CONNECTICUT TAX EXPENDITURE REPORT

February 2022

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INTRODUCTION

Statutory Requirements

CGS Sec. 12-7b(e) requires the Office of Fiscal Analysis, on or before February 1st of every other year, to report on tax expenditures, which the law defines as any exemption, exclusion, deduction, or credit created under the general statutes or a public act which result in less tax revenue to the state or municipalities than they would otherwise receive. Such report shall contain:

1. A description of each expenditure,
2. The year in which the expenditure was enacted,
3. The purpose for its enactment,
4. A summary of any amendments to the expenditure since its enactment,
5. The estimated state and municipal fiscal impact of the expenditure during each fiscal year of the current biennium,
6. An estimate of the revenue that would result from repeal of the expenditure and
7. An estimate of the number of taxpayers receiving benefit from the expenditure.

This report is submitted to satisfy the February 2020 requirement. It is arranged as follows:

I. Introduction
II. Summary table of major expenditures
III. Details of each expenditure by tax type

Methodology

Overview
The term "tax expenditure" may appear to be a contradiction. "Tax" denotes money coming into the government; "expenditure" denotes money going out. How can money be coming in and going out at the same time?

With tax expenditures, the money does not come in and go out again; rather, it does not come in at all. This is because the law has provided for an exemption, exclusion, deduction or credit that lowers the amount of tax revenue that would otherwise be collected.

A tax expenditure can be used to accomplish public policy goals. It may be enacted either to encourage certain activity or to limit the tax burden on certain taxpayers. For example, government can attempt to encourage economic development directly by providing financial assistance to businesses through grants or indirectly through tax expenditures, such as Corporation Tax credits or Sales Tax exemptions.

A tax expenditure does not need to be re-enacted. Unless a sunset date is placed on a tax expenditure provision, it continues until amended or repealed.

Criteria
We have developed six criteria to evaluate tax expenditure provisions for this report. Some are concepts used in the preparation of federal tax expenditure reports and others are based on a logical application of the tax expenditure concept.

A provision can generally be considered a tax expenditure if it:

1. Impacts a statewide tax;
2. Results in reduced tax revenue;
3. Is not an appropriation;
4. Is included in the definition of the tax base;
5. Is not subject to an alternative tax; and
6. Can be amended or repealed by a change in state law alone.

This report lists exemptions and exclusions from each state tax. **Exemptions** would otherwise be taxed but are exempted by specific legislative action. **Exclusions** are not taxed simply because they are not part of the base defined by the tax law.

Rationales
We used the following categories to classify the rationale behind each exemption or exclusion.

1. **Perceived Equity** - The tax expenditure was created to remedy a perceived inequity or unfairness in tax burden. It is often used as a rationale for reducing taxes on the consumption of basic necessities because the tax burden is viewed as excessive relative to the income of poor or disadvantaged (such as the handicapped or elderly) persons. The Sales Tax exemptions on food, clothing, and medicine are examples of this rationale.

2. **Efficiency** - The cost of adequately collecting and administering the tax is high in comparison to the potential revenue that could be gained from taxation. For example, an exemption from the Real Estate Conveyance Tax was created for property conveyances of less than $2,000 because the amount of revenue that would be collected was considered too small to justify the administrative cost of collecting it.

3. **Incentive** - The expenditure is intended to encourage the performance of certain desirable activities such as economic growth and development, charitable or nonprofit work, or conservation of resources. The Corporation Business Tax credits for expenditures on research and development, hiring displaced workers, donation of open space land and rehabilitation of historic homes are examples of this rationale.

4. **Redundancy** - The entry is included in the base of one tax and excluded from the base of another to avoid over taxation. For example, redundancy is avoided on sales of gasoline because they are only subject to the Motor Fuels Excise Tax and exempt from the Sales and Use Tax

5. **Cascading** - Cascading (or pyramiding) occurs when a tax is imposed on a good or service at more than one stage of the production process so that the total tax incorporated into the final price of the good or service is greater than the legislated tax rate. For example, Sales Tax

exemptions are provided for business inputs like raw materials, tools, machinery and equipment so that the taxes are not incorporated into the cost of making the final product and passed along to consumers in the form of higher prices.

6. **Clarification** - The entry clarifies the definition of what is taxable. For example, the Sales Tax exemption for property tax payments under motor vehicle leases clarifies that the tax is levied only on the portion of the lease payment that covers the use of the motor vehicle.

7. **Conformity** - The entry conforms the state statute to one of the following: (1) U.S. constitutional or other federal requirements (for instance, the U.S. Constitution prohibits the state from levying taxes on the federal government); (2) the federal taxation policy (for instance, the state has chosen to adopt the same tax exemptions or exclusions for certain types of businesses or business activities as the federal government); or (3) a general policy of taxation adopted by the state (for instance, the state has chosen not to tax itself or its political subdivisions).

8. **Expediency** - Expenditures of this type violate one or more of the principles of a high-quality revenue system without any apparent counterbalancing or compensating precept.[1] The Sales Tax exemption for puzzle magazines provided by PA 94-4 (May Special Session) is an example of this rationale.

Caveats

This report estimates each tax expenditure provision in isolation, with other provisions in that tax and in other taxes held constant. The secondary impact of one provision over another provision is not taken into account. Because estimates measure the impact of the provision as it exists and not what would happen if it were repealed, no change in taxpayer behavior is assumed.

The precision of the estimates varies with the source of the data and with the applicability of the data to the tax expenditure provision. Data from Connecticut tax returns were used whenever possible. Other sources included federal tax expenditure estimates, data from federal tax returns, and other data for Connecticut and the nation. In some cases, because data were unavailable or too indirect, an estimate of the amount could not be determined.

Please note that in the case of tax credits, information is provided by tax type only for credits that are estimated to be taken. This is because data indicate that not all tax credits eligible to be taken against a given tax type are actually utilized. Consequently, there may be instances in which certain credits that are eligible to be taken against a certain tax type are not listed for that tax type.

Unless otherwise noted, all revenue estimates presented in this report are effective for FY 22 and FY 23. Differences between figures provided in this document and in previous versions of this document and other documents are generally due to revised data becoming available.

For certain tax expenditures, the FY 22 estimated revenue loss does not equate to the estimated FY 23 revenue gain from the repeal of the policy. In such cases, it is assumed that the application of a tax would partially decrease the current level of consumption or payment by an individual or entity

[1]*Principles of a High-Quality State Revenue System*, Second Edition, National Conference of State Legislatures, 1992.

on a certain good or service and therefore partially decrease the potential revenue gain. That is, the inclusion of a tax, would increase the overall cost to the individual or entity. The individual or entity may elect to purchase less of such a good or service if the overall cost increased. A lower consumption of the good or service results in a lower revenue gain.

Taxpayers benefitting are defined as those persons who receive a direct, monetary benefit as a result of the tax expenditure.

Any questions or suggestions concerning the information contained in this document are welcome and can be sent to **ofa@cga.ct.gov.**

The table on the following page summarizes state tax expenditures over $100,000 and provides estimates for the value of each. Please refer to the text for further information on each item.

State Policies with FY 22 & FY 23 Revenue Impacts (in millions)

Page	Tax Expenditures	FY 22 Estimates	FY 23 Estimates	Revenue Gain in FY 23 if Repealed	Difference from FY 23 Estimate
25	Interest on US Obligations	20.5	20.5	20.5	-
26	Dividends from Mutual Funds Derived from US Govt Obligations	1.3	1.3	1.3	-
26	Tier I Railroad Retirement Benefits	0.7	0.7	0.7	-
26	Beneficiary's Share of Connecticut Fiduciary Adjustment	1.9	1.9	1.9	-
27	Gain on sale of Connecticut Bonds	0.3	0.3	0.3	-
27	Social Security Benefits	165.0	168.8	168.8	-
27	Holocaust Payments	Less than 0.1	Less than 0.1	Less than 0.1	-
28	Individual Development Accounts	-	-	-	-
28	Military Retirement Income	7.5	7.7	7.7	-
28	Contributions to CHET	14.1	14.1	14.1	-
29	Teachers' Pension Exemption	22.8	23.3	23.3	-
29	Pension and Annuity Income	57.5	73.9	73.9	-
29	Individual Retirement Account Income	-	-	-	-
30	Venture Capital Investments in Eligible Bioscience Businesses	Less than 0.1	Less than 0.1	Less than 0.1	-
30	Other Deductions	17.0	17.0	17.0	-
31	Credit for Property Taxes Paid	63.0	63.0	63.0	-
32	Credit for Real Estate Conveyance Tax Paid	-	3.5	3.5	-
32	Earned Income Tax Credit	166.8	143.8	143.8	-
33	Angel Investor Tax Credit	20.0	20.0	20.0	-
33	Insurance Reinvestment	0.3	0.3	0.3	-
	Personal Income Tax Total	**558.7**	**560.1**	**560.1**	**-**
36	Sales of Food Products for Human Consumption	653.4	673.5	633.3	(40.2)
37	One-cent Vending Machine Sales	-	-	-	-
37	Items Purchased with Federal SNAP Benefits	43.1	44.5	41.9	(2.7)
37	Meals Delivered to Homes of Elderly Disabled or Otherwise Confined	-	-	-	-
38	Oxygen, Blood Plasma, Prostheses, Wigs, Hearing Aids, Crutches, Walkers, Wheelchairs, Life Support Equipment, Apnea Monitors, Chairlifts, Relate Repair Services, Reading Aids, Canes, and Support Hoses	22.7	23.5	22.1	(1.4)
38	Prescription Medicines, Syringes and Needles	596.9	616.6	579.8	(36.8)
39	Non-prescription drugs	32.3	33.4	31.4	(2.0)
39	Disposable Pads for Incontinence	0.9	0.9	0.9	(0.1)
40	Test Strips and Tablets, Lancets and Glucose Monitoring Equipment for Diabetics	5.1	5.3	5.0	(0.3)
40	Telephone Equipment Designed for Deaf or Blind Persons	Less than 0.1	Less than 0.1	Less than 0.1	-
40	Equipment for Persons with Physical Disabilities Installed in Motor Vehicles	-	-	-	-

Page	Tax Expenditures	FY 22 Estimates	FY 23 Estimates	Revenue Gain in FY 23 if Repealed	Difference from FY 23 Estimate
40	Sales of Eligible Benefits Under Title XVIII or XIX or SSA or CHAMPUS	-	-	-	-
41	Sales Tax "Free Week"	2.5	2.6	2.4	(0.2)
41	Certain Utilities Sales	193.5	199.9	188.0	(11.9)
42	Utilities for Agriculture/Manufacturing	58.5	60.5	56.9	(3.6)
42	Motor Vehicle Fuel	408.9	422.4	397.2	(25.2)
42	Fuel for High Occupancy Commuter Vehicles	-	-	-	-
43	Newspapers and Magazines	10.5	10.8	10.2	(0.6)
43	Property Purchased from United States	-	-	-	-
43	Purchase Brought into State by Resident	-	-	-	-
44	The First $2,500 of Burial or Cremation Services; Caskets	7.0	7.2	6.8	(0.4)
44	Vegetable Seeds	Less than 0.1	Less than 0.1	Less than 0.1	-
44	Firearm Safety Devices	-	-	-	-
44	Bicycle Helmets	0.2	0.2	0.2	-
45	Campground Rentals	0.6	0.6	0.6	-
45	Lodging	-	-	-	-
45	Child Car Seats	0.2	0.2	0.2	-
46	College Textbooks	1.1	1.1	1.1	(0.1)
46	Solar Energy, Geothermal, and Ice Storage Systems	11.7	12.1	11.4	(0.7)
46	Luxury Tax Exemptions	-	-	-	-
46	Feminine Hygiene Products	3.6	3.7	3.5	(0.2)
47	Disposable or Reusable Diapers	4.1	4.2	4.0	(0.3)
47	Breastfeeding Supplies	0.3	0.3	0.3	-
47	Machinery Used in Manufacturing and Component Parts for Assembly of Manufacturing Machinery and Production Materials	139.7	144.3	135.7	(8.6)
48	Partial Exemption for Materials, Tools, Fuels, Machinery and Equipment used in Manufacturing	1.8	1.9	1.7	(0.1)
49	Replacement Parts in Enterprise Zones	2.2	2.3	2.1	(0.1)
49	Agriculture Production	12.3	12.7	11.9	(0.8)
50	Commercial Fishing	0.6	0.6	0.6	-
50	Fuel Cell Manufacturing Facility	2.2	2.3	2.1	(0.1)
50	Flyable Aircraft	-	-	-	-
51	Aircraft Repair, Replacement Parts; Aircraft Repair Services; Materials, Tools, Fuel, Machinery and Equipment used in an Aircraft Manufacturing Facility	83.7	86.4	81.2	(5.2)
52	Certain Aircraft	3.5	3.7	3.4	(0.2)
52	Aviation Consulting	-	-	-	-
52	Commercial Trucks, Trailers and Combination, Commercial Vehicles, and Motorbuses used in Inter-State Business	12.2	12.6	11.9	(0.8)
54	Aviation Fuel Used Exclusively and Directly in Experimental Testing of Any Product	-	-	-	-
54	Aviation Fuel	6.5	6.7	6.3	(0.4)
54	Marine Fuel	14.1	14.6	13.7	(0.9)
55	Fuel Used in Portable Power Systems	-	-	-	-
55	Commodities	-	-	-	-
55	Containers	-	-	-	-

Page	Tax Expenditures	FY 22 Estimates	FY 23 Estimates	Revenue Gain in FY 23 if Repealed	Difference from FY 23 Estimate
56	Printed Material Sent Out of State	Less than 0.1	Less than 0.1	Less than 0.1	-
56	Machinery, Equipment, etc. used in Commercial Printing	4.6	4.8	4.5	-
56	Machinery, Equipment, Tools, Materials, Supplies for Typesetting, Color Separation, Finish Copy or Similar Products	Less than 0.1	Less than 0.1	Less than 0.1	-
57	Personal Property for Use in Waste Treatment and Air Pollution Facilities	1.2	1.2	1.2	-
57	Motion Picture, Video, TV and Radio Production & Broadcast Equipment	Less than 0.1	Less than 0.1	Less than 0.1	-
58	Lease of Rental of Motion Pictures by Theater Owners	4.0	4.1	3.9	-
58	Computer-related Cleaning Equipment	-	-	-	-
58	Molds, Dies, Patterns, and Sand Handling Equipment for Metal Casting Foundries	Less than 0.1	Less than 0.1	Less than 0.1	-
59	Molds, Dies, Patterns for Pattern Shops and Metal Casting Foundries	0.1	0.1	0.1	-
59	Optical Lens Equipment	0.3	0.3	0.3	-
59	Commercial Photographic Film and Paper Processing Materials	-	-	-	-
59	Machinery, Equipment, Tools, Materials, Supplies, Fuel Used in Biotechnology Industry	1.7	1.8	1.7	-
60	Services or tangible personal property for the operation of projects of the Materials Innovation and Recycling Authority	0.5	-	-	-
60	Tangible Personal Property or Services to Tourism Districts	-	-	-	-
60	Solid Waste to Energy Facilities	0.7	0.7	0.7	-
61	Machinery and Equipment Used in Maintaining Railroad Right of Ways	-	-	-	-
61	Fulfillment Sales Companies	-	-	-	-
61	Data Transmission Equipment Sold to Telecom or CATV Companies	-	-	-	-
61	Connecticut Credit Unions	0.5	0.5	0.5	-
62	Connecticut Innovations Sales and Use Tax Relief	5.0	5.0	5.0	-
62	Qualified Data Centers	-	-	-	-
63	Beer Manufacturing Supplies	-	-	-	-
63	Personal Service Transactions Involving Sales of Inconsequential Elements	-	-	-	-
63	Services to Determine the Effect on Human Health of Consumption or Use of a Product or Substance	-	-	-	-
64	Motor Vehicle Driving Service Out of State	-	-	-	-
64	Services Related to Personnel, Management, or Research When Company Rendering Service and Recipient are Participating in a Joint Venture	-	-	-	-
65	Services Rendered Between Parent Companies and Wholly-Owned Subsidiaries	-	-	-	-
65	Computer and Data Processing	351.0	362.6	362.6	-
66	Certain Sales of Computer and Data Processing Services	-	-	-	-

Page	Tax Expenditures	FY 22 Estimates	FY 23 Estimates	Revenue Gain in FY 23 if Repealed	Difference from FY 23 Estimate
66	Landscaping, Horticulture, Window Cleaning, or Maintenance Services Rendered to Certain Disabled Persons	-	-	-	-
67	Shoe Repair Services	Less than 0.1	Less than 0.1	Less than 0.1	-
67	Calibration Services and ISO Services	16.7	17.3	17.3	-
67	"Call Before You Dig" Services	-	-	-	-
67	Sale of Repair or Maintenance on Vessels	5.1	5.2	5.2	-
68	Renovation & Repair for Residential Property	63.2	65.3	65.3	-
68	Property Management and Maintenance Services to Certain Owner Occupied Properties	-	-	-	-
68	Patient Care Services	423.8	437.8	437.8	-
69	Children’s Hospital and the John Dempsey Hospital	-	-	-	-
69	Sole-Community Hospitals	1.1	1.1	1.1	-
69	Payments for the Services of Leased or Contract Employees	-	-	-	-
70	Certain Motor Vehicle Parking	-	-	-	-
70	Amusement and Recreation Services	12.7	13.1	13.1	-
71	Health and Athletic Club Services	-	-	-	-
71	Massage Therapist and Electrology Services	1.0	1.0	1.0	-
72	Sales Agent Services	-	-	-	-
72	Media Advertising and Cooperative Direct Mail Advertising	23.7	24.5	24.5	-
72	Tax Preparation	4.9	5.1	5.1	-
73	Winter Boat Storage	1.2	1.2	1.2	-
73	Environmental Consulting Services	8.6	8.9	8.9	-
73	Police and Firefighters	-	-	-	-
73	Coin and Currency Protection for Financial Service Companies	-	-	-	-
74	Training Services	-	-	-	-
74	Non-Cable Communications Services	-	-	-	-
74	Marine Vessel Brokerage Service	-	-	-	-
74	Media Payroll Services	0.4	0.4	0.4	-
75	Certain Intrastate Transportation	-	-	-	-
75	Certain Pet Grooming Services	-	-	-	-
75	Reconstructive Surgery	-	-	-	-
76	Sales to Government organizations (combined lease, labor, and goods)	1,446.8	1,494.5	1,494.5	-
77	Municipal Publications, Sales by Public Libraries, or by Municipal Auction and Book Sales by Library Support Groups	-	-	-	-
77	Connecticut Technology Park	0.1	0.1	0.1	-
77	Property Removed from Inventory and Donated to Charity or Government	-	-	-	-
77	Sales to Nonprofit organizations (combined lease, labor, and goods)	161.4	166.7	156.8	(10.0)
78	Sales by Nonprofit Charitable Hospitals, Nursing Homes, etc	-	-	-	-
80	Items not Costing more than $20 Each by Certain	-	-	-	-

