



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 31, 2026, Agenda

BILLS FOR REVIEW

1. [S.B. No. 2](#) (COMM) AN ACT SUPPORTING LOCAL COMMERCE. (FIN) (JFS to the Floor)

Summary of Substitute Bill:

- Creates a new sales and use tax exemption for gas and electricity used by a commercial or industrial business with gross income of \$10 million or less for the prior income or tax year (§ 1)
- Dedicates 50% of the additional 1% sales and use tax on meals and beverages to the Tourism Fund and the other half to a new municipal diversification account, starting October 1, 2026; requires DRS to distribute the municipal diversification account's funds to municipalities on a quarterly basis based on where the tax revenue was generated (§§ 2-5)
- Establishes a Connecticut-India Trade Commission within the Legislative Department to, among other things, (1) advance bilateral trade and investment, (2) initiate joint action on policy issues of mutual interest, (3) promote business and academic exchanges, and (4) encourage mutual economic support and infrastructure investment (§ 6)
- EFFECTIVE DATE: October 1, 2026, and, for the sales and use tax changes, applicable to sales occurring on or after that date, except the Connecticut-India Trade Commission is effective upon passage

Fiscal Impact:

- **Section 1** results in an annualized revenue loss of approximately \$23.5 million by exempting the sale of gas and electricity to small businesses from the sales tax.
- **Sections 2 – 5** result in an annualized revenue loss to the General Fund of \$120 million and a revenue gain of \$60 million to the (1) Tourism Fund and (2) municipal revenue diversification account established under the bill.
 - Section 4 also results in a revenue gain to municipalities by requiring the DRS to distribute the funds from the municipal revenue diversification account to municipalities as outlined under the bill.
- **Section 6** results in a potential minimal cost to the Office of Legislative Management. The bill specifies that commission members serve without compensation but can be reimbursed for necessary expenses resulting in a potential cost to the extent reimbursements occur.

2. [S.B. No. 84](#) (COMM) AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET. (FIN) (JFS to the Floor)

Fiscal Impact: amounts in \$ millions

| Policy | Fund – Acct impacted | FY 26 | FY 27 | FY 28 | Notes |
|---|---|-------|--------|--------|-------------|
| Allow certain pass-through entities to earn (partially refundable) research and development tax credits | General Fund – Estimates and Finals | - | (20.0) | (20.0) | Same as Gov |
| | General Fund – Volatility Cap Adjustment | - | 20.0 | 20.0 | Same as Gov |
| | General Fund – R&D Credit Exchange | - | (5.0) | (5.0) | Same as Gov |
| Conform to Federal P.L. 119-21 research and experimentation rules beginning in Income Year (IY) 2026 | General Fund – Corporation Tax | - | 66.8 | (33.4) | Same as Gov |
| Decouple from Federal P.L. 119-21 as it relates to bonus depreciation for Qualified Production Properties | General Fund – Corporation Tax | - | 0.0 | 103.6 | Same as Gov |
| Eliminate certain occupational license application and renewal fees | General Fund – Licenses, Fees and Permits | - | (15.9) | (21.2) | Same as Gov |
| Increase the fund balance retained by the Home Improvement Guaranty Fund | General Fund - Transfers | - | (0.2) | (0.2) | Same as Gov |
| | Home Improvement Guaranty Fund | - | 0.2 | 0.2 | Same as Gov |
| Adjust the FY 26 General Fund balance in support of the Early Childhood Education Endowment Fund | General Fund - Transfers | 30.0 | (30.0) | - | Same as Gov |
| Adjust the transfer to the Mashantucket Pequot and Mohegan Fund | General Fund - Transfers | - | (1.6) | (1.6) | Same as Gov |
| | Mashantucket Pequot and Mohegan Fund | - | 1.6 | 1.6 | Same as Gov |
| | | | | | |
| | | | | | |

