary:

- Requires the DECD and DRS commissioners to study finance policies of Connecticut and surrounding states on developing economic competitiveness and report their findings to the Commerce and Finance, Revenue and Bonding Committees by January 1, 2027
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- No fiscal impact

15. [H.B. No. 5570](#) (RAISED) AN ACT CONCERNING A TAX CREDIT FOR MILK PRODUCERS. (FIN) (**JFS to the floor**)

Summary of Substitute Bill:

- Creates a refundable tax credit for milk producers for the difference between the federal pay price for milk and the "minimum sustainable monthly cost of production"
- Credit applies against the corporation business and personal income taxes; total credits capped at $8 million per year
- EFFECTIVE DATE: January 1, 2027, and applicable to income and tax years starting on or after that date

Fiscal Impact:

- Establishes a refundable personal income tax credit for milk producers which results in a General Fund revenue loss of up to $8 million annually beginning in FY 28.