Page	Tax Expenditures	FY 22 Estimates	FY 23 Estimates	Revenue Gain in FY 23 if Repealed	Difference from FY 23 Estimate
	Nonprofit Organizations and Schools				
81	Sales of Items for Under $100 Each by Nursing or Convalescent Homes or Adult Day Care Centers	-	-	-	-
81	Sales by an Affiliate Participating in Certain Community Economic Development Programs	-	-	-	-
81	Tangible Personal Property at Bazaars, Fairs, Picnics, Tag Sales by Nonprofit Organizations	-	-	-	-
81	Tangible Personal Property by Historical Societies	Less than 0.1	Less than 0.1	Less than 0.1	-
82	Educational Institution and Certain Health and Care Facilities	-	-	-	-
82	Pilot Property Tax Credit for Computer Equipment	-	-	-	-
82	United States and Connecticut State Flags	Less than 0.1	Less than 0.1	Less than 0.1	-
83	Gold or Silver Bullion, Legal Tender of Any Nation, Rare or Antique Coin	-	-	-	-
83	Motor Vehicles & Vessels Purchased by Non-Residents to use Out of State	130.2	134.5	126.5	(8.0)
83	Property Tax Payments Under Motor Vehicle Lease	-	-	-	-
84	Vessels Brought into the State for Storage, Maintenance or Repair	-	-	-	-
84	Payment of Sales or Use Tax to Another State	-	-	-	-
84	Casual or Isolated Sales	-	-	-	-
85	Tax on Casual Sales of Motor Vehicles, Vessels, Snowmobiles, and Aircraft	-	-	-	-
86	Mobile Manufactured Homes Subject to Sales Tax and Tax as a Conveyance	-	-	-	-
86	Motor Vehicles Sold to Members of Armed Forces	0.2	0.2	0.2	-
87	Trade-In of Motor Vehicles, Snowmobiles, Vessels or Farm Tractors, Certain Construction Equipment	66.0	68.2	64.1	(4.1)
88	Coupons and Discounts and Battery Deposits and Trade-Ins of Like Kind and Core Parts	-	-	-	-
88	Licensed Motor Vehicle Dealers	-	-	-	-
89	Vessels, Motors for Vessels, Trailers for Transport of Vessels, and Marine Dyed Diesel Fuel	11.4	11.8	11.1	(0.7)
89	Film Production Tax Credit Expansion to Sales	10.0	20.0	20.0	-
	Sales and Use Tax Total	**5,094.1**	**5,269.7**	**5,102.1**	**(166.6)**
95	Domestic and Foreign Insurance Companies	-	-	-	-
96	Domestic International Sales Corporations (DISCS)	-	-	-	-
96	Railroad Companies	-	-	-	-
96	Cooperative Housing Corporations	-	-	-	-
97	Political Associations	-	-	-	-
97	Alternative Energy Systems Companies	-	-	-	-
97	Aero-Derived Gas Turbine Systems	-	-	-	-
98	Non-US Corporations Solely Trading Securities, et al, in CT	-	-	-	-
98	Subchapter S Corporations	-	-	-	-
98	Regulated Investment Companies (RICs) and Real Estate Investment Trusts	-	-	-	-
99	Passive Investment Companies	-	-	-	-

Page	Tax Expenditures	FY 22 Estimates	FY 23 Estimates	Revenue Gain in FY 23 if Repealed	Difference from FY 23 Estimate
99	Municipal Risk Management Agencies	-	-	-	-
99	Electric Cooperatives	-	-	-	-
100	Companies Located in an Insurance and Financial Services Export Zone	-	-	-	-
100	Earnings from International Banking Facilities	-	-	-	-
100	Dividends from Domestic International Sales Corporations (DISCs) Or Foreign Sales Corporations	-	-	-	-
101	Net Operating Loss Carry-Forward	87.8	92.2	92.2	-
101	Net Capital Loss Carry-Forward	0.7	0.7	0.7	-
101	Unpaid Loss Reserve Adjustment for Non-Life Insurance Companies	-	-	-	-
102	Capital Gains from Sales of Open Space or Watershed Land	Less than 0.1	Less than 0.1	Less than 0.1	-
102	Manufacturing Reinvestment Accounts	Less than 0.1	Less than 0.1	Less than 0.1	-
103	$2.5 Million Cap on Unitary Liability	40.0	40.0	40.0	-
103	Apprenticeship	0.1	0.1	0.1	-
104	CHESLA Loan Repayment	-	Up to 0.5	Up to 0.5	-
104	Donation of Land for Educational Use	Less than 0.1	Less than 0.1	Less than 0.1	-
105	Electronic Data Processing	11.4	11.4	11.4	-
105	Film Production	30.0	20.0	20.0	-
106	Film Production Infrastructure	10.0	10.0	10.0	-
107	Fixed Capital	40.0	40.0	40.0	-
108	Historic Home Rehabilitation, Historic Structure, Historic Preservation, and Historic Rehabilitation	1.3	1.3	1.3	-
109	Housing Program Contribution	Less than 0.1	Less than 0.1	Less than 0.1	-
110	Human Capital	2.5	2.5	2.5	-
111	Machinery and Equipment	0.8	0.8	0.8	-
111	Mfg Facilities/Service Facilities/Enterprise Zones	0.7	0.7	0.7	-
113	Neighborhood Assistance	1.6	1.6	1.6	-
113	Research & Development	13.5	24.2	24.2	-
114	Research & Experimentation	33.0	33.0	33.0	-
114	Sale of Certain Credits	6.6	6.8	6.8	-
114	Urban and Industrial Reinvestment Credit	3.7	3.7	3.7	-
	Corporation Tax Total	**283.7**	**289.0**	**289.0**	**-**
117	Ocean Marine Insurance	0.6	0.6	0.6	-
118	Fraternal Societies	-	-	-	-
118	Municipal Risk Management Agencies	-	-	-	-
118	Special Taxing Districts	-	-	-	-
118	State Employee Health Plans	15.0	15.0	15.0	-
119	Medicare, Medicaid, HUSKY and General Assistance	26.0	26.0	26.0	-
119	Municipal, Non-profit and Teachers Retirement System	Less than 0.1	Less than 0.1	Less than 0.1	-
119	Small/Self Employer Health Insurance Plans	-	-	-	-
120	Financial Companies Located in Export Zone	-	-	-	-
120	Insurance Department Assessment Credit	0.7	0.7	0.7	-
120	Neighborhood Assistance	1.0	1.0	1.0	-
121	Insurance Reinvestment	35.0	35.0	35.0	-
122	Electronic Data Processing	18.0	18.0	18.0	-
122	Film Production	42.0	42.0	42.0	-

Page	Tax Expenditures	FY 22 Estimates	FY 23 Estimates	Revenue Gain in FY 23 if Repealed	Difference from FY 23 Estimate
124	Film Production Infrastructure	1.0	1.0	1.0	-
124	Urban and Industrial Reinvestment Credit	8.0	8.0	8.0	-
	Insurance Premiums Tax Total	**147.3**	**147.3**	**147.3**	**-**
126	Conveyances of Less Than $2,000	0.2	0.2	0.2	-
127	Conveyance of Properties with Crumbling Foundations	0.1	0.1	0.1	-
127	Transfer of Burial Rights for A Cemetery Lot and the Following Items:	3.7	3.8	3.8	-
127	Deeds that the State Is Prohibited from Taxing Under Federal Law	-	-	-	-
127	Deeds That Secure A Debt or Other Obligation	-	-	-	-
128	Governmental Entities	-	-	-	-
128	Tax Deeds	-	-	-	-
128	Deed Releases	-	-	-	-
128	Deeds of Partition	-	-	-	-
129	Deeds Made Pursuant to Mergers of Corporations	-	-	-	-
129	Corporate Subsidiaries	-	-	-	-
129	Court Decrees	-	-	-	-
130	Affiliated Nonprofit Corporations	-	-	-	-
130	Nonprofit Corporations	-	-	-	-
130	Conservation or Recreation Purposes	-	-	-	-
130	Transfers Between Spouses	-	-	-	-
131	Adriaen's Landing Site and Stadium	-	-	-	-
131	Class I Or II Land Transferred to A Water Company	-	-	-	-
131	Transfers to Effectuate A Mere Change of Identity or Form of Ownership	-	-	-	-
132	Employee Relocations Plan	-	-	-	-
132	Principal Residence for Persons on Certain Types of Assistance	-	-	-	-
132	Enterprise Zones	-	-	-	-
132	Entertainment Districts	-	-	-	-
133	Mutual Saving Institution That Has Reorganized	-	-	-	-
133	Conveyance to Mortgagee in a Judgment of Loss Mitigation	-	-	-	-
134	Transfers of Land Resulting from Eminent Domain	-	-	-	-
134	Strawman Deeds and Deeds That Correct, Modify, Supplement, Or Confirm A Previously Recorded Deed	-	-	-	-
134	Deed of Foreclosure	-	-	-	-
135	Land Held by A Nonprofit for Educational, Scientific, Aesthetic, Or Equivalent Passive Uses	-	-	-	-
135	Deeds with Special Covenants	-	-	-	-
135	Farmland Development Right Sold to The State	-	-	-	-
136	Transfers Less Than $2,000	-	-	-	-
136	Enterprise Zones	-	-	-	-
137	Transfers to Effectuate A Mere Change of Identity or Form of Ownership	-	-	-	-
	Real Estate Conveyance Tax Total	**4.0**	**4.1**	**4.1**	**-**
141	$15 Million Lifetime Cap	12.5	12.5	12.5	-
142	Certain Inheritance Taxes Paid to Other Jurisdictions	-	-	-	-

Page	Tax Expenditures	FY 22 Estimates	FY 23 Estimates	Revenue Gain in FY 23 if Repealed	Difference from FY 23 Estimate
142	Qualifying Investments in a Connecticut Innovations Investment Program	-	-	-	-
	Unified Estate and Gift Tax Total	**12.5**	**12.5**	**12.5**	**-**
144	Sales for Resale	9.9	10.1	10.1	-
145	Appliance Sales	Less than 0.1	Less than 0.1	Less than 0.1	-
145	Real Property Taxes Paid By Railroad Companies	Less than 0.1	Less than 0.1	Less than 0.1	-
145	Gas and Electricity Used by Industrial Consumers (SIC 2000-3999)	17.3	17.7	17.7	-
146	Gas Sold to Facility with 775 MW of Capacity	4.6	4.3	4.3	-
146	Railroad Companies When Certified by DOT	0.8	0.8	0.8	-
146	Lowered Rate for Residential Utilities	30.5	31.2	31.2	-
147	Neighborhood Assistance	Less than 0.1	Less than 0.1	Less than 0.1	-
148	Historic Home Rehabilitation, Historic Structure, Historic Preservation, and Historic Rehabilitation	21.0	21.0	21.0	-
149	Electronic Data Processing	30.0	30.0	30.0	-
150	Urban and Industrial Reinvestment Credit	23.0	23.0	23.0	-
	Public Service Companies Gross Earnings Tax	**137.1**	**138.1**	**138.1**	**-**
152	#2 Heating Oil used for Heating Purposes	116.5	127.0	127.0	-
153	Diesel Fuel First Sale	165.8	180.7	180.7	-
153	Propane Used for Residential Heating	20.6	22.5	22.5	-
153	Wholesale Gasoline Above $3.00/gallon	0.5	0.5	0.5	-
153	Commercial Heating Oil Blend	2.4	2.6	2.6	-
154	Fuel Used By Vessels Engaged In Interstate Commerce	3.7	4.1	4.1	-
154	Kerosene Used for Residential Heating	1.3	1.4	1.4	-
154	#2 Heating Oil used in Commercial Fishing	0.5	0.5	0.5	-
154	Cosmetic Grade Mineral Oil	0.2	0.2	0.2	-
155	Fuel Used by Industrial Consumers (SIC 2000-3999)	0.3	0.3	0.3	-
155	Bunker Fuel Oil, Intermediate Fuel, Marine Diesel Oil & Gas Oil	0.1	0.1	0.1	-
155	Paraffin and Microcrystalline Waxes	0.1	0.1	0.1	-
155	Propane Used for Fuel in School Buses	0.1	0.1	0.1	-
156	Fuel In Certain Fuel Supply Tanks	-	-	-	-
156	DOT-Contracted Service Stations Along State Highways	-	-	-	-
156	Credit for Sale to Resellers Located Outside the State	33.1	36.1	36.1	-
157	Petroleum Products Used in Paints/Adhesives	-	-	-	-
	Petroleum Companies Gross Earnings Tax	**345.4**	**376.4**	**376.4**	**-**
158	Sales To US Government	-	-	-	-
159	Cigarettes Sold In Any Institution	-	-	-	-
159	Exempt/Exported Tobacco Products	9.4	9.4	9.4	-
159	Cigarettes Brought Into The State	-	-	-	-
160	Modified Risk Tobacco Products	-	-	-	-
160	Calculated Tax Amounts in Excess of 50 cents per Cigar	4.0	4.0	4.0	-
	Cigarette Tax Total	**13.4**	**13.4**	**13.4**	**-**
161	United States Military	-	-	-	-
162	Alcoholic Beverages Transported Out of State	-	-	-	-
162	First 15 Barrels of Malt Beverages Consumed on Premises	Less than 0.1	Less than 0.1	Less than 0.1	-
162	Alcoholic Beverages and Ethyl Alcohol	-	-	-	-

Page	Tax Expenditures	FY 22 Estimates	FY 23 Estimates	Revenue Gain in FY 23 if Repealed	Difference from FY 23 Estimate
163	Alcoholic Beverages Brought into This State	-	-	-	-
163	Malt Beverages for Off-Site Consumption Sold by Manufacturer	Less than 0.1	Less than 0.1	Less than 0.1	-
	Alcoholic Beverage Tax Total	**-**	**-**	**-**	**-**
164	Charges less than $1.00 and Movies less than $5.00	Less than 0.1	Less than 0.1	Less than 0.1	-
165	Daily Charges For Athletic Participation	-	-	-	-
165	Events Sponsored by Tax Exempt Entities	-	-	-	-
165	Admissions to Benefit Tax Exempt Entities	-	-	-	-
166	Centers for Elderly Persons	-	-	-	-
166	Nonprofit Theater or Playhouse, Gateway's Candlewood House and Ocean Beach Park	-	-	-	-
166	Carnival or Amusement Rides	-	-	-	-
166	Health Club Charges	-	-	-	-
167	Charges for Instruction	-	-	-	-
167	Admissions to certain events held at: XL Center, Dillon Stadium, New Britain Stadium, Webster Bank Arena, Harbor Yard Amphitheater, Dodd Stadium, the Oakdale, and Rentschler Field.	-	-	-	-
167	Admissions to events at Dunkin' Donuts Park	-	-	-	-
168	Annual Dues Less Than $100	-	-	-	-
168	Clubs, Lodges, or Fraternal Organizations Sponsored by Charitable or Religious Organization, Governmental Agency, Nonprofit Educational Institution, Or at a College/University	3.7	3.8	3.8	-
168	Charges for Athletic Instruction	2.7	2.8	2.8	-
169	Special Assessment for Construction or Furnishings	-	-	-	-
169	Lawn Bowling Clubs	Less than 0.1	Less than 0.1	Less than 0.1	-
169	Portion of Dues Used to Acquire Open Space	-	-	-	-
169	Club Locker Rentals	-	-	-	-
	Admissions and Dues Tax Total	**6.4**	**6.6**	**6.6**	**-**
171	Financially Distressed Hospitals	0.1	0.1	0.1	-
172	Other Hospitals	-	-	-	-
172	Sole Community Hospitals	-	-	-	-
173	First $1 million of ASC Gross Receipts (elim in FY 24)	3.3	3.3	3.3	-
173	ASC Net Patient Revenue of a Hospital	-	-	-	-
173	ASC Medicare and Medicaid Payments	0.5	0.5	0.5	-
	Health Provider Taxes	**3.9**	**3.9**	**3.9**	**-**
175	US Government	1.1	1.2	1.2	-
175	Municipal Contractors, Municipalities, Transit Districts and the State	12.4	12.8	12.8	-
176	Fuel Distributors	1,593.1	1,641.5	1,641.5	-
176	Fuel Transferred or Exported Out of State	154.1	158.8	158.8	-
176	Farmers and Other Exempt Purchasers, Aviation Fuel	272.6	280.9	280.9	-
180	Vehicles not Operated on Public Highways	1.0	1.0	1.0	-
180	CT Motor Bus Companies and Other Livery Services	0.5	0.5	0.5	-
181	Fuel Used In High-Occupancy Motor Vehicles	0.1	0.1	0.1	-
182	Meals on Wheels for Seniors	0.1	0.1	0.1	-
182	Credit for Motor Carrier Road Tax on Motor Fuels Tax	81.0	81.0	81.0	-

Page	Tax Expenditures	FY 22 Estimates	FY 23 Estimates	Revenue Gain in FY 23 if Repealed	Difference from FY 23 Estimate
	Paid in State				
	Motor Fuels and Motor Carrier Road Taxes	**2,115.9**	**2,177.7**	**2,177.7**	**-**
183	US Government, the State of Connecticut or Political Subdivisions	-	-	-	-
184	Dairy Trucks	-	-	-	-
	Highway Use Tax	**-**	**-**	**-**	**-**
185	Occupational Tax	8.3	8.3	8.3	-
185	Tourism Account Surcharge	-	-	-	-
	Miscellaneous Tax	**8.3**	**8.3**	**8.3**	**-**
	GRAND TOTAL	**8,730.7**	**9,007.0**	**8,839.5**	**(166.6)**

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PERSONAL INCOME TAX

During the legislature's 1991 June Special Session, the General Assembly enacted Public Act 91-3, which imposed a tax on the income of resident individuals, trusts and estates and on the income of nonresident individuals, trusts and estates derived from sources within the state at a rate of 4.5% for the 1992 income year. (The tax rate for the 1991 income year was set at 1.5% because the tax was not levied for 12 months.) PA 95-160 created a two-tier tax rate structure by lowering the tax rate from 4.5% to 3% for taxable income below certain levels. PA 03-2 increased the 4.5% rate to 5.0% for the 2003 income year and thereafter. Beginning with the 2009 income year, PA 09-3 JSS increased the 5.0% tax rate to 6.5% for income above certain levels.

PA 11-6 increased marginal income tax rates and phased out the lowest (3.0%) income tax bracket for filers at certain taxable income levels by subjecting more taxable income to the 5.0% bracket. In addition, PA 11-6: (1) imposed a "benefit recapture" provision to eliminate the benefits that certain filers receive from having a portion of their taxable income taxed at lower marginal rates; and (2) altered the property tax credit against the personal income tax by reducing, from $500 to $300, the maximum property tax credit and phasing out the credit at a steeper rate than prior law. PA 11-6 also established a refundable state earned income tax credit equal to 30% of the federal credit. Subsequently, PA 13-184 reduced the rate to 25% and 27.5% in income years 2013 and 2014, respectively; PA 15-244 extended the 27.5% rate to the 2015 and 2016 income years; PA 17-2 JSS reduced the rate to 23% for the 2017 through 2020 income years; PA 21-2 JSS permanently increased the rate to 30.5% beginning with the 2021 income year.

PA 15-244 increased marginal income tax rates for those with taxable incomes over (1) $500,000 for joint filers, (2) $250,000 for single filers and married people filing separately, and (3) $400,000 for heads of household. It does so by (1) increasing the 6.7% marginal tax rate to 6.9% and (2) adding a seventh, higher-income tax bracket subject to a 6.99% marginal tax rate. It also establishes new "benefit recapture" schedules to reflect the new marginal rates and income bracket and made various changes to the property tax credit including lowering the amount from $300 to $200 in 2016.

The tax is levied on Connecticut taxable income, which is defined as adjusted gross income for federal income tax purposes with certain modifications and exemptions.

Computation of Tax

Tax Basis
The tax is levied on Connecticut adjusted gross income (AGI) above basic personal exemption levels that vary according to taxpayer status and which phase out at higher income levels. Income below the personal exemption threshold is excluded from the tax base based on the rationale that income needed for bare sustenance should be free from tax. Thus, for the purpose of this document, personal exemptions are not listed as tax expenditures.

Connecticut AGI is defined as adjusted gross income for federal income tax purposes, subject to certain additions and deletions. Additions include such things as interest and dividends from obligations (such as bonds) from other states or subdivisions of other states unless federal law exempts them from state income taxes. Subtractions include items such as: (1) income included in adjusted gross income that federal law exempts from state taxation, (2) refunds or credits for overpayments of income tax, (3) exempt dividends paid by a regulated investment company and (4) Tier One railroad retirement benefits.