| Policy | Fund – Acct impacted | FY 26 | FY 27 | FY 28 | Notes |
|---|---|--------|---------|---------|---|
| Update the General Fund subsidy of the Municipal Revenue Sharing Fund | General Fund – Transfers | 13.1 | 21.4 | 0.0 | Same as Gov |
| | Municipal Revenue Sharing Fund | (13.1) | (21.4) | 0.0 | Same as Gov |
| Adjust Volatility Cap Threshold | General Fund – Volatility Adjustment | 650.0 | - | - | Temporary adjustment – does not carry forward into subsequent FYs |
| Adjust the Hospital Tax | General Fund – Health Provider Tax | - | (221.0) | (221.0) | See "Adjust Hospital Tax" table below for outyears |
| Replace the Cannabis total THC potency tax with an excise tax of 10.75 | General fund – Miscellaneous Tax | - | (1.4) | (1.5) | Same as JFS HB 5109 |
| | Prevention and Recovery Services Fund | - | (0.5) | (0.5) | Same as JFS HB 5109 |
| Provide a refundable tax credit for milk producers | General Fund – Corporation and Personal Income Tax | - | - | (8.0) | Same as JFS HB 5570 |
| Raise the per-item cost (from \$100 to \$300) for clothing and footwear exempt from the sales tax during the "tax free week"; expand the items exempt during the "tax free week" to include backpacks and certain athletic footwear | General Fund; Special Transportation Fund; and Municipal Revenue Sharing Fund – Sales Tax | - | (3.0) | (3.0) | Similar to JFS 5443 |
| Extend the Redemption Rate of Film and Digital Media Production Tax Credits Against the Sales and Use Tax | General Fund; Special Transportation Fund; and Municipal Revenue Sharing Fund – Sales Tax | - | - | - | Sections 352-353 of PA 23-204 temporarily increased, 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 |
| Provide for Community Partnership Opportunity Agreements | General Fund | - | - | - | Same as JF SB 514 |

Adjust Hospital Tax - in \$ millions

| FY | Current Law | Committee | Difference |
|------|-------------|-----------|------------|
| 2026 | 820 | 820 | 0 |
| 2027 | 1,195 | 974 | (221) |
| 2028 | 1,220 | 999 | (221) |
| 2029 | 1,245 | 1,024 | (221) |
| 2030 | 1,270 | 1,049 | (221) |
| 2031 | 1,295 | 1,074 | (221) |

3. [S.B. No. 85](#) (COMM) AN ACT AUTHORIZING AND ADJUSTING BONDS OF THE STATE AND ESTABLISHING A SUPPLEMENTAL GRADUATE STUDENT LOAN PROGRAM. (FIN) (JFS to the Floor)

See attached

4. [S.B. No. 477](#) (RAISED) AN ACT CONCERNING THE FAILURE TO FILE FOR CERTAIN GRAND LIST EXEMPTIONS. (FIN) (JFS to the Floor)

Summary of Substitute Bill:

- Allows taxpayers in certain municipalities to claim a property tax exemption even though they missed the filing deadline (Berlin, Lebanon, Middletown, and West Hartford) (§§ 1-4)
- Allows municipalities by vote of their legislative bodies (or board of selectmen if the legislative body is a town meeting) to abate all or part of the delinquent property taxes owed for the 2013 and 2014 grand lists on any parcel of land with less than 6,000 square feet that has been continuously owned by the same owner for at least 45 years
- EFFECTIVE DATE: July 1, 2026, except the tax abatement provision is upon passage

Fiscal Impact:

- Results in a potential cost or revenue loss in FY 27 for Berlin, Lebanon, Middletown, and West Hartford that is dependent on if payments have already been made as the municipalities will have to reimburse such taxpayers.
- Also allows a municipality to abate certain delinquent taxes which results in a revenue loss in FY 27.

5. [S.B. No. 510](#) (RAISED) AN ACT CONCERNING A STUDY OF STATE REVENUE POLICIES. (FIN) (**JFS to the Floor**)

Summary of Substitute Bill:

- Starting with the 2027 tax year, imposes a 1.75% capital gains surcharge on taxpayers with Connecticut adjusted gross income of more than (1) \$1 million for single filers and married individuals filing separately, (2) \$1.6 million for heads of households, and (3) \$2 million for joint filers
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- Establishes a capital gains surcharge for certain filers resulting in (1) an annual revenue gain of approximately \$260 million beginning in FY 28, (2) a one-time cost of \$350,000 to DRS in FY 28 for programming and technology updates and form development to implement the tax, and (3) ongoing costs of \$460,915 for five Revenue Examiners (\$65,000 each for salary and \$27,183 each for fringe benefits) beginning in FY 28 to administer the tax.