Special rules are established for determining whether the income of the following taxpayer types is derived from sources within the state and how income gains, losses, and deductions are allocated: (1) a non-resident or a part-year resident, (2) a partner's distributive share of partnership income, (3) a shareholder's pro rata share of S corporation or limited liability company (PA 93-267, effective 10/1/93) income and (3) a beneficiary's share of trust or estate income.

The tax imposed on income earned by resident and nonresident trusts and estates is similar to the one applied to individuals except that the trusts and estates do not receive the exemptions and credits that individuals receive. The tax must be paid by the fiduciary. Special rules are established for determining what income is derived from sources within the state for nonresident and part-year resident estates, trusts and beneficiaries and how income, gains, losses, and deductions are allocated.

Tax Rate

PA 91-3 JSS imposes the tax on the income of individuals, trusts and estates derived from sources within the state at 1.5% for the 1991 income year and 4.5% for the 1992 income year and thereafter. PA 95-160 reduces the rate for certain income levels from 4.5% to 3% (see below). PA 97-309 and PA 97-322 increases the income levels to which the 3% rate applies for the 1997, 1998 and 1999 income years and thereafter (see below). The rate for income above these levels is 4.5% for income years from 1992 to 2002. For the 2003 income year, the rate on the additional income is increased to 5% (PA 03-2).

Amount of Taxable Income Taxed at 3%[1]

Income Year	Effective Date	Type of Filer		
		Joint $	Head of Household $	Single $
1996	7/1/96	9,000	7,000	4,500
1997	1/1/97	12,500	10,000	6,250
1998	1/1/98	15,000	12,000	7,500
1999	1/1/99	20,000	16,000	10,000
2011*	1/1/11	20,000	16,000	10,000

[1]PA 11-6 established a 3.0% Tax Rate Phase-Out Add-Back which effectively reduces or eliminates the amount of income to which the 3.0% rate applies.

For the 2009 and 2010 income years, the 5.0% tax rate was increased to 6.5% above certain income levels (PA 09-3 JSS) as follows:

Tax Rates and Taxable Income for the 2009 through 2010 Income Years

Tax Rate	Type of Filer		
	Joint	Head of Household	Single
3.0%	$0 - 20,000	$0 - $16,000	$0 - $10,000
5.0%	$20,001 - $1 million	$16,001 - $800,000	$10,001 - $500,000
6.5%	Over $1 million	Over $800,000	Over $500,000

Beginning with the 2011 income year, the 6.5% rate was increased to 6.7% above certain income levels (PA 11-6), and additional marginal rates were added between the 5% and 6.5% rates for certain income levels. The following tables compare marginal rates prior to and following the passage of the income tax changes included in PA 11-6:

Marginal Rates Before and After Passage of the Income Tax Changes per PA 11-6

CT Taxable Income				Tax Rates	
Married Filing Jointly		Single			
Over $	But Not Over $	Over $	But Not Over $	Before PA 11-6	PA 11-6
0	20,000	0	10,000	3.0%	3.0%
20,000	100,000	10,000	50,000	5.0%	5.0%
100,000	200,000	50,000	100,000		5.5%
200,000	400,000	100,000	200,000		6.0%
400,000	500,000	200,000	250,000		6.5%
500,000	1,000,000	250,000	500,000		6.7%
Over 1,000,000		Over 500,000		6.5%	-

CT Taxable Income				Tax Rates	
Head of Household		Married Filing Separately			
Over $	But Not Over $	Over $	But Not Over $	Before PA 11-6	PA 11-6
0	16,000	0	10,000	3.0%	3.0%
16,000	80,000	10,000	50,000	5.0%	5.0%
80,000	160,000	50,000	100,000		5.5%
160,000	320,000	100,000	200,000		6.0%
320,000	400,000	200,000	250,000		6.5%
400,000	800,000	250,000	500,000		6.7%
Over 800,000		Over 500,000		6.5%	-

PA 11-6 also established a Tax Rate Phase-Out Add-Back that phases out the lowest (3%) marginal rate for taxpayers starting with Connecticut adjusted gross income over $100,500 for joint filers, $56,500 for singles, $78,500 for heads of household, and $50,250 for married couples filing separately. It does so by subjecting less taxable income to the 3% income tax rate as adjusted gross income increases, thus subjecting more taxable income to the 5% bracket.

The following tables illustrate the degree to which the phase-out decreases the amount of income to which the 3% rate applies as adjusted gross income levels increase:

SINGLE			MARRIED FILING JOINTLY		
CT AGI		3% Rate Applies to Taxable Income Up to $	CT AGI		3% Rate Applies to Taxable Income Up to $
Over $	But Not Over $		Over $	But Not Over $	
0	56,500	10,000	0	100,500	20,000
56,500	61,500	9,000	100,500	105,500	18,000
61,500	66,500	8,000	105,500	110,500	16,000
66,500	71,500	7,000	110,500	115,500	14,000
71,500	76,500	6,000	115,500	120,500	12,000
76,500	81,500	5,000	120,500	125,500	10,000
81,500	86,500	4,000	125,500	130,500	8,000
86,500	91,500	3,000	130,500	135,500	6,000
91,500	96,500	2,000	135,500	140,500	4,000
96,500	101,500	1,000	140,500	145,500	2,000
Over 101,500		None	Over 145,500		None

HEAD OF HOUSEHOLD			MARRIED FILING SEPARATELY		
CT AGI		3% Rate Applies to Taxable Income Up to $	CT AGI		3% Rate Applies to Taxable Income Up to $
Over $	But Not Over $		Over $	But Not Over $	
0	78,500	16,000	0	50,250	10,000
78,500	82,500	14,400	50,250	52,750	9,000
82,500	86,500	12,800	52,750	55,250	8,000
86,500	90,500	11,200	55,250	57,750	7,000
90,500	94,500	9,600	57,750	60,250	6,000
94,500	98,500	8,000	60,250	62,750	5,000

HEAD OF HOUSEHOLD			MARRIED FILING SEPARATELY		
CT AGI		3% Rate Applies to Taxable Income Up to $	CT AGI		3% Rate Applies to Taxable Income Up to $
Over $	But Not Over $		Over $	But Not Over $	
98,500	102,500	6,400	62,750	65,250	4,000
102,500	106,500	4,800	65,250	67,750	3,000
106,500	110,500	3,200	67,750	70,250	2,000
110,500	114,500	1,600	70,250	72,750	1,000
Over 114,500		None	Over 72,250		None

PA 11-6 also included a Marginal Rate Benefit Recapture provision for taxpayers whose annual Connecticut AGI exceeds specified thresholds. This provision eliminates the benefits affected taxpayers receive from having a portion of their taxable income taxed at lower marginal rates. It does so by requiring taxpayers with higher incomes to add specified amounts to their tax liability. These “recapture” amounts phase in as CT AGI increases, until a taxpayer’s income is effectively taxed at the highest marginal rate (then 6.7%).

The table on the following page shows these recapture amounts by filing status and income level.

Recapture Amounts by Filing Status and Income Level (PA 11-6)

Single or Filing Seperately			Filing Jointly or Qualified Widow(er)			Head of Household		
Connecticut AGI			Connecticut AGI			Connecticut AGI		
More Than	Less Than or Equal To	Recapture Amount	More Than	Less Than or Equal To	Recapture Amount	More Than	Less Than or Equal To	Recapture Amount
$ 0	$200,000	$ 0	$ 0	$400,000	$ 0	$ 0	$320,000	$ 0
$200,000	$205,000	$ 75	$400,000	$410,000	$ 150	$320,000	$328,000	$ 120
$205,000	$210,000	$ 150	$410,000	$420,000	$ 300	$328,000	$336,000	$ 240
$210,000	$215,000	$ 225	$420,000	$430,000	$ 450	$336,000	$344,000	$ 360
$215,000	$220,000	$ 300	$430,000	$440,000	$ 600	$344,000	$352,000	$ 480
$220,000	$225,000	$ 375	$440,000	$450,000	$ 750	$352,000	$360,000	$ 600
$225,000	$230,000	$ 450	$450,000	$460,000	$ 900	$360,000	$368,000	$ 720
$230,000	$235,000	$ 525	$460,000	$470,000	$1,050	$368,000	$376,000	$ 840
$235,000	$240,000	$ 600	$470,000	$480,000	$1,200	$376,000	$384,000	$ 960
$240,000	$245,000	$ 675	$480,000	$490,000	$1,350	$384,000	$392,000	$1,080
$245,000	$250,000	$ 750	$490,000	$500,000	$1,500	$392,000	$400,000	$1,200
$250,000	$255,000	$ 825	$500,000	$510,000	$1,650	$400,000	$408,000	$1,320
$255,000	$260,000	$ 900	$510,000	$520,000	$1,800	$408,000	$416,000	$1,440
$260,000	$265,000	$ 975	$520,000	$530,000	$1,950	$416,000	$424,000	$1,560
$265,000	$270,000	$1,050	$530,000	$540,000	$2,100	$424,000	$432,000	$1,680
$270,000	$275,000	$1,125	$540,000	$550,000	$2,250	$432,000	$440,000	$1,800
$275,000	$280,000	$1,200	$550,000	$560,000	$2,400	$440,000	$448,000	$1,920
$280,000	$285,000	$1,275	$560,000	$570,000	$2,550	$448,000	$456,000	$2,040
$285,000	$290,000	$1,350	$570,000	$580,000	$2,700	$456,000	$464,000	$2,160
$290,000	$295,000	$1,425	$580,000	$590,000	$2,850	$464,000	$472,000	$2,280
$295,000	$300,000	$1,500	$590,000	$600,000	$3,000	$472,000	$480,000	$2,400
$300,000	$305,000	$1,575	$600,000	$610,000	$3,150	$480,000	$488,000	$2,520
$305,000	$310,000	$1,650	$610,000	$620,000	$3,300	$488,000	$496,000	$2,640
$310,000	$315,000	$1,725	$620,000	$630,000	$3,450	$496,000	$504,000	$2,760
$315,000	$320,000	$1,800	$630,000	$640,000	$3,600	$504,000	$512,000	$2,880
$320,000	$325,000	$1,875	$640,000	$650,000	$3,750	$512,000	$520,000	$3,000
$325,000	$330,000	$1,950	$650,000	$660,000	$3,900	$520,000	$528,000	$3,120
$330,000	$335,000	$2,025	$660,000	$670,000	$4,050	$528,000	$536,000	$3,240
$335,000	$340,000	$2,100	$670,000	$680,000	$4,200	$536,000	$544,000	$3,360
$340,000	$345,000	$2,175	$680,000	$690,000	$4,350	$544,000	$552,000	$3,480
$345,000	and up	$2,250	$690,000	and up	$4,500	$552,000	and up	$3,600

Beginning with the 2015 income year as enacted in PA 15-244, the 6.7% rate was increased to 6.9% for filers with income over (1) $500,000 for joint filers, (2) $250,000 for single filers and married people filing separately, and (3) $400,000 for heads of household. Additionally, a 6.99% rate was added for filers with income over (1) $1.0 million for joint filers, (2) $500,000 for single filers and married people filing separately, and (3) $800,000 for heads of household. The following tables compare marginal rates prior to and following the passage of the income tax changes included in PA 15-244:

CT Taxable Income				Tax Rates	
Married Filing Jointly		Single			
Over $	But Not Over $	Over $	But Not Over $	Before PA 15-244	PA 15-244
0	20,000	0	10,000	3.0%	3.0%
20,000	100,000	10,000	50,000	5.0%	5.0%
100,000	200,000	50,000	100,000	5.5%	5.5%
200,000	400,000	100,000	200,000	6.0%	6.0%
400,000	500,000	200,000	250,000	6.5%	6.5%
500,000	1,000,000	250,000	500,000	6.7%	6.9%
Over 1,000,000		Over 500,000			6.99%

CT Taxable Income				Tax Rates	
Head of Household		Married Filing Separately			
Over $	But Not Over $	Over $	But Not Over $	Before PA 15-244	PA 15-244
0	16,000	0	10,000	3.0%	3.0%
16,000	80,000	10,000	50,000	5.0%	5.0%
80,000	160,000	50,000	100,000	5.5%	5.5%
160,000	320,000	100,000	200,000	6.0%	6.0%
320,000	400,000	200,000	250,000	6.5%	6.5%
400,000	800,000	250,000	500,000	6.7%	6.9%
Over 800,000		Over 500,000			6.99%

PA 15-244 also updated the Marginal Rate Benefit Recapture provision for filers above the new rate thresholds outlined above. The table on the following page shows the new recapture amounts by filing status and income level.

Recapture Amounts by Filing Status and Income Level (PA 15-244)

Single or Married Filing Separately			Married Filing Jointly or Qualified Widow(er)			Head of Household		
Connecticut AGI		Recapture Amount	Connecticut AGI		Recapture Amount	Connecticut AGI		Recapture Amount
More Than	Less Than or Equal To		More Than	Less Than or Equal To		More Than	Less Than or Equal To	
$ 0	$200,000	$ 0	$ 0	$400,000	$ 0	$ 0	$320,000	$ 0
$200,000	$205,000	$ 90	$400,000	$410,000	$ 180	$320,000	$328,000	$ 140
$205,000	$210,000	$ 180	$410,000	$420,000	$ 360	$328,000	$336,000	$ 280
$210,000	$215,000	$ 270	$420,000	$430,000	$ 540	$336,000	$344,000	$ 420
$215,000	$220,000	$ 360	$430,000	$440,000	$ 720	$344,000	$352,000	$ 560
$220,000	$225,000	$ 450	$440,000	$450,000	$ 900	$352,000	$360,000	$ 700
$225,000	$230,000	$ 540	$450,000	$460,000	$1,080	$360,000	$368,000	$ 840
$230,000	$235,000	$ 630	$460,000	$470,000	$1,260	$368,000	$376,000	$ 980
$235,000	$240,000	$ 720	$470,000	$480,000	$1,440	$376,000	$384,000	$1,120
$240,000	$245,000	$ 810	$480,000	$490,000	$1,620	$384,000	$392,000	$1,260
$245,000	$250,000	$ 900	$490,000	$500,000	$1,800	$392,000	$400,000	$1,400
$250,000	$255,000	$ 990	$500,000	$510,000	$1,980	$400,000	$408,000	$1,540
$255,000	$260,000	$1,080	$510,000	$520,000	$2,160	$408,000	$416,000	$1,680
$260,000	$265,000	$1,170	$520,000	$530,000	$2,340	$416,000	$424,000	$1,820
$265,000	$270,000	$1,260	$530,000	$540,000	$2,520	$424,000	$432,000	$1,960
$270,000	$275,000	$1,350	$540,000	$550,000	$2,700	$432,000	$440,000	$2,100
$275,000	$280,000	$1,440	$550,000	$560,000	$2,880	$440,000	$448,000	$2,240
$280,000	$285,000	$1,530	$560,000	$570,000	$3,060	$448,000	$456,000	$2,380
$285,000	$290,000	$1,620	$570,000	$580,000	$3,240	$456,000	$464,000	$2,520
$290,000	$295,000	$1,710	$580,000	$590,000	$3,420	$464,000	$472,000	$2,660
$295,000	$300,000	$1,800	$590,000	$600,000	$3,600	$472,000	$480,000	$2,800
$300,000	$305,000	$1,890	$600,000	$610,000	$3,780	$480,000	$488,000	$2,940
$305,000	$310,000	$1,980	$610,000	$620,000	$3,960	$488,000	$496,000	$3,080
$310,000	$315,000	$2,070	$620,000	$630,000	$4,140	$496,000	$504,000	$3,220
$315,000	$320,000	$2,160	$630,000	$640,000	$4,320	$504,000	$512,000	$3,360
$320,000	$325,000	$2,250	$640,000	$650,000	$4,500	$512,000	$520,000	$3,500
$325,000	$330,000	$2,340	$650,000	$660,000	$4,680	$520,000	$528,000	$3,640
$330,000	$335,000	$2,430	$660,000	$670,000	$4,860	$528,000	$536,000	$3,780
$335,000	$340,000	$2,520	$670,000	$680,000	$5,040	$536,000	$544,000	$3,920
$340,000	$345,000	$2,610	$680,000	$690,000	$5,220	$544,000	$552,000	$4,060
$345,000	$500,000	$2,700	$690,000	$1,000,000	$5,400	$552,000	$800,000	$4,200
$500,000	$505,000	$2,750	$1,000,000	$1,010,000	$5,500	$800,000	$808,000	$4,280
$505,000	$510,000	$2,800	$1,010,000	$1,020,000	$5,600	$808,000	$816,000	$4,360
$510,000	$515,000	$2,850	$1,020,000	$1,030,000	$5,700	$816,000	$824,000	$4,440
$515,000	$520,000	$2,900	$1,030,000	$1,040,000	$5,800	$824,000	$832,000	$4,520
$520,000	$525,000	$2,950	$1,040,000	$1,050,000	$5,900	$832,000	$840,000	$4,600
$525,000	$530,000	$3,000	$1,050,000	$1,060,000	$6,000	$840,000	$848,000	$4,680
$530,000	$535,000	$3,050	$1,060,000	$1,070,000	$6,100	$848,000	$856,000	$4,760
$535,000	$540,000	$3,100	$1,070,000	$1,080,000	$6,200	$856,000	$864,000	$4,840
$540,000	and up	$3,150	$1,080,000	and up	$6,300	$864,000	and up	$4,920

Minimum Tax
Taxpayers are required to pay the higher of their liability under the state personal income tax or the Connecticut minimum tax, effective 1/1/93 (PA 94-4 MSS). The Connecticut minimum tax is the lesser amount of 19.0% of adjusted federal tentative minimum tax or 5.0% of adjusted federal alternative minimum taxable income.

Exemptions
Taxpayers are eligible for two exemptions, depending on their income level: (1) a personal exemption and (2) a personal tax credit. Personal credits and exemptions are used to determine the basis of taxation for the income tax, and therefore are not considered to be tax expenditures for purposes of this report.