6. [S.B. No. 516](#) (RAISED) AN ACT CONCERNING THE REDEMPTION RATE AND REFUND VALUE OF BEVERAGE CONTAINERS. (FIN) (**JF to the Floor**)

Summary:

- Decreases the bottle bill's deposit amount from 10 to five cents if the DRS commissioner determines that, for the 2026 calendar year, either the statewide average redemption rate or any individual deposit initiator's redemption rate was more than 100%; requires that this change take effect July 1, 2027, or after when practicable for the beverage industry to implement
- Requires the bottle bill's refund value to remain at five cents until the DRS commissioner certifies, based on irrefutable evidence, that 100% of the beverage containers redeemed in Connecticut were originally sold here
- Allows deposit initiators that reported a negative balance in their special accounts for FYs 25 and 26 resulting from the overredemption of beverage containers and associated handling fee payments to apply to the OPM secretary for a full reimbursement of its financial loss
- Retains the current handling fees (2.5 cents for each container of beer, hard seltzer, hard cider, or other malt beverage, and 3.5 cents for each container of mineral water, soda water, and similar carbonated soft drinks or other noncarbonated beverage returned for redemption)
 - From April 1, 2026, and June 30, 2027, PA 26-2 reduces the handling fee distributors pay to certain redemption centers by up to one cent if the redemption center does not use certain scanning technology to redeem beverage containers; the reduction continues beyond this time period for operations without the technology
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- Based on currently available data, the redemption rate threshold established under the bill for calendar year 2026 would be triggered, thus reducing the bottle deposit amount from 10 cents to five beginning in FY 28, or after when practicable for the beverage industry to implement. It is anticipated this would reduce redemption rates below 60% thus increasing the General Fund escheat rate from 5% to 45%.¹ The impact of (1) the increase in the escheat rate and (2) the decrease in the bottle deposit amount results in a minimal net impact to the General Fund until such time that the DRS commissioner certifies, based on irrefutable evidence, that 100% of the beverage containers redeemed in Connecticut were originally sold here.
- The bill allows deposit initiators that were over-redeemed in FY 25 and FY 26 to apply to the Office of Policy and Management for full reimbursement for financial losses. This results in a potential cost to the state; it is uncertain what funding, if any, would be available for such reimbursement.²

7. [H.B. No. 5443](#) (RAISED) AN ACT CONCERNING THE SALES AND USE TAXES RATE FOR AND APPLICABILITY TO CERTAIN MOTOR VEHICLES, PEER-TO-PEER CAR SHARING, CERTAIN PERSONAL PROPERTY USED IN BURIALS AND CREMATIONS AND ELECTRICITY FOR BIOTECHNOLOGY BUSINESSES, DEDICATING FUNDING FOR THE TOURISM FUND AND INCREASING THE EXEMPTION AMOUNT FOR SALES TAX-FREE WEEK. (FIN) (JFS to the Floor)

Summary of Substitute Bill:

- Specifies that vehicles shared through a peer-to-peer car sharing platform or company are subject to the 9.35% sales and use tax rate applicable to the rental or leasing of a passenger motor vehicle and directs this revenue to the STF (§§ 1 & 2)
- Increases the sales price threshold for a motor vehicle subject to the 7.75% sales and use tax rate from \$50,000 to \$75,000 (§§ 1 & 2)
- Dedicates 50% of the additional 1% sales and use tax on meals and beverages to the Tourism Fund (§§ 1 & 2)
- Increases the sales and use tax exemption amount for certain personal property used in burials and cremations from \$2,500 to \$10,000 (§ 3)
- Increases the exemption amount for Sales Tax-Free Week from \$100 to \$300 and adds backpacks (§ 4)
- EFFECTIVE DATE: October 1, 2026, and applicable to sales occurring on or after that date, except the Sales Tax-Free Week provision is effective upon passage

¹ Prior to the increase in the deposit amount from five cents to 10 cents the quarterly redemption rate was approximately 50%.

² Section 404 of PA 25-168, AAC *The State Budget For The Biennium Ending June 30, 2027, And Making Appropriations Therefor, And Provisions Related To Revenue And Other Items Implementing The State Budget*, provided \$1.75 million in grants to over-redeemed deposit initiators. As of March 31, 2026, approximately \$30,500 remains available.

Fiscal Impact:

- **Sections 1 and 2** result in the following revenue losses to the state by exempting the items from the sales and use tax below:
 - An annualized revenue gain of \$900,000 to the General Fund by specifying that vehicles shared through peer-to-peer services are taxed at the 9.35% rate
 - An annualized revenue loss of approximately \$20 million to the Special Transportation Fund by increasing the luxury tax thresholds for the 7.75% luxury sales tax rate from \$50,000 to \$75,000
 - An annualized revenue gain to the Tourism Fund and a corresponding revenue loss to the General Fund of approximately \$60 million by dedicating 50% of the 1% meals tax to the Tourism Fund
- **Section 3** results in an annualized revenue loss to the state of \$4 million by increasing the sales tax exemption for certain personal property used in burials and cremations from \$2,500 to \$10,000.
- **Section 4** results in an annualized revenue loss of \$2.5 million by increasing the threshold for the sales tax holiday from \$100 to \$300 and expanding the holiday to include backpacks.