Personal Exemption for the 2021 Income Year Based on Filing Status

Single			Married Filing Jointly or Qualified Widow(er)			Married Filing Separately			Head of Household		
Connecticut AGI			Connecticut AGI			Connecticut AGI			Connecticut AGI		
More Than	Less Than or Equal To	Exemption	More Than	Less Than or Equal To	Exemption	More Than	Less Than or Equal To	Exemption	More Than	Less Than or Equal To	Exemption
$ 0	$30,000	$15,000	$ 0	$48,000	$24,000	$ 0	$24,000	$12,000	$ 0	$38,000	$19,000
$30,000	$31,000	$14,000	$48,000	$49,000	$23,000	$24,000	$25,000	$11,000	$38,000	$39,000	$18,000
$31,000	$32,000	$13,000	$49,000	$50,000	$22,000	$25,000	$26,000	$10,000	$39,000	$40,000	$17,000
$32,000	$33,000	$12,000	$50,000	$51,000	$21,000	$26,000	$27,000	$ 9,000	$40,000	$41,000	$16,000
$33,000	$34,000	$11,000	$51,000	$52,000	$20,000	$27,000	$28,000	$ 8,000	$41,000	$42,000	$15,000
$34,000	$35,000	$10,000	$52,000	$53,000	$19,000	$28,000	$29,000	$ 7,000	$42,000	$43,000	$14,000
$35,000	$36,000	$ 9,000	$53,000	$54,000	$18,000	$29,000	$30,000	$ 6,000	$43,000	$44,000	$13,000
$36,000	$37,000	$ 8,000	$54,000	$55,000	$17,000	$30,000	$31,000	$ 5,000	$44,000	$45,000	$12,000
$37,000	$38,000	$ 7,000	$55,000	$56,000	$16,000	$31,000	$32,000	$ 4,000	$45,000	$46,000	$11,000
$38,000	$39,000	$ 6,000	$56,000	$57,000	$15,000	$32,000	$33,000	$ 3,000	$46,000	$47,000	$10,000
$39,000	$40,000	$ 5,000	$57,000	$58,000	$14,000	$33,000	$34,000	$ 2,000	$47,000	$48,000	$ 9,000
$40,000	$41,000	$ 4,000	$58,000	$59,000	$13,000	$34,000	$35,000	$ 1,000	$48,000	$49,000	$ 8,000
$41,000	$42,000	$ 3,000	$59,000	$60,000	$12,000	$35,000	and up	$ 0	$49,000	$50,000	$ 7,000
$42,000	$43,000	$ 2,000	$60,000	$61,000	$11,000				$50,000	$51,000	$ 6,000
$43,000	$44,000	$ 1,000	$61,000	$62,000	$10,000				$51,000	$52,000	$ 5,000
$44,000	and up	$ 0	$62,000	$63,000	$ 9,000				$52,000	$53,000	$ 4,000
			$63,000	$64,000	$ 8,000				$53,000	$54,000	$ 3,000
			$64,000	$65,000	$ 7,000				$54,000	$55,000	$ 2,000
			$65,000	$66,000	$ 6,000				$55,000	$56,000	$ 1,000
			$66,000	$67,000	$ 5,000				$56,000	and up	$ 0
			$67,000	$68,000	$ 4,000						
			$68,000	$69,000	$ 3,000						
			$69,000	$70,000	$ 2,000						
			$70,000	$71,000	$ 1,000						
			$71,000	and up	$ 0						

The table below presents the personal tax credit for the 2021 income year based on filing status:

Single			Married Filing Jointly or Qualified Widow(er)			Married Filing Separately			Head of Household		
Connecticut AGI		Decimal Amount	Connecticut AGI		Decimal Amount	Connecticut AGI		Decimal Amount	Connecticut AGI		Decimal Amount
More Than	Less Than or Equal To		More Than	Less Than or Equal To		More Than	Less Than or Equal To		More Than	Less Than or Equal To	
$15,000	$18,800	.75	$24,000	$30,000	.75	$12,000	$15,000	.75	$19,000	$24,000	.75
$18,800	$19,300	.70	$30,000	$30,500	.70	$15,000	$15,500	.70	$24,000	$24,500	.70
$19,300	$19,800	.65	$30,500	$31,000	.65	$15,500	$16,000	.65	$24,500	$25,000	.65
$19,800	$20,300	.60	$31,000	$31,500	.60	$16,000	$16,500	.60	$25,000	$25,500	.60
$20,300	$20,800	.55	$31,500	$32,000	.55	$16,500	$17,000	.55	$25,500	$26,000	.55
$20,800	$21,300	.50	$32,000	$32,500	.50	$17,000	$17,500	.50	$26,000	$26,500	.50
$21,300	$21,800	.45	$32,500	$33,000	.45	$17,500	$18,000	.45	$26,500	$27,000	.45
$21,800	$22,300	.40	$33,000	$33,500	.40	$18,000	$18,500	.40	$27,000	$27,500	.40
$22,300	$25,000	.35	$33,500	$40,000	.35	$18,500	$20,000	.35	$27,500	$34,000	.35
$25,000	$25,500	.30	$40,000	$40,500	.30	$20,000	$20,500	.30	$34,000	$34,500	.30
$25,500	$26,000	.25	$40,500	$41,000	.25	$20,500	$21,000	.25	$34,500	$35,000	.25
$26,000	$26,500	.20	$41,000	$41,500	.20	$21,000	$21,500	.20	$35,000	$35,500	.20
$26,500	$31,300	.15	$41,500	$50,000	.15	$21,500	$25,000	.15	$35,500	$44,000	.15
$31,300	$31,800	.14	$50,000	$50,500	.14	$25,000	$25,500	.14	$44,000	$44,500	.14
$31,800	$32,300	.13	$50,500	$51,000	.13	$25,500	$26,000	.13	$44,500	$45,000	.13
$32,300	$32,800	.12	$51,000	$51,500	.12	$26,000	$26,500	.12	$45,000	$45,500	.12
$32,800	$33,300	.11	$51,500	$52,000	.11	$26,500	$27,000	.11	$45,500	$46,000	.11
$33,300	$60,000	.10	$52,000	$96,000	.10	$27,000	$48,000	.10	$46,000	$74,000	.10
$60,000	$60,500	.09	$96,000	$96,500	.09	$48,000	$48,500	.09	$74,000	$74,500	.09
$60,500	$61,000	.08	$96,500	$97,000	.08	$48,500	$49,000	.08	$74,500	$75,000	.08
$61,000	$61,500	.07	$97,000	$97,500	.07	$49,000	$49,500	.07	$75,000	$75,500	.07
$61,500	$62,000	.06	$97,500	$98,000	.06	$49,500	$50,000	.06	$75,500	$76,000	.06
$62,000	$62,500	.05	$98,000	$98,500	.05	$50,000	$50,500	.05	$76,000	$76,500	.05
$62,500	$63,000	.04	$98,500	$99,000	.04	$50,500	$51,000	.04	$76,500	$77,000	.04
$63,000	$63,500	.03	$99,000	$99,500	.03	$51,000	$51,500	.03	$77,000	$77,500	.03
$63,500	$64,000	.02	$99,500	$100,000	.02	$51,500	$52,000	.02	$77,500	$78,000	.02
$64,000	$64,500	.01	$100,000	$100,500	.01	$52,000	$52,500	.01	$78,000	$78,500	.01
$64,500	and up	.00	$100,500	and up	.00	$52,500	and up	.00	$78,500	and up	.00

Exclusions — Connecticut Modifications

The Connecticut adjusted gross income (AGI) of a resident, nonresident, and estate is defined as federal adjusted gross income with modifications as specified by CT General Statutes, including:

1. Interest on U.S. obligations

Citation: Federal Law & CGS Sec. 12-701(a)(20)(B)

Description: Interest income derived from U.S. government obligations that federal law prohibits states from taxing. For example: U.S. government bonds such as Savings Bonds Series EE and Series HH, U.S. Treasury bills and notes. Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), and Federal Home Loan Mortgage Corporation (Freddie Mac) securities interest income is taxable for Connecticut income tax purposes.

History: Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, Sec. 52 (B)(i), effective for tax years 1991 and after.

Fiscal Estimates: $20.5 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 34,000.

Rationale: Conformity.

2. Dividends from mutual funds derived from U.S. government obligations

Citation: Federal Law & CGS Sec. 12-701(a)(20)(B) and 12-718

Description: Dividends from certain mutual funds consisting of U.S. obligations are exempt. The mutual fund must have at least 50% of the value of its assets consisting of U.S. government obligations at the close of each quarter.

History: Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, Sec. 52 (B)(ii) & 69, effective for tax years 1991 and after.

Fiscal Estimates: $1.3 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 11,500.

Rationale: Conformity.

3. Tier I Railroad Retirement Benefits

Citation: Title 45 Section 231(m) of the United States Code & CGS Sec. 12-701(a)(20)(B)

Description: Tier I Railroad Retirement Benefits included in federal adjusted gross income in amounts greater than $25,000 for single taxpayers and greater than $32,000 for married taxpayers are deducted from Connecticut taxable income.

History: Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, Sec. 52 (B)(v), effective for tax years 1991 and after.

Fiscal Estimates: $725,000 in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 1,500.

Rationale: Conformity.

4. Beneficiary's share of Connecticut fiduciary adjustment

Citation: CGS Sec. 12-701(a)(20)(C)

Description: Any income from an estate or trust or any Connecticut fiduciary adjustment that applies to such income.

History: Never subject to Connecticut income tax. Excluded by original income tax act, PA 91-3, June Special Session, Sec. 52, effective for tax years 1991 and after.

Fiscal Estimates: $1.9 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 3,650.

Rationale: Conformity.

5. Gain on sale of Connecticut bonds

Citation: CGS Sec. 12-701(a)(20)(B)

Description: Gains from the sale or exchange of notes, bonds or other obligations of the state or its municipalities used in determining gain for federal income tax purposes.

History: PA 92-5, May Special Session, Sec. 2 (B)(vii), effective for tax years 1992 and after.

Fiscal Estimates: $300,000 in FY 22 and FY 23.

Taxpayers benefitting: Approximately 1,250.

Rationale: Conformity.

6. Social security benefits

Citation: CGS Sec. 12-701(a)(20)(B)

Description: In 1993, the federal government increased the amount of social security benefits that are taxable for federal income tax purposes. This deduction limits state taxation of social security benefits to the amount that was taxable for federal purposes prior to the 1993 change, effective with the 1994 income year.

History: For income years 1994 through 1997, the percentage of social security benefits that is included in state adjusted gross income is limited to the percentage that was taxable under the 1993 federal income tax rules (PA 94-4 MSS). For the 1998 income year, the amount is reduced by one-half of the 50% (i.e., 25% of benefits) pursuant to PA 97-309 and PA 97-322. For the 1999 income year and thereafter, the remaining 25% of benefits is exempted for joint filers with AGI under $60,000 and single filers with AGI under $50,000 (PA 99-173). PA 17-2 JSS increases the qualifying AGI thresholds to $75,000 for single/married filing separately filers and $100,000 for joint filers for the 2018 income year and thereafter; PA 17-4 JSS delayed this threshold increase to the 2019 income year.

Fiscal Estimates: $165 million in FY 22 and $168.8 million in FY 23.

Taxpayers Benefitting: Approximately 280,000.

Rationale: Expediency.

7. Holocaust payments

Citation: CGS 12-701(a)(20)(B)

Description: Any restitution payments to survivors of various human rights abuses during World War II are exempted from the income tax.

History: Beginning with the 2000 income year (PA 00-82).

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 100.

Rationale: Expediency.

8. Individual Development Accounts (IDAs)

Citation: CGS Sec. 12-701(a)(20)(B)

Description: Interest earned on funds deposited in an IDA is exempt from the tax.

History: The IDA was created by PA 00-192 to allow certain low-income and qualified disable taxpayers to open savings accounts and receive matching funds as an incentive for saving for specific purposes. Effective for tax years 2000 and after. The Connecticut Department of Labor IDA program ended as of 6/30/19; however, community-based organizations may be certified to establish an IDA program.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: Zero.

Rationale: Incentive.

9. Military retirement income

Citation: CGS Sec. 12-701(a)(20)(B)

Description: 100% of federally taxable military retirement pay is exempt from the state income tax. The exemption applies to federal retirement pay to retired members of the U.S. Army, Navy, Air Force, Marines, Coast Guard, and Air National Guard.

History: PA 05-251 established the exemption at 50% effective for tax years beginning in 2008. PA 15-244 increased the exemption to 100% of federally taxable military retirement pay.

Fiscal Estimates: $7.5 million in FY 22 and $7.7 million in FY 23.

Taxpayers Benefitting: Approximately 8,500.

Rationale: Expediency.

10. Contributions to CHET

Citation: CGS Sec. 12-701(a)(20)(B)

Description: Taxpayers may deduct contributions to the Connecticut Higher Education Trust (CHET), which is Connecticut's state-sponsored college savings plan, from their Connecticut AGI for state income tax purposes. It limits annual deductions to $5,000 for individual taxpayers and $10,000 for joint filers. It allows taxpayers to carry forward any unused deductions for contributions on or after January 1, 2006 for the five following years, as long as each deduction does not exceed the annual maximum.

History: PA 06-186, effective for tax years 2006 and after.

Fiscal Estimates: $14.1 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 46,000.

Rationale: Incentive.

11. Teachers' pension income

Citation: CGS Sec. 12-701(a)(20)(B)

Description: A partial exemption of teachers' pension income. The exemption is equal to 10% in 2015, 25% for the 2016 through 2018, and fully phases in at 50% in 2019 and annually thereafter.

History: PA 14-47 established the partial exemption. PA 17-2 JSS delayed the scheduled phase-in to the 50% level from 2017 to 2019; PA 19-117 subsequently further delayed it to 2021. PA 21-2 JSS clarified that taxpayers who qualify for both the 50% teacher pension income exemption and the general pension and annuity exemption may take whichever exemption is greater.

Fiscal Estimates: $22.8 million in FY 22 and $23.3 million in FY 23.

Taxpayers Benefitting: Approximately 23,700.

Rationale: Expediency/Perceived Equity.

12. Pension and annuity income

Citation: CGS Sec. 12-701(a)(20)(B)

Description: A phased-in exemption for pension and annuity income for filers with AGI below: (1) $75,000 for single filers, married people filing separately, and heads of households and (2) $100,000 for married people filing jointly. The exemption starts at 14% for the 2019 income year, then 28%, 42%, 56%, 70%, and 100% by 2025.

History: PA 17-2 JSS established the exemption. PA 18-26 eliminates the sunset provision, thus extending the exemption to 2026 and beyond.

Fiscal Estimates: $57.5 million in FY 22 and $73.9 million in FY 23.

Taxpayers Benefitting: Approximately 183,000.

Rationale: Expediency/Perceived Equity.

13. Individual retirement account (IRA) income

Citation: CGS Sec. 12-701(a)(20)(B)(xxvi), as amended by PA 21-2, JSS

Description: A phased-in exemption for IRA distributions (other than Roth IRAs) for filers with AGI below: (1) $75,000 for single filers, married people filing separately, and heads of households and (2) $100,000 for married people filing jointly. The exemption starts at 25% for the 2023 income year, then 50%, 75%, and 100% by 2026.

History: PA 21-2 JSS established the exemption.

Fiscal Estimates: None in FY 22 and FY 23 (the exemption is available beginning with the 2023 income year).

Taxpayers Benefitting: Fewer than 130,000.

Rationale: Expediency/Perceived Equity.

14. Venture capital investments in eligible bioscience businesses

Citation: CGS Sec. 12-704g

Description: The deduction is for the income generated by investments in eligible Connecticut-based bioscience businesses, available only to the general partners of a qualified venture capital fund. The deduction equals a partner's share of the investment and management income generated by the fund's eligible investments.

History: PA 18-147 established the deduction.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

15. Other deductions

Citations: For items (a)-(c): CGS Sec. 12-701(a)(20)(B)

Description: The following items are deductible in determining Connecticut adjusted gross income, but not deductible in determining federal adjusted gross income:

a. Interest paid on indebtedness incurred to acquire investments that provide income that is taxable in Connecticut, but not taxable for federal purposes, that is not deductible in determining federal adjusted gross income and is attributable to a trade or business of that individual;

b. Expenses paid or incurred for the production (including management, conservation, and maintenance of property held for production) or collection of income taxable in Connecticut, but exempt from federal income tax, which were not deductible in determining federal adjusted gross income;

c. Amortizable bond premium on bonds that provide interest income taxable in Connecticut, but are exempt from federal income tax, which premiums were not deductible in determining adjusted gross income; and

d. Any subtractions from federal adjusted gross income not listed. For instance, a deduction from Connecticut taxable income for any interest income from notes, bonds or other obligations of the State of Connecticut, interest income from which is included in federal adjusted gross income.

e. Financial assistance received from the Crumbling Foundation Assistance Program effective on or after January 1, 2017.

f. Expenses related to donating an organ for transplants. The deduction is up to $10,000 in expenses and is effective on or after January 1, 2017.

History: Items (a)-(c) PA 92-5, May Special Session, effective for tax years 1992 and after. No citation or history is available for Item (d). Items (e)-(f) PA 17-2 JSS.

Fiscal Estimates: $17 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 12,000. Data for number of taxpayers applying various subtractions from CT AGI is not available by category.

Rationale: Conformity.

Credits Claimed Against the Personal Income Tax

1. Credit for Property Taxes Paid

Citation: CGS Sec. 12-704c

Description: The credit is for Personal and Real Property Taxes paid on the taxpayer's primary residence or a motor vehicle. The credit is limited to two motor vehicles for Joint Filers and one motor vehicle for Single, Head of Household, and Married Filing Separate Filers.

History: The table on the following page presents a history of the credit since enacted:

Maximum Property Tax Credit

Act	Income Year	Maximum Credit(1)
PA 95-160	1996	100
PA 97-309	1997	215(1)
PA 97-310 and PA 98-110	1998	350(2)
PA 99-173	1999	425
"	2000	500
"	2001	500
"	2002	500
PA 03-1 JSS	2003	350 (3)
"	2004	350
PA 04-216 and PA 05-251	2005	350 (4)
PA 06-186	2006	500 (5)
"	2007	500
PA 11-6	2011	300 (6)
PA 15-244	2016	200 (7)
PA 17-2 JSS	2017-2018	200 (8)
PA 19-117	2019-2020	200 (9)
PA 21-2 JSS	2021-2022	200 (10)
"	2023 and after	200

[(1)]The credit phases out above certain income levels. Beginning with the 1997 income year the portion above $100 phases out between $55,500 and $145,500 for singles, $50,250 and $95,250 for married filing separate, $100,500 and $190,500 for joint, and $78,500 and $168,500 for head of household filers.

[(2)]PA 97-310 increased the maximum credit from $215 to $285 beginning with the 1998 income year.

[(3)]PA 03-1 JSS applied the phase-out to the full amount of the credit and reduced the credit from $500 to $350 beginning with income year 2004.

[(4)]PA 05-251 delayed the increase enacted by PA 04-216.

[(5)]PA 06-186 increased the tax credit for income year 2006 and thereafter from $400 to $500.

[(6)]PA 11-6 decreased the tax credit for income year 2011 and thereafter from $500 to $300, and phased out the credit at a steeper rate than prior law.

[(7)] PA 15-244 phased the credit out at a steeper rate than prior law beginning in 2015 and decreased the tax credit for income year 2016 and thereafter from $300 to $200.

[(8)] PA 17-2 JSS temporarily limits eligibility to individuals who are 65 years of age or older or validly claim at least one dependent on their federal tax return for income years 2017 and 2018.

[(9)] PA 19-117 extends the eligibility limit to individuals who are 65 years of age or older or validly claim at least one dependent on their federal tax return to income years 2019 and 2020.

[(10)] PA 21-2 JSS extends the eligibility limit to individuals who are 65 years of age or older or validly claim at least one dependent on their federal tax return to income years 2021 and 2022.

Fiscal Estimates: $63 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 408,000.

Rationale: Expediency.

2. Credit for real estate conveyance taxes paid

Citation: CGS Sec. 12-704c(d)

Description: Taxpayers who paid the Real Estate Conveyance Tax at the 2.25% rate may claim a property tax credit based on the amount they paid in conveyance tax at that rate. The credit is available beginning in the third income year after the year in which the conveyance tax was paid and cannot exceed 33.3% of the amount of conveyance tax paid at the 2.25% rate. If a taxpayer does not use the full amount of the credit in a given year because it exceeds what the taxpayer owes in income tax or paid in property tax, then the taxpayer may carry the unused portion forward for up to six successive tax years.

History: PA 19-117 established the credit.

Fiscal Estimates: None in FY 22 and $3.5 million in FY 23 (credit is for tax years beginning on and after January 1, 2021).

Taxpayers Benefitting: Fewer than 10,000.

Rationale: Incentive.

3. Earned income tax credit

Citation: CGS Sec. 12-704e

Description: A refundable state earned income tax credit available to taxpayers who work and earn incomes below certain levels. Credit amounts vary according to a taxpayer's income, filing status and the number of children he or she has.