8. [H.B. No. 5444](#) (RAISED) AN ACT CONCERNING THE INDEXING OF CERTAIN PERSONAL INCOME TAX THRESHOLDS AND EXEMPTION AMOUNTS. (FIN) (**JFS to the Floor**)

Summary of Substitute Bill:

- Beginning with the 2028 tax year, requires specified state personal income tax thresholds and exemption amounts to be annually adjusted for inflation and rounded to the nearest dollar; the required adjustments apply to the (1) income brackets for each of the seven tax rates and (2) personal exemption amount and phase out threshold for each filing status
- Requires these amounts to be adjusted each year by the increase in the chained consumer price index for all urban consumers during the preceding year, calculated on an August over August basis
- EFFECTIVE DATE: October 1, 2026

Fiscal Impact:

- Indexing the marginal rate thresholds and personal exemption under the personal income tax effective with the 2028 income year results in a revenue loss of \$18.8 million in FY 28, \$68.8 million in FY 29, and \$118.8 million in FY 30. The policy would compound annually and could grow to a revenue loss of \$268.8 million by FY 33, depending on actual rates of inflation in the future.

9. [H.B. No. 5539](#) (RAISED) AN ACT CONCERNING CIGARETTE AND TOBACCO PRODUCTS DISTRIBUTOR AND DEALER LICENSES AND PENALTIES FOR ELECTRONIC NICOTINE DELIVERY SYSTEMS AND VAPOR PRODUCTS VIOLATIONS. (FIN) (JFS to the Floor)

Summary of Substitute Bill:

- Requires certain e-cigarette dealers to get a compliance bond of at least \$250,000 that is conditioned on the dealer's compliance with applicable laws and payment of related taxes, fees, penalties, and other charges
 - Applies to dealers that derive at least 50% of their annual gross revenue from selling cigarettes and e-cigarettes; drug paraphernalia; synthetic nicotine; and nicotine, tobacco, and vapor products
 - Requires that this bond be forfeited to the state if the dealer violates any applicable business law and allows DCP to use it to pay fines and penalties assessed against the dealer or reimburse for product seizure, confiscation, and destruction costs
- Expands the information applicants for an e-cigarette dealer registration or registration renewal (i.e. electronic nicotine delivery system (ENDS) certificate of dealer registration) must provide to include (1) proof that they have obtained the bond, if required, and (2) a certification that the ENDS and vapor products they offer for sale comply with federal and state laws
- Expands the individual owners who must provide their contact information and a third-party background check as part of the dealer application to include anyone with at least 5%, rather than 10%, ownership or interest rights; extends other enforcement actions to anyone with a financial interest in the dealer
- Generally expands the circumstances under which DCP may deny a dealer's registration or registration renewal to include specified violations by these individual owners with at least 5% ownership or interest rights
- Authorizes the DCP commissioner to impose a civil penalty of up to \$10,000 for each ENDS and vapor product sold, offered for sale, or marketed in violation of this law
- Requires any ENDS or vapor products sold, offered for sale, or marketed in violation of the dealer registration law to be deemed a common nuisance and subject to immediate seizure by state or local police; applies these same provisions to any controlled substance or cannabis sold, offered for sale, or marketed by a dealer in violation of state law
 - Requires the officers to hold the products subject to confiscation and destruction by a court order and makes the seller or marketer liable for all seizure, confiscation, and destruction costs and allows these costs to be paid from the dealer's compliance bond or sought from its fiduciary agent or guarantor
- Makes violations of the e-cigarette dealer registration law a CUTPA violation
- Specifies that registered dealers are deemed to have constructive notice of communications the DCP commissioner sends to an email address they provided
- Starting by January 1, 2027, requires ENDS and vapor products manufacturers to annually register with DCP each product they sell in Connecticut and, for each product, pay an initial \$2,000 registration fee and \$500 renewal fee