History: PA 11-6 established the credit at 30% of the federal credit. PA 11-1(JSS) later reduced the state credit to 25% of the federal credit but specified that it would be restored to 30% in the event the SEBAC agreement with the state was approved. The SEBAC agreement was approved on August 22, 2011, thus the credit reverted back to 30%. PA 13-184 reduced the state credit to 25% and 27.5% of the federal credit in income years 2013 and 2014, respectively; PA 15-244 extended the 27.5% rate to the 2015 and 2016 income years; PA 17-2 JSS reduced the rate to 23% for the 2017 through 2020 income years; PA 21-2 JSS permanently increased the rate to 30.5% beginning with the 2021 income year.

Fiscal Estimates: $166.8 million in FY 22 and $143.8 million in FY 23.

Taxpayers Benefitting: Approximately 187,000.

Rationale: Perceived Equity/Incentive.

4. Angel investor tax credit

Citation: CGS Sec. 12-704d

Description: The angel investor tax credit is available to taxpayers who invest in start-up, technology-based businesses in Connecticut. Each credit equals 25% of the cash investment, up to maximum of $500,000 in total credits for any investor.

History: PA 10-75 established the credit for a minimum qualifying cash investment of $100,000; PA 11-1 OSS reduced the minimum cash investment to $25,000. PA 14-47 extended the sunset date to July 1, 2016; PA 16-3 MSS further extends the sunset date to June 30, 2019 and establishes transferability of the credit. PA 17-110 expands eligible investments under the program and adjusts various other credit requirements. PA 19-117 extends the sunset date to July 1, 2024. PA 21-1 JSS: (1) extends the program to eligible cannabis businesses owned and controlled by social equity applicants; (2) raises the aggregate credit cap to $20 million per fiscal year; and (3) extends the program's sunset date by four years to 2028.

Fiscal Estimates: $20 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 1,000.

Rationale: Incentive.

5. Insurance reinvestment fund

Citation: CGS Sec. 38a-88a

Description: The credit is available to investors in Insurance Reinvestment Funds. It is administered by the Department of Economic and Community Development (DECD). The credit is equal to the amount invested, which is taken over a 10-year period. Managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit. The credit has recapture provisions under certain circumstances. Unused credits may be carried forward for five years. New eligibility certificates for insurance businesses, which enable investors to claim a Corporation Business Tax credit cannot be issued after July 1, 2010. Any new eligibility certificates issued on or after July 1, 2010 qualify investors for the Second Insurance Reinvestment Fund tax credit applicable against the Insurance Premiums Tax.

History: PA 94-214 enacted the credit and permitted the establishment of Insurance Reinvestment Funds. PA 00-170 stipulated that: (1) managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit, and (2) investments in funds created on or after this date are not eligible for the credit. PA 01-6 (JSS): (1) sunsets the credit after 12/31/15 and (2) permits recapture under certain circumstances. PA 10-75 phased out the Insurance Reinvestment Act tax credit program, which authorizes credits for investing only in insurance businesses, and replaced it a new version authorizing similar credits for insurers investing in many different types of businesses. PA 17-244 allows the companies to sell or otherwise transfer all or parts of these credits to any taxpayer or taxpayers.

Fiscal Estimates: $275,000 in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 25.

Rationale: Expediency and Incentive.

SALES AND USE TAXES

The trend toward states enacting general sales taxes began in the 1930s, and Connecticut became a sales tax state in 1947. As in other states, the relatively simple policy goal of the tax was to restore solvency to the state's treasury with a minimum of administrative problems and expense. To accomplish this, the tax was imposed on retail sales of tangible goods, which could be collected with relative ease. Since then, the tax has evolved into a complex structure with a lengthy list of taxable goods and services and an even lengthier list of items that are exempt. Since 2011, a percentage of the tax on room occupancy and the tax on rental cars directly funds accounts supporting regional performance grants, a percentage of sales tax supports the Special Transportation Fund, and a percentage of sales tax support municipal specific programs.

Regarding sales by remote sellers (e.g. retailers selling goods online), the U.S. Supreme Court has ruled in the past that state statutes requiring the collection of a use tax by a remote vendor with no nexus in the state are in violation of the Commerce Clause of the U.S. However, in 2018 the court handed down the *South Dakota v. Wayfair* decision, which eliminated the requirement that businesses must have a physical presence in a state to have sales tax collection responsibilities.

Computation of Tax

Connecticut levies sales and use taxes on the gross receipts of retailers from the sale of tangible personal property and on the gross receipts from the rendering of certain business services. The treatment of services under the Sales and Use Tax differs fundamentally from the treatment of tangible personal property because sales of the latter are taxable unless specifically exempted, while sales of services are excluded unless enumerated under CGS Section 12-407(a)(37). The list of service exemptions under Item C are those that were explicitly subject to the tax and then repealed or were thought to be subject to the tax and it was clarified that they were not.

Rates and Basis:

- On gross receipts from the sale, rental, or leasing of tangible personal property, and rendering of certain business services the tax rate is 6.35%.
- On the rental of hotel rooms in a hotel or lodging house, the tax rate is 15%.
- On the rental of rooms at bed and breakfast establishments, the tax rate is 11% for both the room and any meals included in the occupancy.
- On motor vehicles, jewelry, clothing, and footwear costing more than a certain amount, the luxury tax rate is 7.75%.
- On car rentals of thirty days or less, the tax rate is 9.35%.
- On sales and purchases of vessels, motors for vessels, and trailers used for transporting a vessel, the sales tax rate is 2.99%.
- On meals and certain drinks, the effective sales tax rate is 7.35%.
- On computer and data processing services, the tax rate is 1%.
- On the sale of motor vehicles to a nonresident member of the U.S. armed forces serving on active duty in Connecticut, the tax rate is 4.5%.

Sales Tax Revenue Diversions
Regional Performance Incentive Program – PA 11-61 allocates one percentage point of the 15.0% rate and one percentage point of the 9.35% rate towards accounts supporting regional entities. However, PA 15-244 and PA 17-2 of the June Special Session eliminated this transfer for FY 17-19 and resumes the transfer in FY 20.

Municipal Revenue Sharing Account – PA 15-244 requires a portion of the 6.35% rate be transferred to the Municipal Revenue Sharing Account to support various municipal grants beginning in October 2015. Subsequent legislation (PA 15-5 of the June Special Session, PA 15-1 of the December Special Session) delayed the implementation of this transfer to May 2016. PA 16-2 JSS suspended the transfer for FY 17 and swept the balance of the FY 16 transfer and instead provided a transfer out of the Resources of the General Fund. PA 17-2 JSS delayed the transfer to FY 20. PA 18-81 further delayed the transfer in FY 21. The 0.5 percentage point transfer began in FY 22.

Special Transportation Fund - PA 15-244, as amended by PA 15-5 of the June Special Session and PA 15-1 of the December Special Session, requires a portion of the 6.35% rate be transferred to the Special Transportation Fund. As of FY 18, the transfer is 0.5 percentage points. Additionally, PA 17-2 JSS, amended by PA 18-81 and PA 19-117, transfers a portion of revenue from sales tax on motor vehicles to the Special Transportation Fund. The transfer equals 75% of total motor vehicle sales tax in FY 22 and 100% in FY 23 and beyond.

Tourism Fund – PA 17-2 of the June Special Session directs 10% of the revenue generated by the Room Occupancy Tax into the Tourism Fund beginning in FY 19.

The following six sections list exemptions and exclusions to the Sales and Use Tax with the rationale, a brief legislative history, fiscal estimate, and an estimate of benefitting taxpayers for each.

The fiscal estimates in this section include the impact to all state and municipal funds in aggregate unless otherwise noted.

A. Consumer Goods Exemptions

Food

1. Sales of food products for human consumption

Citation: CGS Sec. 12-412(13)

Description: "Food products" include cereals and cereal products, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products other than candy and confectionery, coffee and coffee substitutes, tea, and cocoa and cocoa products other than candy and confectionery. "Food products" do not include spirituous, malt or vinous liquors, soft drinks, sodas or beverages such as are ordinarily dispensed at bars and soda fountains, or in connection therewith, medicines except by prescription, tonics and preparations in liquid powdered, granular, tablet, capsule, lozenge, and pill form sold as dietary supplements or adjuncts. "Food products" also do not include meals sold by an eating establishment or caterer.

History: Separate exemptions for food products and meals under $1 were provided when the tax was first imposed. In 1971, take-out meals were excluded from the food products exemption and included in the meals under $1 exemption. PA 83-18 repealed the exemption for meals under $1. PA 84-415 clarified that meals served at eating establishments are not exempt from the tax. PA 86-397 added an exemption for meals under $2. PA 87-177 amended the food products exemption to provide that a meal under $2 may include a nonalcoholic beverage that is not a food product. It also clarified the definition of a taxable meal. PA 89-251 repealed the exemption for meals under $2. PA 98-262 made at technical change.

Fiscal Estimates: Combined estimates for Items 1 and 2: $653.4 million in FY 22 and $673.5 million in FY 23.

*Taxpayers Benefitting***:** At least 1 million.

Rationale: Perceived Equity.

2. One-cent vending machines. Vending machine sales of food products and certain items

Citation: CGS Sec. 12-412(27)

Description: Sales of any items from one-cent vending machines or sales of food products-sold through coin-operated vending machines and items costing 50 cents or less.

History: PA 74-263 created the exemption. PA 95-160 added food sold through coin-operated vending machines. PA 00-170 extended the exemption to items sold through vending machines costing 50 cents or less. PA 01-6 of the June Special Session made a technical change. PA 07-4 of the June Special Session replaced a provision regarding sales of food products through vending machines with provision regarding meals sold through vending machines or "honor boxes."

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayers Benefitting: Indeterminate.

Rationale: Efficiency. The amount of revenue that could be collected is considered too small to justify the administrative costs.

3. Items purchased with Supplemental Nutrition Assistance Program (SNAP) Benefits

Citation: CGS Sec. 12-412(57)

Description: Sales of any items purchased with federal SNAP benefits (i.e. food stamps).

*History***:** PA 86-397 created the exemption to comply with the provisions of the federal Food Stamp Act of 1985. PA 09-9 made a technical change to conform with a federal law that changed the food stamps program's name to the "supplemental nutrition assistance program."

Fiscal Estimates: $43.1 million in FY 22 and $44.5 million in FY 23.

Taxpayers Benefitting: Approximately 250,000 households.

Rationale: Conformity.

4. Meals delivered to homes of persons who are elderly, disabled, or otherwise confined

Citation: CGS Sec. 12-412(46)

Description: Sales of home delivered meals to elderly, disabled and other homebound persons.

History: PA 84-415 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Less than 25,000.

Rationale: Perceived Equity.

Medical

1. **Oxygen, blood plasma, prostheses, custom-made wigs or hairpieces, hearing aids, crutches, walkers and wheel chairs, vital life support equipment, apnea monitors, inclined stairway chairlifts and related repair services, reading aids for the visually impaired, canes, and support hose**

   Citation: CGS Sec. 12-412(19)

   Description: Sales of and the storage, use or other consumption of (A) oxygen, blood or blood plasma when sold for medical use in humans or animals; (B) artificial devices individually designed, constructed or altered solely for the use of a particular handicapped person so as to become a brace, support, supplement, correction, or substitute for the bodily structure, and repair or replacement parts and repair services; (C) artificial limbs, artificial eyes and other equipment worn as a correction or substitute for any functioning portion of the body, custom-made wigs or hairpieces for persons with medically diagnosed total and permanent hair loss, and artificial hearing aids, and repair or replacement parts and repair services; (D) crutches, walkers, wheel chairs and inclined stairway chairlifts for the use of invalids and handicapped persons, and repair or replacement parts and repair services; and (E) any equipment used in support of or to supply vital life functions, and repair or replacement parts and repair services. Repair or replacement parts are exempt whether purchased separately or in conjunction with the item for which they are intended, and whether such parts continue the original function or enhance the functionality of such item.

   History: The exemption has been in effect since the imposition of the tax. PA 76-390 added vital life support equipment. PA 77-46 replaced the word "crippled" with "handicapped." PA 79-33 added walkers. PA 93-74 added custom-made wigs, repairs to hearing aids and apnea monitors. PA 95-160 added repair services. PA 95-359 extended the exemption for oxygen, blood and blood plasma to animals as well as humans. PA 97-316 exempted oxygen supply equipment used for animals from the tax. PA 99-173 added inclined stairway chairlifts and repair and replacement parts of equipment for persons with disabilities. PA 00-170 exempted equipment used as a reading aid by persons visually impaired, canes, and support hose specially designed to aid circulation. PA 02-103 made technical changes.

   Fiscal Estimates: $22.7 million in FY 22 and $23.5 million in FY 23.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Perceived Equity.

2. **Prescription medicines, syringes and needles**

   Citation: CGS Sec. 12-412(4)

   Description: Sales of, and the storage, use, or other consumption of medicine only by prescription as defined by federal or state law, including such medicine provided for no consideration and the sales of syringes and needles only by prescription. Sales of, and the storage, use or other consumption of materials, including materials used in packaging, which become an ingredient or component part of medicine only by prescription, as defined by federal or state law.

History: Prescription medication has been exempt since the imposition of the tax. Syringes and needles were added in 1971. PA 93-360 clarified the exemption of prescription medicine and applied the exemption to medicine provided for no consideration and materials which become an ingredient or component part of medicine.

Fiscal Estimates: $596.9 million in FY 22 and $616.6 million in FY 23.

Taxpayers Benefitting: Approximately 2 million.

Rationale: Perceived Equity.

3. Non-prescription drugs and medicines

Citation: CGS Sec. 12-412(120)

Description: Sales of the following non-prescription drugs or medicines available for purchase for use in or on the body: Vitamin or mineral concentrates; dietary supplements; natural or herbal drugs or medicines; products intended to be taken for coughs, cold, asthma or allergies, or antihistamines; laxatives; antidiarrheal medicines; analgesics; antibiotic, antibacterial, antiviral and antifungal medicines; antiseptics; astringents; anesthetics; steroidal medicines; anthelmintics; emetics and antiemetics; antacids; and any medication prepared to be used in the eyes, ears or nose. Nonprescription drugs or medicines shall not include cosmetics, dentrifrices, mouthwash, shaving and hair care products, soaps or deodorants.

History: PA 85-159 created the exemption. PA 87-315 added nonprescription eye medication. PA 99-173 expanded the exemption to include all drugs and medicines used in humans. PA 00-170 clarified the exemption of nonprescription drugs and medicines used in animals (PA 99-173 unintentionally restricted the exemption to the use on human body). PA 11-6 eliminated the exemption. PA 14-47 implemented the exemption effective April 1, 2015.

Fiscal Estimates: $32.3 million in FY 22 and $33.4 million FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity.

4. Disposable pads used for incontinence

Citation: CGS Sec. 12-412(53)

Description: Sales of certain disposable pads prepared for use in the manner of a diaper or as an under-pad, and commonly used by persons who are incontinent.

History: PA 86-397 created the exemption.

Fiscal Estimates: $900,000 in FY 22 and FY 23.

Taxpayers Benefitting: Less than 300,000.

Rationale: Perceived Equity.

5. **Test strips and tablets, lancets and glucose monitoring equipment used in care of diabetes**

   Citation: CGS Sec. 12-412(54)

   Description: Sales of test strips and tablets, lancets and glucose monitoring equipment for purposes of certain tests and monitoring required in the care of diabetes and repair or replacement parts for such equipment.

   History: PA 86-397 created the exemption which was amended by PA 88-364. PA 99-173 added repair and replacement parts of equipment.

   Fiscal Estimates: $5.1 million in FY 22 and $5.3 million in FY 23.

   Taxpayers Benefitting: Less than 300,000.

   Rationale: Perceived Equity.

6. **Telephone equipment designed exclusively for deaf or blind persons**

   Citation: CGS Sec. 12-412(38)

   Description: Sales of and the storage, use or other consumption of any equipment designed exclusively for use by persons who are deaf or blind for purposes of communication by telephone.

   History: PA 80-98 created the exemption.

   Fiscal Estimates: Less than $50,000 in FY 22 and FY 23.

   Taxpayers Benefitting: Under 20,000 per year.

   Rationale: Perceived Equity.

7. **Equipment for persons with physical disabilities installed in motor vehicles**

   Citation: CGS Sec. 12-412(80)

   Description: Sales and the storage, use, or other consumption of special equipment installed in a motor vehicle for the exclusive use of a person with physical disabilities and repair or replacement parts for such equipment.

   History: PA 92-17 created the exemption. PA 99-173 added replacement parts of equipment for persons with disabilities.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Perceived Equity.

8. **Sales of eligible benefits under Title XVIII or XIX of Social Security Act or CHAMPUS**

   Citation: CGS Sec 12-412(87)

   Description: Sales of items that are eligible benefits and that are made to an eligible beneficiary pursuant to Title XVIII, 42 USC Section 1395 et seq., or Title XIX, 42 USC Section 1396 et seq., of the Social Security Act or pursuant to the federal Civilian Health and Medical Program of the Uniformed Services, 10 USC Section 1071 et seq.

   History: States are not permitted to levy taxes on the federal government under the U.S. Constitution. PA 94-175 created the exemption, which levied the Sales Tax on hospital services.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Approximately 1 million.

Rationale: Conformity.

Clothing

1. **Sales tax "free week"**

   Citation: CGS Sec. 12-407e

   Description: Establishes a sales tax "free week" on items of clothing and footwear costing less than $100 beginning on the third Sunday in August until the next succeeding Saturday.

   History: PA 00-170 created the exemption. PA 03-1 of the June Special Session repealed the exemption. PA 04-218 reinstated the exemption. PA 15-244 lowered the per-item exemption from $300 to $100 effective July 1, 2015.

   Fiscal Estimates: $2.5 million in FY 22 and $2.6 million FY 23.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Perceived Equity and Incentive.

Utilities

1. **Certain utilities sales**

   Citation: CGS Sec. 12-412(3) and 12-412(16)

   Description: The exemption applies to the following:

   (1) Gas, electricity, and heating fuel for residential use.

   (2) Water, steam, and telegraph.

   (3) Monthly charges of one hundred fifty dollars or less for electricity not otherwise exempt.

   (4) Gas, water, steam, or electricity used in furnishing same to consumers.

   History: An exemption for consumer sales of gas, water, electricity, telephone, and telegraph services has been in effect since the imposition of the tax. The 1971 acts include specific provisions for each type of utility services. The 1972 acts exempted utility services to the first $10 per month rather than the first $20 per month. PA 74-4 added bottled gas and community antenna television and cable services. PA 75-495 clarified that bottled gas is propane gas. PA 77-395 added sales of steam. PA 89-251 created the exemption in its present form.

   Fiscal Estimates: $193.5 million in FY 22 and $199.9 million in FY 23.

   Taxpayers Benefitting: At least 1 million.

   Rationale: Perceived Equity as it relates to residential fuel for heating purposes. Redundancy as it relates to residential utilities and water, steam, and telegraph. Utility company gross receipts are taxable under the Utility Companies Tax at the rate of 4.0% for residential utilities, 5.0% for water and steam service, and 4.5% for telegraph service. Incentive as it relates to businesses. The manufacturing and agriculture exemption is intended to reduce cascading. The portion exempting charges under $150/month is intended to reduce the cost of doing business for small firms.

2. Utilities for agricultural production or manufacturing

Citation: CGS Sec. 12-412(3) and 12-412(16) and 12-412h

Description: Sales of fuel used for heating purposes, gas, and electricity in any building, location, or premise utilized directly in: (1) agricultural production, fabrication of a finished product to be sold or (2) an industrial manufacturing plant. The exemption is allowed only in a location in which not less than seventy-five percent of the gas, electricity, or fuel used in such location is used for the purpose of such production, fabrication, or manufacturing.

History: PA 89-251 added the exemption for manufacturing and agricultural production.

Fiscal Estimates: $58.5 million in FY 22 and $60.5 million in FY 23.

Taxpayers Benefitting: Approximately 10,000 – 15,000 establishments.

Rationale: Incentive since the exemption is intended to reduce cascading.

Other Consumer Good Exemptions

1. Motor vehicle fuel

Citation: CGS Sec. 12-412(15)

Description: Gross receipts from the distribution of, and the storage, use, or other consumption in the state of motor vehicle fuel that is subject to the motor fuels tax.

History: The exemption has been in effect since the imposition of the tax. PA 00-174 specified that the exemption for motor vehicle fuels is for fuel sold for use in motor vehicles licensed to operate in Connecticut, whether or not the motor vehicle fuel tax has been paid or for any other use if the motor vehicle fuel tax has been paid on it and not refunded.

Fiscal Estimates: $408.9 million in FY 22 and $422.4 million in FY 23.

Taxpayers Benefitting: At least 1 million.

Rationale: Redundancy. Motor vehicle fuel sales are subject to the Motor Fuels Excise Tax. Firms that sell petroleum products are subject to the Petroleum Companies Gross Receipts Tax, which includes sales of motor vehicle fuel. The exemption has been in effect since the imposition of the tax.

2. Fuel for use in certain high-occupancy commuter vehicles

Citation: CGS Sec. 12-412(37)

Description: Sales of, and the storage, use, or other consumption of any fuel for use in certain high-occupancy commuter vehicles.

History: PA 79-627 created this exemption. PA 82-25 made a technical change.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive, the exemption is intended to encourage the use of multiple-occupancy commuter vehicles. Taxpayers who qualify for a Motor Fuels Excise Tax exemption and who apply for a refund are subject to Sales Tax on the amount exempted from the excise tax. This exemption prevents taxpayers who qualify for the Motor Fuels Excise Tax exemption on high-occupancy commuter vehicle fuel from paying Sales Tax on their excise tax refund.

3. **Newspapers and magazines**

   Citation: CGS Sec. 12-412(114)

   Description: Sales of magazines, including publications which only contain puzzles, by subscription; sales of newspapers.

   History: The exemption also clarifies that puzzle magazines are nontaxable. Magazine subscriptions have been exempt since the imposition of the tax, previously under CGS Sec. 12-412(6) which has since been repealed. At that time, all newspaper sales were exempt. PA 78-172 clarified the exemption with regard to newspapers, and PA 91-3 imposed the tax on newspapers sold over the counter. PA 94-4 of the May Special Session added the language regarding puzzle magazines. PA 98-110 extended the exemption to all sales of newspapers not just by subscription only. PA 03-2 imposed the tax on newspapers. PA 03-1 of the June Special Session reinstated the exemption for newspapers.

   Fiscal Estimates: $10.5 million in FY 22 and $10.8 million in FY 23.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Efficiency/Clarification. It would be costly and difficult to collect revenue and audit tax records for out-of-state companies selling magazines and newspapers by subscription.

4. **Property purchased from the United States**

   Citation: CGS Sec. 12-413(2)

   Description: The storage, use, or other consumption in this state of property purchased from any incorporated agency or instrumentality of the United States, except (a) any property reported to the Surplus Property Board of the United States or any successor thereto, as surplus property by any owning agency; and (b) any property included in any contractor inventory, is exempted from the use tax.

   History: The exemption has been in effect since the imposition of the tax. PA 75-213 included references to "services."

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Not applicable.

   Rationale: Conformity. States are not permitted to levy taxes on the federal government under the U.S. Constitution.

5. **Purchase brought into state by resident**

   Citation: CGS Sec. 12-413(3)

   Description: The use tax shall not apply to the purchase of any articles of tangible personal property which have been brought into this state on the person of a resident of this state when the purchase price of the same does not exceed twenty-five dollars.

   History: The exemption has been in effect since the imposition of the tax.

   Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Efficiency. The amount of revenue that could be collected is considered too small to justify the administrative costs.

6. Personal property used in burial or cremation with value up to two thousand five hundred dollars for any single funeral and caskets

Citation: CGS Sec. 12-412(55)

Description: Sales of tangible personal property by any funeral establishment performing the primary services in preparation for and the conduct of burial or cremation, provided any such property must be used directly in the performance of such services and the total amount of such exempt sales with respect to any single funeral may not exceed two thousand five hundred dollars and caskets or caskets used for burial or cremation.

History: PA 86-397 created the exemption. PA 00-170 exempted caskets. PA 01-6 of the June Special Session extended the exemption to caskets used for cremation.

Fiscal Estimates: $7 million in FY 22 and $7.2 million in FY 23.

Taxpayers Benefitting: Approximately 30,000 per year.

Rationale: Perceived Equity.

7. Vegetable seeds

Citation: CGS Sec. 12-412(96)

Description: Sales of vegetable seeds suitable for planting to produce food for human consumption.

History: PA 97-316 created the exemption.

Fiscal Estimates: Less than $25,000 in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity.

8. Firearm Safety Devices

Citation: CGS Sec. 12-412(101)

Description: Sales of and the storage, use or other consumption of firearm safety devices, including safes, lock boxes, trigger and barrel locks and other items designed to enhance home firearm safety.

History: PA 99-173 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

9. Bicycle Helmets

Citation: CGS Sec. 12-412(102)

Description: Sales of and the storage, use or other consumption of bicycle helmets.

History: PA 99-173 created the exemption.

Fiscal Estimates: $200,000 in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive

10. Campground rentals

Citation: Does not appear in statutory language.

Description: Campground rentals.

History: PA 92-184 made campground rentals taxable. PA 93-74 and PA 93-332 excluded such rentals from the tax.

Fiscal Estimates: $600,000 in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 150,000 rentals per year.

Rationale: Incentive. The exclusion is intended to reduce cascading.

11. Lodging

Citation: CGS Sec. 12-407(17)

Description: Certain lodgings are exempt from sales tax, including (a) privately owned and operated convalescent homes, residential care homes, homes for the infirm, indigent or chronically ill; (b) religious or charitable homes for the aged, infirm, indigent or chronically ill; (c) privately owned and operated summer camps for children; (d) summer camps for children operated by religious or charitable organizations; (e) lodging accommodations at educational institutions; or (f) lodging accommodations at any facility operated by and in the name of any nonprofit charitable organization.

History: PA 90-186 added lodging accommodations operated by nonprofit organizations. PA 97-112 replaces "homes for the aged" with "residential care homes."

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

13. Child car seats

Citation: CGS Sec. 12-412(108)

Description: Child car seats.

History: The exemption was created by PA 00-170.

Fiscal Estimates: $200,000 in FY 22 and FY 23.

Taxpayers Benefitting: Less than 100,000.

Rationale: Expediency.

14. College textbooks

Citation: CGS Sec. 12-412(109)

Description: College textbooks purchased by matriculated students.

History: PA 00-170 created the exemption. PA 05-251 extended the exemption to occupational school textbooks purchased by students. PA 06-150 made a technical change.

Fiscal Estimates: $1.1 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 200,000.

Rationale: Expediency.

15. Solar energy, geothermal, and ice storage systems

Citation: CGS Sec. 12-412(117) and (118)

Description: The exemption includes (1) solar electric and space and water heating systems and related equipment and installation services, (2) geothermal systems and related equipment and installation services, and (3) ice storage systems used for cooling and related equipment and installation services for utility customers billed on time-of-use rates.

History: PA 07-242 created the exemption. PA 10-75 added a provision regarding renewable energy and clean energy technology industries.

Fiscal Estimates: $11.7 million in FY 22 and $12.1 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Equity.

16. Luxury tax exemptions

Citation: CGS 12-408(1)(H) and CGS Sec. 12-411(1)(H)

Description: The luxury tax does not apply to any motor vehicle costing more than $50,000 that (1) is purchased by an active duty U. S. military member stationed in Connecticut, (2) weighs over 12,500 pounds, or (3) weighs 12,500 pounds or less and is designed or used for commercial purposes and for which the Department of Motor Vehicles (DMV) issued a commercial or more specific type of registration.

History: PA 11-6 established the luxury tax for various items costing above a set price and created an exemption from the tax for certain motor vehicles.

Fiscal Estimate: Indeterminate.

Taxpayer Benefitting: Indeterminate.

Rationale: Incentive.

17. Feminine hygiene products

Citation: CGS Sec. 12-412(122)

Description: Sales of feminine hygiene products.

History: PA 16-3 of the May Special Session created the exemption effective for sales occurring on or after July 1, 2018.

Fiscal Estimates: $3.6 million in FY 22 and $3.7 million in FY 23.

Taxpayers Benefitting: Over 1 million.

Rationale: Perceived Equity.

18. Disposable or reusable diapers

Citation: CGS Sec. 12-412(123)

Description: Sales of disposable or reusable diapers.

History: PA 16-3 of the May Special Session created the exemption effective for sales occurring on or after July 1, 2018.

Fiscal Estimates: $4.1 million in FY 22 and $4.2 million in FY 23.

Taxpayers Benefitting: Under 150,000 households.

Rationale: Perceived Equity.

19. Breastfeeding Supplies

Citation: CGS Sec. 12-412(125)

Description: Sales of breast pumps and breast pump collection and storage supplies, when sold to an individual for home use, and repair or replacement parts for and repair services rendered to such breast pumps.

History: PA 21-2 of the June Special Session created the exemption effective for sales occurring on or after July 1, 2021.

Fiscal Estimates: $300,000 in FY 22 and FY 23.

Taxpayers Benefitting: Under 50,000 households.

Rationale: Perceived Equity.

B. Business and Agricultural Exemptions

Machinery and Materials

1. Machinery used in manufacturing

Citation: CGS Sec. 12-412(34)

Description: Sales of and the storage, use or other consumption of machinery used directly in a manufacturing production process. The word "machinery" means the basic machine itself and includes all of its component parts and contrivances which are used or required to control, regulate or operate the machinery or to enhance or alter its productivity or functionality.

History: PA 78-71 created the exemption. PA 89-123 removed references to agricultural production which were included in subsection (63) created by that act. PA 94-4 of the May Special Session specified "machinery" is limited to equipment directly related to manufacturing processes. PA 98-110 added the exclusion of component parts and contrivances whether purchased separately or in conjunction with a machine. PA 09-200 amended the definition of manufacturing to include asphalt manufacturing.

Fiscal Estimates: Combined estimates for Items 1, 2, and 3: $139.7 million in FY 22 and $144.3 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Cascading.

2. **Component parts for assembly of manufacturing machinery**

Citation: CGS Sec. 12-412(73)

Description: The sale of any part of a machine purchased exclusively for the purpose of assembling a machine for use directly in a manufacturing production process.

History: PA 91-3 created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayers Benefitting: Indeterminate.

Rationale: Cascading.

3. **Production materials**

Citation: CGS Sec. 12-412(18)

Description: Sales of and the storage or use of materials, rope, fishing nets, tools and fuel or any substitute therefore, which (a) become an ingredient or component part of tangible personal property to be sold; or (b) are used directly in the fishing industry or in an industrial plant in the actual fabrication of the finished product to be sold; or (c) are used directly in the furnishing of power to an industrial manufacturing plant or in the furnishing of gas, water, steam or electricity when delivered to consumers through mains, lines or pipes.

History: The exemption has been in effect since the imposition of the tax and was amended in 1959 to include a definition of "machinery." PA 73-288 deleted references to "consumption." PA 89-123 created a separate subsection (63) for agricultural production. PA 09-200 amended the exemption to include asphalt manufacturers.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayers Benefitting: Indeterminate.

Rationale: Cascading.

4. **Partial exemption for materials, tools, fuels, machinery and equipment used in manufacturing**

Citation: CGS Sec. 12-412i

Description: The sales and use tax shall not apply to fifty per cent of the gross receipts from the sale of and the storage, use and consumption in this state of the following items: (1) Materials, tools and fuels or any substitute therefore which become an ingredient or component part of tangible personal property to be sold or which are used or consumed in an industrial plant in the manufacturing, processing or fabricating of products to be sold, in any process preparatory or related thereto or in the measuring or testing of such products or (2) machinery and equipment which will be used primarily in the process of manufacturing, processing or fabricating tangible personal property if: (A) The machinery or equipment is used for research and development, measuring or testing with respect to or in furtherance of the manufacturing, processing or fabricating of tangible personal property; (B) the machinery or equipment is used at any stage of the manufacturing, processing or fabricating process from the time any raw materials are received to the time the product is ready for delivery or storage, including over packing and crating; (C) the machinery or equipment is used primarily to maintain or repair any machinery or equipment described in subparagraph (A) or (B) of this subdivision, or (D) the machinery or equipment is used primarily for metal finishing, provided this exemption shall not apply to any materials, tools, fuels, machinery or equipment which is used primarily in administration, general management, sales or any other activity which does not constitute manufacturing, processing or fabricating.

If a purchaser who gives a certificate makes any use of the property other than the purposes set forth in this section, the use shall be deemed a use by the purchaser in accordance with this chapter, as of the time the property is first used by him, and the property shall be taxable to such purchaser in accordance with this chapter.

History: PA 92-193 (Manufacturing Recovery Act of 1992) created the exemption. Various other acts made technical changes and effective date changes. PA 09-200 amended the definition of manufacturing to include asphalt manufacturing.

Fiscal Estimates: $1.8 million in FY 22 and $1.9 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Cascading.

5. **Replacement parts in enterprise zones**

Citation: CGS Sec. 12-412(43)

Description: Sales of any replacement parts for machinery to any business entity located in any enterprise zone designated pursuant to section 32-70 for use within such zone.

History: PA 81-445 created the exemption.

Fiscal Estimates: $2.2 million in FY 22 and $2.3 million FY 23.

Taxpayers Benefitting: Indeterminate. Available to any business located in one of the designated enterprise zones.

Rationale: Incentive.

6. **Items sold for use in agricultural production by a farmer engaged in such production as a business**

Citation: CGS Sec. 12-412(63)

Description: Sales of and the storage, use or other consumption of tangible personal property by a farmer engaged in agricultural production as a trade or business and to whom the Department of Revenue Services has issued an agricultural sales tax exemption permit.

History: PA 89-123 created this exemption, though machinery and other items used directly in agricultural production were previously exempt. PA 93-122 clarified that fish raising and harvesting were included in the exemption. PA 95-359 added conditions under which the department may issue a farmer exemption permit when a farmer's gross income from agricultural production is less than $2,500. PA 00-174 and PA 02-103 made technical changes. PA 15-117 extends the exemption to veterans who have never owned or leased property for commercial agricultural production or who have owned or leased property for this purpose for less than two years. PA 18-47 modifies the definition of "veteran" for purposes of the sales tax exemption for farmers.

Fiscal Estimates: $12.3 million in FY 22 and $12.7 million in FY 23.

Taxpayers Benefitting: Approximately 5,000 farms.

Rationale: Cascading.

7. Commercial fishing vessels and machinery or equipment for use thereon

Citation: CGS Sec. 12-412(40)

Description: Sales of and the storage, use or other consumption of any vessel used exclusively in commercial fishing and any machinery or equipment for use on a commercial fishing vessel.

History: PA 81-323 created the exemption. PA 82-192 applied the exemption to vessels, machinery or equipment used exclusively in commercial fishing rather than designed exclusively for use in commercial fishing. PA 92-133 and PA 92-17 expanded the exemption to include vessels with coast-wide fishery certificates. PA 00-174 extended the exemption to startup fishermen and made technical changes. PA 02-103 made technical changes. PA 03-225 relaxed conditions to qualify for the exemption, required start-up fishermen to obtain exemption permits from the Department of Revenue Services, added provisions regarding regulations and fisherman tax exemption permits and made conforming changes.

Fiscal Estimates: $600,000 in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 2,000 commercial fishing licensees.

Rationale: Cascading.

8. Fuel cell manufacturing facility

Citation: CGS Sec. 12-412(113)

Description: Material, equipment, tools, fuel and machinery used by a fuel cell manufacturing facility.

History: PA 01-6 of the June Special Session created the exemption.

Fiscal Estimates: $2.2 million in FY 22 and $2.3 million FY 23.

Taxpayers Benefitting: At least ten hydrogen and fuel cell original equipment manufacturers.

Rationale: Incentive.

Aircraft

1. Flyable aircraft

Citation: CGS Sec. 12-412(20)

Description: Sales of and the storage, use or other consumption, by a manufacturer of aircraft located in this state, of flyable aircraft complete with necessary equipment and modifications sold to persons taking delivery and using such aircraft as certificated or licensed carriers of persons or property in interstate or foreign commerce under authority of the laws of the United States or any foreign government, or sold to any foreign government for use by such government outside of this state, or sold to persons who are not residents of this state and who will not use such aircraft in this state otherwise than in the removal of such aircraft from this state.

History: The exemption has been in effect since the imposition of the tax.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification/Conformity. The exemption clarifies that such transactions are not taxable because they are out-of-state sales. The exemption also conform the statutes to the U.S. Constitution, which prohibits states from violating the interstate commerce clause.

2. **Aircraft repair or replacement parts**

   Citation: CGS Sec. 12-412(76)

   Description: Sales of and the storage, use or other consumption of repair or replacement parts exclusively for use (A) in aircraft, or (B) in the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

   History: PA 92-17 created the exemption. PA 97-316 extended the exemption to all aircraft with a certified weight of 6,000 pounds or more. PA 06-186 extended the existing sales tax exemptions for aircraft repair or replacement parts to all types of aircraft.

   Fiscal Estimates: Combined estimates for Items 2, 3 and 4: $83.7 million in FY 22 and $86.4 million in FY 23.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

3. **Aircraft repair services**

   Citation: CGS Sec. 12-412(77)

   Description: Sales of aircraft repair services when such services are rendered in connection with (A) aircraft, or (B) the significant overhauling or rebuilding of aircraft or aircraft parts or components on a factory basis.

   History: PA 92-17 of the May Special Session created the exemption. PA 97-316 extended the exemption to all aircraft with a certified weight of 6,000 pounds or more. PA 06-186 extended the existing sales tax exemptions for aircraft repair services to all types of aircraft.

   Fiscal Estimates: See Fiscal Estimate for Item 2.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

4. **Materials, tools, fuel, machinery and equipment in an aircraft manufacturing facility**

   Citation: CGS Sec. 12-412(78)

   Description: Sales of and the storage, use or other consumption by an aircraft manufacturer operating an aircraft manufacturing facility in this state of materials, tools, fuel, machinery and equipment used in such facility.

   History: PA 92-17 of the May Special Session created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: Less than ten aircraft manufacturers.

Rationale: Incentive. The exemption is intended to reduce cascading.

5. Certain aircraft

Citation: CGS Sec 12-412(99)

Description: Sales of and the storage, use or other consumption of, aircraft having a maximum certificated takeoff weight of six thousand pounds or more. "Certificated takeoff weight" means the maximum such weight contained in the type certificate or airworthiness certificate.

History: PA 97-316 created the exemption.

Fiscal Estimates: $3.5 million in FY 22 and $3.7 million FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

6. Aviation consulting

Citation: CGS Sec 12-407(a)(37)(J)(iii)

Description: Business analysis, management, consultation and public relations services furnished in connection with an aircraft that (1) is leased or owned by a commercial air carrier; or (2) has a maximum take-off weight of at least 6,000 pounds.

History: PA 02-1 of the May Special Session created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

Motor Vehicles

1. Commercial trucks, truck tractors, tractors and semi-trailers and vehicles used in combination therewith

Citation: CGS Sec. 12-412(70)

Description: Sales of and the storage, use or other consumption of commercial trucks, truck tractors, tractors and semi-trailers, and vehicles used in combination therewith, which (i) have a gross vehicle weight rating in excess of twenty-six thousand pounds or (ii) are operated actively and exclusively during the period commencing upon its purchase and ending one year after the date of purchase for the carriage of interstate freight pursuant to a certificate or permit issued by the Interstate Commerce Commission or its successor agency.