- Requires DCP, by October 1, 2027, to create an online directory of these products and their manufacturers and update it at least annually
- Starting January 1, 2028, prohibits the sale of any products not listed in the directory
- Requires manufacturers to certify that these products meet specified FDA requirements
- Makes products sold in violation of these provisions subject to the penalties and seizure provisions under the existing e-cigarette law, as amended by the bill
- EFFECTIVE DATE: October 1, 2026

Fiscal Impact:

- The bill makes various changes to electronic nicotine delivery system and vapor product regulations resulting in the cost and revenue impacts described below.
- **Section 1** allows the Department of Consumer Protection (DCP) to impose a civil penalty of up to \$10,000 for certain electronic nicotine delivery system and vapor product violations resulting in a potential revenue gain to the state to the extent violations occur.
- **Section 2** requires DCP to maintain a directory of all electronic nicotine delivery system and vapor products sold in the state resulting in a cost to DCP. To meet the requirements of the bill DCP will have to hire a state program manager for a cost of \$74,021 in FY 27³ and \$98,695 in FY 28, along with associated fringe benefit costs of \$30,956 in FY 27 and \$41,274 in FY 28. The additional employee is needed to process the data submitted by the manufacturers and maintain the directory.
- Section 2 also requires manufacturers to pay an initial registration fee of \$2,000 and annual renewal fee of \$500 for each delivery system or vapor product sold in the state resulting in a revenue gain to the General Fund.

10. [H.B. No. 5571](#) (RAISED) AN ACT ESTABLISHING A TAX CREDIT FOR QUALIFIED OPERATORS AND A WORKING GROUP TO EXAMINE MARKET-BASED SOURCING FOR CERTAIN INVESTMENT ASSETS INCOME AND CONCERNING THE ANGEL INVESTOR TAX CREDIT AND THE DEFINITIONS FOR CERTAIN TAX CREDITS. (FIN) (JF to the Floor)

Summary:

- Allows a refundable business tax credit for the PeoplesBank Arena’s facility management company (“qualified operator”) for any income or tax year in which it has “qualified agreement” with a state agency (§ 1)
 - The agreement must commit the (1) state agency to schedule and host at least 15 events each year at the arena for at least 15 years and (2) qualified operator to operate and promote these events

³Costs in FY 27 reflect nine months of expenditures due to the bill's 10/1/26 effective date.

- Credit may apply against the corporation business, pass-through entity, or personal income tax; caps the credits at up to (1) \$5 million per year and (2) \$10 million in total
- Sets up a working group to examine how Connecticut applies market-based sourcing to income from financial institutions' investment assets, as it relates to modern sourcing policy, economic competitiveness, supporting in-state jobs, and ensuring equitable treatment of the tax base and in-state service; requires it to report its findings to the Finance, Revenue and Bonding and Banking committees by January 1, 2027 (§ 2)
- Modifies requirements for businesses to qualify for credit-eligible investments under the angel investor tax credit program (§ 3)
 - Reduces, from 75% to 50%, the minimum percentage of the business's employees that must live in Connecticut to qualify under the program
 - Requires any application submitted by an eligible business and another person or business related to it (e.g., a business that it controls or is a member of the same controlled group as the applicant) to be considered a single eligible business for purposes of the program
- Correct a statutory reference in the R&D tax credit program (§ 4)
- Expands the farmers who qualify for the farm investment tax credit program to include Connecticut taxpayers whose income from farming is less than \$250,000; as under current law, farmers may also qualify for the credit if their farming income is at least two-thirds of their income from all sources over \$30,000 (§ 5)
- Repeals a substantially similar farm investment tax credit enacted in 2025 that applies to a broader range of agricultural production (§ 6)
- EFFECTIVE DATE: Various

Fiscal Impact:

- **Section 1**, which establishes a refundable tax credit for the PeoplesBank Arena's facility management company under certain circumstances, results in a potential revenue loss of up to \$5 million in FY 27 and FY 28. The overall amount of credits allowed is capped at \$10 million in aggregate; thus, the revenue loss could extend to FY 29 and beyond to the extent less than \$5 million in credits are allowed in each of FY 27 and FY 28.
- **Section 2** establishes a working group to study certain aspects of market-based sourcing. This does not result in any fiscal impact.
- **Section 3** adjusts the angel investor tax credit program. This does not result in any fiscal impact as the program is subject to an aggregate annual cap of \$5 million and the program currently reaches that cap.
- **Sections 4 & 6** make technical adjustments that do not result in any fiscal impact.
- **Section 5** makes a clarifying change to the farm investment tax credit program which is not anticipated to result in any fiscal impact.