History: PA 91-3 of the June Special Session created this exemption. PA 95-359 requires vehicles purchased under the exemption be operated actively and exclusively for the carriage of interstate freight during the one year period following the purchase. PA 96-222 made a technical change.

Fiscal Estimates: Combined estimates for Items 1, 2, and 3: $12.2 million in FY 22 and $12.6 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

2. Sales of commercial motor vehicles where seventy-five percent of day-in-service revenue derives from trips involving other states

Citation: CGS Sec. 12-412(82)

Description: Sales of commercial motor vehicles where seventy-five percent of day-in-service revenue derives from trips involving other states. (A) The sale of and the storage, use or other consumption of any commercial motor vehicle as defined in subparagraphs (A) and (B) of subdivision (11) of section 14-1, that is operating pursuant to the provisions of section 13b-88 or 13b-89, during the period commencing upon its purchase and ending one year after the date of purchase provided seventy-five percent of its revenue from its days in service is derived from out-of-state trips or trips crossing state lines. (B) Each purchaser of a commercial motor vehicle exempt from tax shall, in order to qualify for said exemption, present to the retailer a certificate, in such form as the commissioner may prescribe, certifying that seventy-five per cent of such vehicle's revenue from its days in service will be derived from out-of-state trips or trips crossing state lines. The purchaser of the motor vehicle shall be liable for the tax otherwise imposed if, during the period commencing upon its purchase and ending one year after the date of purchase, seventy-five percent of the vehicle's revenue from its days in service is not derived from out-of-state trips or trips crossing state lines.

History: PA 93-74 created the exemption. PA 95-359 required that the vehicles purchased under the exemption derived 75% of their revenue from out-of-state trips or trips crossing state lines. PA 04-217, PA 05-288, PA 08-150, PA 10-32, PA 12-1 of the June Special Session, and PA 14-122 made technical changes.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

3. Sales of motorbuses where seventy-five percent of day-in-service revenues derives from trips involving other states

Citation: CGS Sec. 12-412(83)

Description: Sales of motorbuses where seventy-five percent of day-in-service revenues derives from trips involving other states.

History: PA 93-74 created the exemption. PA 95-359 required that the vehicles purchased under the exemption derived 75% of their revenue from out-of-state trips or trips crossing state lines. PA 04-217 made a technical change.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

Fuel

1. Aviation fuel used exclusively and directly in the experimental testing of any product

Citation: CGS Sec. 12-412(59)

Description: Sales of and storage, use or other consumption of any aviation fuel used exclusively and directly in the experimental testing of any product.

History: PA 87-119 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Redundancy. The exemption is intended to reduce cascading. Also, the first instate sale of petroleum products, including aviation fuel, is subject to the Petroleum Companies Gross Receipts Tax. This fuel is not subject to the Motor Fuels Excise Tax.

2. Aviation fuel

Citation: CGS Sec. 12-412(75)

Description: Sales of and storage, use or other consumption of aviation fuel used exclusively for aviation purposes.

History: Formerly, aviation fuel was taxed at 2.5% but was exempted by PA 92-17.

Fiscal Estimates: $6.5 million in FY 22 and $6.7 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Redundancy. The exemption is intended to make in-state businesses more competitive with those out of state. Also, the first instate sale of petroleum products, including aviation fuel, is subject to the Petroleum Companies Gross Receipts Tax. This fuel is not subject to the Motor Fuels Excise Tax.

3. Marine fuel

Citation: CGS Sec. 12-412(79)

Description: Sales and the storage, use or other consumption of bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil for use in any vessel having a displacement exceeding four thousand dead weight tons or for use in any vessel primarily engaged in interstate commerce.

History: PA 92-17 of the May Special Session created the exemption. PA 95-160 added vessels primarily used in interstate commerce. PA 97-243 clarified the exemption of fuels for use in vessels primarily engaged in interstate commerce.

Fiscal Estimates: $14.1 million in FY 22 and $14.6 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Redundancy. The exemption is intended to make instate businesses more competitive with those out of state. Also, the first instate sale of petroleum products, including marine fuel, is subject to the Petroleum Companies Gross Receipts Tax. This fuel is not subject to the Motor Fuels Excise Tax.

4. **Fuel used in portable power systems**

   Citation: CGS Sec. 12-412(107)

   Description: Sales of, and the storage, use or other consumption of, diesel fuel to be used exclusively in portable power system generators that are larger than one hundred fifty kilowatts.

   History: PA 99-173 created the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Expediency and conformity.

Other Business Purchases

1. **Commodities in the form traded on boards of trade and not converted to use by purchaser**

   Citation: CGS Sec. 12-412(30)

   Description: Sales and storage of any commodity in the form traded on any contract market or other board of trade as defined in the Commodity Exchange Act, as amended, provided this exemption shall not apply to any commodity subsequently converted to use by a purchaser and in such event such purchaser shall be liable for the tax under section 12-411 unless otherwise exempt under any of the provisions of this section.

   History: PA 77-266 created the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive. The exemption is intended to reduce cascading. It applies to items such as agricultural commodities, which are sold in the line of business and not used directly by the purchaser. This is analogous to sale for resale, which is not taxable.

2. **Containers**

   Citation: CGS Sec. 12-412(14)

   Description: (A) Non-returnable containers and returnable dairy product containers when sold without the contents to persons who place the contents in the container and sell the contents together with the container; (B) containers when sold with the contents if the sales price of the contents is not required to be included in the measure of the taxes imposed by this chapter; (C) returnable containers when sold with the contents in connection with a retail sale of the contents or when resold for refilling.

   History: The exemption has been in effect since the imposition of the tax. PA 87-50 clarified that returnable containers do not include non-refillable beverage containers. The language concerning returnable dairy product containers was added by PA 92-17 of the May Special Session. PA 02-103 made technical changes.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading. It applies to containers used as packaging for contents which will be sold at retail.

3. **Printed material manufactured for purchaser in Connecticut to be delivered for use outside the state**

   Citation: CGS Sec. 12-412(31)

   Description: Sales of any printed material which has been manufactured in Connecticut to the special order of a purchaser and which, within thirty days following delivery to such purchaser, is to be delivered for use outside Connecticut.

   History: PA 77-370 created the exemption.

   Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive. The exemption is intended to make in-state businesses more competitive with those out of state.

4. **Machinery, equipment, tools, materials and supplies used in commercial printing**

   Citation: CGS Sec. 12-412(71)

   Description: Sales of and the storage, use or other consumption of machinery, equipment, tools, materials and supplies used exclusively in the production of printed material by a commercial printer or publisher. The "production of printed material" includes all processes necessary to convert manuscript copy into printed material, including but not limited to, layout, color separation and typesetting.

   History: PA 91-3 of the June Special Session created the exemption. PA 92-5 of the May Special Session amended the exemption to extend the exemption to publishers. PA 97-243 required that the items be used predominantly, rather than exclusively, to produce printed material.

   Fiscal Estimates: $4.6 million in FY 22 and $4.8 million FY 23.

   Taxpayers Benefitting: Approximately 130 printing establishments.

   Rationale: Incentive. The exemption is intended to reduce cascading.

5. **Machinery, equipment, tools, materials and supplies for typesetting, color separation, finished copy, or similar products**

   Citation: CGS Sec. 12-412(72)

   Description: Sales of and the storage, use or other consumption of machinery, equipment, tools, materials and supplies used exclusively in the production of typesetting, color separation, finished copy with type proofs and artwork or similar content mounted for photomechanical reproduction, or other similar products to be sold for use in the production of printed materials.

   History: PA 91-3 of the June Special Session created the exemption. PA 97-243 required that the items be used predominantly, rather than exclusively, for printed material.

   Fiscal Estimates: Less than $50,000 in FY 22 and FY 23.

   Taxpayers Benefitting: Less than 50 establishments.

Rationale: Incentive. The exemption is intended to reduce cascading.

6. **Personal property for incorporation into or used in waste treatment facilities**

   Citation: CGS Sec. 12-412(21)

   Description: Sales of and the storage, use or other consumption of tangible personal property acquired for incorporation into or used and consumed in the operation of facilities for the treatment of industrial waste before the discharge thereof into any waters of the state or into any sewerage system emptying into such waters, the primary purpose of which is the reduction, control or elimination of pollution of such waters.

   History: The 1967 acts created the exemption. The 1969 acts amended the exemption to include property "...used and consumed in the operation of facilities." The 1971 acts made a technical change.

   Fiscal Estimates: Combined estimates for Items 6 and 7: $1.2 million in FY 22 and FY 23.

   Taxpayers Benefitting: Approximately 25 establishments operating water treatment plants and/or water supply systems.

   Rationale: Incentive.

7. **Personal property incorporated into or consumed in air pollution control facilities**

   Citation: CGS Sec. 12-412(22)

   Description: Sales of and the storage, use or other consumption of tangible personal property or supplies acquired for incorporation into or used and consumed in the operation of facilities, the primary purpose of which is the reduction, control or elimination of air pollution, certified as approved for such purpose by the Commissioner of Environmental Protection.

   History: The 1967 acts created the exemption. The 1969 acts amended the exemption to include property "...used and consumed in the operation of facilities." The 1971 acts made a technical change.

   Fiscal Estimates: See Fiscal Estimate for Item 6.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

8. **Certain motion picture, video, television and radio production and broadcast equipment**

   Citation: CGS Sec. 12-412(44)

   Description: (A) Sales of and the storage, use or other consumption of any filmed and taped television and radio programs and any materials which become an ingredient or component part of films or tapes which are used directly in the production and transmission of finished programs (i) broadcast to the general public by a television or radio station or (ii) for purposes of accredited medical or surgical training, including any equipment used for such purpose; (B) sales of and the storage, use, rental, lease or other consumption of any motion picture or video production equipment or sound recording equipment purchased or leased for use in this state for production activities which become an ingredient or component part of any master tapes, records, video tapes or film produced for commercial entertainment, commercial advertising or commercial educational purposes; or (C) sales of and the storage, use, rental or lease of equipment, including, but not limited to, antennas used directly in the production or broadcast of programs to the general public by a television or radio station.

History: PA 82-444 created the exemption. PA 90-295 amended the exemption to include surgical training, including any equipment used for such purpose. PA 91-3 of the June Special Session narrowed the exemption by excluding equipment for broadcasts to the general public and surgical training productions. PA 93-74 added equipment used for medical or surgical training. PA 95-160 added equipment for commercials. PA 97-316 added equipment used in production or broadcast of programs for general public.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

9. Motion picture leasing or rental

Citation: CGS Sec. 12-407(2)(J) and 12-412(50)

Description: The leasing or rental of any motion picture film by the owner or operator of a motion picture theater for purposes of display at such theater.

History: PA 85-513 created the exemption.

Fiscal Estimates: $4 million in FY 22 and $4.1 million in FY 23.

Taxpayers Benefitting: Approximately 70 theaters.

Rationale: Expediency.

10. Computer-related cleaning equipment

Citation: CGS Sec. 12-412(64)

Description: Sales of and the storage, use or other consumption of equipment used directly in the production and cleaning of computer discs for purposes of creating and maintaining the atmospheric environment necessary in the area immediately surrounding such production and cleaning process, including with respect to such area, climate control, air quality and a positive pressure mode adapted to the particular climate and air quality requirements of such production and cleaning process.

History: PA 90-262 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

11. Molds, dies, patterns and sand handling equipment for metal casting foundries

Citation: CGS Sec. 12-412(65)

Description: The purchase and sale by metal casting foundries of molds, dies, patterns and sand handling equipment.

History: PA 90-336 created the exemption.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

12. Molds, dies, patterns for pattern shops and metal casting foundries

Citation: CGS Sec. 12-412(66)

Description: The sale by pattern shops of molds, dies and patterns to metal casting foundries or their customers for use in such foundries, and the purchase and use of such items by pattern shops in connection with any such sales.

History: PA 90-336 created the exemption.

Fiscal Estimates: $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

13. Optical lens manufacturing equipment

Citation: CGS Sec. 12-412(81)

Description: Sales of and the storage, use or other consumption of machinery, equipment, tools and materials used exclusively in the fabrication of optical lenses.

History: PA 93-360 created the exemption.

Fiscal Estimates: $300,000 in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

14. Commercial photographic film and paper processing materials

Citation: CGS Sec. 12-412(88)

Description: Sales of and the storage, use or other consumption of machinery, equipment, tools and materials used exclusively in the commercial processing of photographic film and paper.

History: PA 96-172 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

15. Machinery, equipment, tools, materials, supplies and fuel used in the biotechnology industry

Citation: CGS Sec. 12-412(89)

Description: Sales of and the storage, use or other consumption of machinery, equipment, tools, materials, supplies and fuel used directly in the biotechnology industry.

History: PA 96-252 created the exemption. PA 03-225 made a technical change and deleted "to develop microorganisms for specific uses."

Fiscal Estimates: $1.7 million in FY 22 and $1.8 million FY 23.

Taxpayers Benefitting: Approximately 100 biotechnology research and development laboratories.

Rationale: Incentive.

16. Services or tangible personal property for the operation of projects of the Materials Innovation and Recycling Authority

Citation: CGS Sec 12-412(92)

Description: The sales and use of any services or tangible personal property to be incorporated into or used or otherwise consumed in the operation of any project of the Materials Innovation and Recycling Authority established pursuant to section 22a-261 whether such purchases are made directly by the authority or are reimbursed by the authority to the lessee or operator of such project.

History: PA 95-160 created the exemption. PA 14-94 made a technical change.

Fiscal Estimates: $500,000 in FY 22 only. The trash-to-energy plant in Hartford is anticipated to close June 30, 2022.

Taxpayers Benefitting: Materials Innovation and Recycling Authority.

Rationale: Incentive.

17. Tangible personal property or services to tourism districts

Citation: CGS Sec. 12-412(93)

Description: Sales of tangible personal property or services to any tourism district, as defined in CGS Section 10-397.

History: PA 97-316 created the exemption. PA 03-6 of the June Special Session made a technical change.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Per CGS Sec. 10-397, the state is divided into three regional tourism districts.

Rationale: Conformity. Quasi-public entities are equated to state agencies.

18. Services or tangible personal property used or consumed in operating solid waste-to-energy facilities

Citation: CGS 12-412(95)

Description: The sales or use of any services or tangible personal property to be incorporated into or used or otherwise consumed in the operation of a solid waste-to-energy facility, certified as approved for such purpose by the Commissioner of Environmental Protection, whether such purchases are made directly by an authority or an operating committee, or are reimbursed by an authority or operating committee to the lessee or operator of such facility.

History: The exemption was created by PA 97-316. PA 11-6 repealed the exemption. However, PA 11-61 amended PA 11-6 by deleting the repeal and thus maintained the exemption.

Fiscal Estimates: $700,000 in FY 22 and FY 23.

Taxpayers Benefitting: Less than ten solid waste combustors and incinerator facilities.

Rationale: Incentive.

19. Machinery and equipment used in maintaining railroad right of ways

Citation: CGS Sec 12-412(103)

Description: Sales of and the storage, use or other consumption of railroad locomotives, track ballasts, ties, rails, machinery and equipment used to maintain the railroad right-of-way which is used or operated exclusively for the carriage of freight.

History: PA 99-173 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and Incentive.

21. Fulfillment sales companies

Citation: CGS Sec 12-407(a)(15)(C) and 12-407c

Description: Fulfillment companies are exempt from any requirement to collect sales tax on items it stores for an unaffiliated out-of-state retailer.

History: PA 00-227 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and Incentive.

22. Data transmission equipment sold to telecom or CATV companies

Citation: CGS Sec. 12-412(112)

Description: Exempt the sales of equipment to a telecom company or CATV company that is used to provide high speed data transmission or broadband internet service.

History: PA 00-170 created this exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and Incentive.

23. Connecticut credit unions

Citation: CGS Sec. 12-412(121)

Description: Sales of tangible personal property or services to, and the storage, use or other consumption of tangible personal property or services by, a Connecticut credit union. A Connecticut credit union is a credit union that: (a) is a cooperative, nonprofit financial institution organized under, and the membership of which is limited by, Connecticut law; (b) operates for the benefit and general welfare of its members with the earnings, benefits, or services offered being distributed to, or retained for, its members; and (c) is governed by a volunteer board of directors elected by and from its membership.

History: PA 14-217 created the exemption effective July 1, 2016.

Fiscal Estimates: $500,000 in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 28 credit unions.

Rationale: Incentive.

24. Connecticut Innovations Sales and Use Relief

Citation: CGS Sec. 32-46(b)

Description: Sales of and the storage, use or other consumption of any tangible personal property or services acquired for incorporation into or used and consumed in connection with the development, construction, rehabilitation, renovation or repair of a project approved by the board of directors of Connecticut Innovations. In approving an exemption, the board may limit or condition its use and provide a certificate specifying the exempted property and services.

History: PA 97-316 allowed the former Connecticut Development Authority (CDA) to purchase goods and services on behalf of other entities without charging them for sales and use taxes. PA 12-1 of the June Special Session merged CDA into Connecticut Innovations (CI) and created the exemption for use by CI effective July 1, 2012.

Fiscal Estimates: $5 million in FY 22 and FY 23.

Taxpayers Benefitting: Under 10 taxpayers

Rationale: Incentive.

25. Qualified Data Centers

Citation: CGS Sec. 32-286

Description: Data centers that meet the definition of "qualified data center" as described in law and enter into an agreement with the Department of Economic and Community Development may qualify for the following exemptions:

1. The sale of and the storage, use, or other consumption in the state of "qualified data center equipment," as defined under law, (a) acquired for incorporation into a facility used or to be used as a qualified data center or (b) used and consumed in developing, acquiring, constructing, rehabilitating, renovating, repairing, or operating such a facility;
2. the sale of and the acceptance, use, or consumption in the state of any taxable service that is used and consumed in developing, acquiring, constructing, rehabilitating, renovating, repairing, or operating such a facility; and
3. all electricity used by the qualified data center.

Under the law, a "qualified data center" is a "facility" that is developed, acquired, constructed, rehabilitated, renovated, repaired, or operated, to house a group of networked computer servers in one physical location or multiple contiguous locations to centralize the storage, management, and dissemination of data and information pertaining to a particular business or classification or body of knowledge. A "facility" is one or more contiguous tracts of land in the state and any structure and personal property contained on that land.

History: PA 21-1 created the exemption effective July 1, 2021.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Under 10 taxpayers.

Rationale: Incentive.

26. Beer Manufacturers

Citation: CGS Sec. 12-412m

Description: Beginning on July 1, 2023 certain beer manufacturers qualify for the following sales and use tax exemptions:

1. gas and electricity for direct use in a manufacturing plant, provided it is a metered building where at least 75% of the gas or electricity consumed is used for manufacturing purposes (CGS § 12-412(3)(A));
2. materials, tools, and fuel to become part of items sold or used directly in an industrial plant to make finished products for sale (CGS § 12-412(18)); and
3. materials, tools, fuels, machinery, and equipment used in manufacturing that are not otherwise eligible for an exemption (50% of the gross receipts from such items) (CGS § 12-412i).

The law extends these sales and use tax exemptions to beer manufacturers that are not otherwise eligible because they manufacture or will manufacture beer at a facility that also makes substantial retail sales.

History: PA 21-2 of the June Special Session created the exemption effective July 1, 2023.

Fiscal Estimates: $0 in FY 22 and FY 23; $1.3 million in FY 24.

Taxpayers Benefitting: Approximately 125 beer manufacturers.

Rationale: Incentive.

C. Service Exemptions

1. Personal service transactions involving sales of inconsequential elements

Citation: CGS Sec. 12-412(11)

Description: Professional, insurance or personal service transactions, except any such service transaction described in subdivision (2) of subsection (a) of section 12-407, which involve sales as inconsequential elements for which no separate charges are made.

History: PA 75-213 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Efficiency.

2. Services to determine effect on human health of consumption or use of a product or substance

Citation: CGS Sec. 12-412(41)

Description: Sales of services used to determine the probable consequences in relation to human health of the consumption or other use of any product, substance or element.

History: PA 81-327 created this exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification. These services were considered to be related to medical services, which were not taxable when the exemption was passed.

3. Motor vehicle driving service performed out of state

Citation: CGS Sec. 12-412(36)

Description: The sale of any motor vehicle driving service to the extent of that proportionate part of gross receipts from such service rendered which is directly related to actual driving performance outside the state.

History: PA 79-419 created this exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification.

4. Services related to personnel, management or research when company rendering service and recipient are participating in a joint venture for purposes of research and new product development

Citation: CGS Sec. 12-412(58)

Description: Sales of any services rendered for purposes of (A) personnel services, (B) commercial or industrial marketing, development, testing or research services, or (C) business analysis and management services, whenever, pursuant to a joint venture agreement, the recipient of any such services is either a corporation, a partnership, or a limited liability company, and such services are rendered by one or more corporate shareholders, or a corporate partner, or corporate member in such joint venture, and in accordance with which the company rendering such service must have an ownership interest equivalent to not less than twenty-five percent of total ownership in such joint venture, provided (i) the purpose of such joint venture is directly related to production or development of new or experimental products or systems and the marketing and support thereof, (ii) at least one of the corporations participating in such joint venture shall have been actively engaged in business in this state for not less than ten years, and (iii) exemption for such sales in accordance with this subsection, with respect to any single joint venture, shall not be allowed for a period in excess of twenty consecutive years from the date of such venture's incorporation, formation or organization, or in the case of a joint venture in existence prior to January 1, 1986, within the aircraft industry, for a period in excess of thirty consecutive years, and such exemption shall be applicable to sales of such services rendered on or after January 1, 1986.

History: PA 86-120 created the exemption. PA 99-173 extended the exemption from 10 years to 30 years for services provided between companies engaged in a joint venture. PA 06-187 extended the exemption to limited liability corporations, extended the exemption's duration from 10 to 20 consecutive years and specified that it starts from the date the joint venture is formed, incorporated, or organized. PA 12-1 of the June Special Session expanded eligibility for, and extended the duration of, the exemption for certain kinds of joint ventures in the aircraft industry.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

5. Services rendered between parent companies and wholly-owned subsidiaries

Citation: CGS Sec. 12-412(62)

Description: (A) Sales of any of the services enumerated in subdivisions (2) (i), (2) (k) or (2) (l) of CGS Sec. 12-407 that are rendered for a business entity affiliated with the business entity rendering such service in such manner that (i) either business entity in such transaction owns a controlling interest in the other business entity, or (ii) a controlling interest in each business entity in such transaction is owned by the same person or persons or business entity or business entities.

History: Prior to 1986, the Department of Revenue Services (DRS) did not view these services as taxable even though they were not specifically exempted in statute. DRS's policy changed in 1986, which resulted in passage of PA 87-1. The act exempted the services but this exemption was to sunset on 6/30/88. PA 88-307 deleted the sunset date. PA 97-243 allowed companies to use the exemption for profit purposes and made technical changes. PA 99-173 expanded the exemption to include sales between businesses, other than corporations, where the same interest owns 100% of each business. It also exempted telecom services and CATV services rendered between patent companies and wholly owned subsidiaries. PA 01-6 of the June Special Session extended this exemption to include federally recognized Indian tribes. PA 02-103 made technical changes. PA 17-2 of the June Special Session expands the sales and use tax exemption for services rendered between parent and subsidiaries from businesses that own a 100% controlling interest in the other, to at least 80% ownership threshold, for media businesses organized as corporations or single-member LLCs, and who are principally located in the state, effective July 1, 2019.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Clarification. Incentive because the exemption is intended to reduce cascading. Enumerated services, as defined in CGS 12-407(2), are taxable when provided by one unaffiliated business entity to another, but nontaxable when divisions of a single entity provides these services for internal use. The exemption provides horizontal equity for firms that are organized into a parent company with wholly-owned subsidiaries, rather than divisions. Clarification because it was created in response to efforts by the Department of Revenue Services (DRS) to tax the services.

6. Computer and data processing services

Citation: CGS Sec. 12-407(a)(37)(A) and 12-408(1)(D) and 12-411(1)(E)

Description: The statute phases down the tax rate on such services from the Sales and Use Taxes to 1% permanently effective July 1, 2004. Computer and data processing services include services rendered in connection with the world wide web as of October 1, 2015.

History: PA 94-4 of the May Special Session created the exemption. PA 95-160 delayed the effective date of the phase-out of the tax. PA 97-243 added the exemption to the use tax. PA 97-316 created a full exemption for world wide web related services. PA 00-170 accelerated the phase-out on Internet service access charges effective 7/1/01 from 1% to 0%. PA 02-1 of the May Special Session postponed by two years the elimination of the phase-out from 7/1/02 to 7/1/04. PA 03-1 of the June Special Session made the 1% rate permanent effective 7/1/04. PA 15-244, as amended by PA 15-5 of the June Special Session applied the 1% tax rate for computer and data processing services to world wide web services effective October 1, 2015. PA 19-117 eliminated the reduced rate of 1% for digital goods and applied general sales tax rate to those items.

Fiscal Estimates: $351 million in FY 22 and $362.6 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The phase-out was intended to reduce cascading.

7. Certain sales of computer and data processing services

Citation: CGS Sec. 12-412(74)

Description: (A) Sales of computer and data processing services or equipment rendered to a customer (i) by a retailer which acquired the operations of a data processing facility from the customer, provided such customer operated the facility for its own use.

History: PA 92-193 created the exemption which applied to services rendered by a company that, on or after July 1, 1991, acquired the operations of a data processing facility from the customer to which it sells the services. PA 93-332 extended the exemption to sales rendered by another company that acquires the operations of such facility and continues to provide the services to the original customer. PA 95-160 extended the exemption to services rendered to a customer by a retailer that, on or after July 1, 1995, acquired the data procession operations from the customer, if the customer formerly conducted such operations for its own use. PA 97-295 made technical changes. PA 00-170 and PA 00-174 clarified the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

8. Landscaping, horticulture, window cleaning or maintenance services rendered to certain disabled persons

Citation: CGS Sec. 12-412(85)

Description: Sales of any landscaping and horticultural services, window cleaning services or maintenance services, as described in subdivision (i) of subsection (2) of section 12-407, on or after July 1, 1994, which are rendered to a person determined to be eligible for, and currently receiving, total disability benefits under the Social Security Act, provided such services are rendered at the residence of such person.

History: PA 93-74 created the exemption. PA 95-359 made technical changes and added the requirement that recipient is currently receiving disability benefits. PA 97-243 exempted landscaping and horticulture services, window cleaning services and maintenance services and eliminated the exemption for janitorial and exterminating services. PA 02-103 made technical changes.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity.

9. Shoe repair services

Citation: CGS Sec. 12-412(105)

Description: Sales of shoe repair services.

History: PA 99-173 created the exemption.

Fiscal Estimates: Less than $150,000 in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

10. Calibration services and ISO services

Citation: CGS Sec. 12-412(104)

Description: Sales, use or other consumption of (A) calibration services for machinery, equipment or instrumentation used in a manufacturing production process; or (B) other sales, use or other consumption of services or compliance practices associated with registration and compliance of quality management and quality assurance standards as part of standards created by the International Organization of Standards.

History: PA 99-173 created this exemption.

Fiscal Estimates: $16.7 million in FY 22 and $17.3 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and Incentive.

11. "Call Before You Dig" services

Citation: CGS Sec. 12-412(106)

Description: Sales of services enumerated in subparagraph (J) of subdivision (2)(i) of section 12-407 ("Call Before You Dig"), on or after July 1, 1999, which services are rendered to the central clearinghouse organized and operated under the direction of the Department of Public Utility Control, by the public utilities of this state for receiving and giving the notices required by section 16-349.

History: PA 99-173 created this exemption. PA 02-103 made technical changes.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

12. Sale of repair or maintenance on vessels

Citation: CGS Sec. 12-408(1)(E) and 12-411(1)(D)

Description: Sales of repair or maintenance or labor services on vessels as defined in CGS Sec. 15-127 are exempt from the Sales and Use Taxes. With respect to the sale of a vessel, such sale shall be exempt from such tax provided such vessel is docked in this state for sixty or fewer days in a calendar year.

PA 96-232 of the May Special Session created this exemption. PA 99-173 added labor services to the Sales Tax Exemption. PA 13-184 provided an exemption to the sale of vessels that dock in the state for sixty or fewer days in a calendar year.

Fiscal Estimates: $5.1 million in FY 22 and $5.2 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

13. Renovation and repair for residential real property

Citation: Does not appear in statutory language.

Description: Sales of renovation and repair services of paving of any sort, painting or staining, wallpapering, roofing, siding and exterior sheet metal work other than industrial, commercial or income producing real property.

History: PA 99-173 phased out the sales tax on certain renovation and repair services. PA 02-103 deleted the phase out language and any reference to the tax on those specific repair services.

Fiscal Estimates: $63.2 million in FY 22 and $65.3 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

14. Property management and maintenance services to certain owner-occupied properties

Citation: CGS Sec. 12-407(a)(37)(I)

Description: Services to industrial, commercial or income-producing real property used exclusively for residential purposes in which the owner resides and which contains no more than three dwelling units. Services include, but are not limited to, management, electrical, plumbing, painting and carpentry, provided income-producing property shall not include property.

History: PA 75-213 created the exemption

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived equity and incentive.

15. Patient care services

Citation: CGS Secs. 12-408(1)(F) and 12-411 (1)(E)

Description: Patient care services means therapeutic and diagnostic medical services provided by the hospital to inpatients and outpatients including tangible personal property transferred in connection with such services.

History: PA 99-173 reduced the tax on hospital services from 6.0% to 5.75%. PA 00-174 clarified the term "patient care services." PA 01-6 of the June Special Session suspended the tax on these services from 7/1/01 to 6/30/03. PA 02-3 provided that patient care services are those for which payment is received by the hospital. PA 03-1 of the June Special Session eliminated the 5.75% tax on these services and thus exempted the services from any sales and use tax.

Fiscal Estimates: Combined estimates for Item 15 and 16: $423.8 million in FY 22 and $437.8 million in FY 23.

Taxpayers Benefitting: Approximately 2 million inpatient and outpatient visits.

Rationale: Expediency.

16. Children's Hospital and the John Dempsey Hospital

Citation: CGS Sec. 12-407(a)(28)

Description: Any hospital which, on January 30, 1997, is within the class of hospitals licensed by the department as children's general hospitals. Also any short-term acute hospital operated exclusively by the state other than a short-term acute hospital operated by the state as a receiver pursuant to Chapter 920 (John Dempsey Hospital of the University of Connecticut).

History: PA 97-2 created the exemption. PA 99-173 exempted John Dempsey Hospital from the Sales and Use Tax.

Fiscal Estimates: See Fiscal Estimate for Item 15.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

17. Tangible property purchased by sole community hospitals

Citation: CGS Sec. 12-412(5)(C)

Description: Sales of tangible personal property or services to an acute care hospital, operating as a sole community hospital in this state for the exclusive purposes of such sole community hospital. Federal law defines a "sole community hospital" as one that is more than 35 miles from similar hospitals or located in a rural area and meets one of several other conditions (42 CFR § 412. 92).

History: PA 03-6 of the June Special Session created the emption for the sales of medical equipment and supplies for patient care to and by acute care, for-profit hospitals. PA 04-2 of the May Special Session amended the exemption to apply to tangible personal property or services and made the exemption retroactive to a facility if it filed for a certificate of need prior to July 1, 2004. PA 14-217 amended the exemption to apply to acute care hospitals, operating as a "sole community hospital" in lieu of acute care, for profit hospitals, and applied the exemption to FY 15 through FY 18. PA 15-5 of the June Special Session eliminates the sunset on the current sales tax exemption for sole community hospitals, making the exemption permanent.

Fiscal Estimates: $1.1 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Expediency.

18. Payments for the services of leased or contract employees

Citation: CGS Secs. 12-407(a)(8)(B) and 12-407(a)(9)(B)

Description: Payments for the services of leased or contract employees are excluded from the definition of "sales price" and "gross receipts" for retailers who have contracted to manage a service recipient's property or business premises.

History: PA 91-3 of the June Special Session clarified that the taxable basis for management services is only the amount charged for the service itself and not the salaries or fringe benefits of workers who render the service. PA 92-17 of the May Special Session further clarified the taxable basis of management services. PA 93-332 specified that employee compensation for long-term leasing services, but not temporary employment services, are exempt. PA 00-170 extended the exemption to employees paid under professional employee contracts.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification and Conformity.

19. Motor vehicle parking in employer-operated lots

Citation: CGS Sec. 12-407(a)(37)(N)

Description: Motor vehicle parking in employer-operated lots (a) owned or leased for a minimum of 10 years and (b) operated for the exclusive use of employees.

History: PA 89-251 made motor vehicle parking services taxable. PA 91-3 of the June Special Session clarified the scope of motor vehicle parking. PA 92-17 of the May Special Session added the exclusion for employers to charge their employees for parking spaces without the administrative burden of remitting tax. It was intended to encourage employees to use public transportation or carpool. PA 93-74 excluded valet parking services at airports. PA 95-160 exempted municipally-owned railroad parking facilities in municipalities located within an area of the state designated as a severe non-attainment area for ozone under the federal Clean Air Act. PA 01-6 of the June Special Session exempted state owned or operated parking at railroad parking faculties. PA 11-6 repealed the exemption on valet parking services at airports. PA 15-244, as amended by PA 15-5 JSS eliminated the exemption for the following: specific types of tax-exempt organizations that operate seasonal lots, specifically (1) the state and its political subdivisions; (2) federal tax-exempt nonprofit organizations; and (3) nonprofit charitable hospitals, nursing homes, rest homes, residential care homes, and certain acute-care hospitals. PA 16-72 and PA 16-3 of the May Special Session exempt non-metered motor vehicle parking in municipally-owned parking lots with 30 or more spaces and seasonal lots with 30 or more spaces operated by federal, state, or political subdivisions, effective from passage (May 27, 2016) for sales made on or after said date. PA 19-117 eliminates the exemption for metered parking, parking in lots with less than 30 spaces, parking in certain seasonal lots, and parking in municipally owned lots.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity/Incentive/Expediency.

20. Amusement and recreation services

Citation: Does not appear in statutory language.

Description: Amusement and recreation services.

History: PA 91-3 of the June Special Session made amusement and recreation services taxable. PA 92-17 of the May Special Session excluded services rendered in a facility owned or managed by governmental entity from the definition of amusement and recreation services. The act also made the following changes with regard to amusement and recreation services: (1) Excluded dance lessons, (2) extended the tax to athletic and sporting events, except swimming, that are provided by governmental units, nonprofit charitable hospitals, and charitable or religious organizations and in which people over 19 years old participate, and (3) excluded any service provided without additional charge for which a charge subject to the admissions or dues tax is paid. PA 93-74 excluded these services entirely.

Fiscal Estimates: $12.7 million in FY 22 and $13.1 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

21. Health and athletic club services provided by a non-profit organization or municipality

Citation: CGS 12-407(a)(37)(FF)

Description: Health and athletic club services, where (i) any such services are provided without any additional charge which are included in any dues or initiation fees paid to any such club, which dues or fees are subject to tax under section 12-543, and (ii) any such services are provided by a municipality or an organization that is described in Section 501(c) of the Internal Revenue Code of 1986.

History: PA 89-251 first made these services taxable. PA 94-4 of the May Special Session created the exemption. PA 03-2 exempted services provided by a non-profit organization or municipality. PA 06-187 created an exemption for yoga studios. PA 11-6 repealed the exemption for yoga instruction provided at a yoga studio.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

22. Licensed massage therapist and electrologist services

Citation: CGS Sec. 12-407(a)(37)(BB)

Description: Services rendered by massage therapists licensed pursuant to chapter 384a, and services rendered by an electrologist licensed pursuant to chapter 388.

History: PA 92-17 of the May Special Session excluded these services from the tax, effective 7/1/92. Effective 7/1/93, a licensing program was instituted for massage therapists by PA 92-202, with an initial application fee of $300. PA 95-160 of the May Special Session added hypertrichologist. PA 01-109 changed the term used from hypertrichologists to electrologists.

Fiscal Estimates: $1.0 million in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Perceived Equity.

23. Sales agent services

Citation: CGS Sec. 12-407(a)(37)(S)

Description: Services of a consignee selling works of art, as defined in subsection (b) of section 12-376c, or articles of clothing or footwear intended to be worn on or about the human body other than (i) any special clothing or footwear primarily designed for athletic activity or protective use and which is not normally worn except when used for the athletic activity or protective use for which it was designed and (ii) jewelry, handbags, luggage, umbrellas, wallets, watches and similar items carried on or about the human body but not worn on the body in the manner characteristic of clothing intended for exemption under subdivision (47) of section 12-412, under consignment, exclusive of services provided by an auctioneer.

History: PA 89-251 made these services taxable. PA 90-148 excluded art work consignments under the incentive rationale and clarified that articles of clothing and footwear are exempt. PA 93-74 excluded wholesale motor vehicle auctioning services under the incentive rationale, to reduce cascading for a wholesale business. The legislature found it expedient to exclude all other auctioning services in PA 94-4 of the May Special Session. PA 95-160 added all services of an auctioneer. PA 11-6 eliminated the exemption for consignment services for clothing and footwear. PA 11-61 restored the exemption for consignment services for clothing and footwear.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Clarification/Expediency.

24. Media advertising and cooperative direct mail advertising

Citation: CGS Sec. 12-407(a)(37)(U)

Description: The development of media advertising and cooperative direct mail advertising. Media advertising includes: (i) the sale of time or space (ii) in or on a preexisting medium (iii) for broadcast or dissemination to all or a segment of the public.

History: PA 91-3 of the June Special Session excluded cooperative direct mail advertising from taxable advertising services. PA 03-2 repealed the exemption on (a) advertising services for developing and (b) media cooperative direct mail advertising and applied a tax rate of 3%. PA 03-1 of the June Special Session restored said exemptions.

Fiscal Estimates: $23.7 million in FY 22 and $24.5 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce cascading.

25. Tax preparation services

Citation: Does not appear in statutory language.

Description: Tax preparation services.

History: PA 91-3 of the June Special Session made tax preparation services taxable. PA 93-74 provided an exclusion for businesses, effective 1/1/95. PA 94-4 of the May Special Session excluded all other such services effective 7/1/96 and deleted the reference in statutory language. PA 95-160 made technical changes.

Fiscal Estimates: $4.9 million in FY 22 and $5.1 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

26. Winter boat storage

Citation: CGS Sec. 12-407(a)(2)(M)

Description: Dry or wet storage or mooring of noncommercial vessels during the period commencing on the first day of October in any year to and including the thirty-first day of May of the next succeeding year.

History: PA 93-74 created the exemption. PA 13-151 extended the length of time that boats stored in the winter are exempt from the tax from November 1 to April 30 to October 1 to May 31.

Fiscal Estimates: $1.2 million in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

27. Environmental consulting services

Citation: CGS Sec. 12-407(a)(37)(J)(i)

Description: Business analysis, management, management consulting and public relations services specifically related to environmental consulting.

History: The exemption was created by PA 94-4 of the May Special Session.

Fiscal Estimates: $8.6 million in FY 22 and $8.9 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

28. Police and firefighters

Citation: CGS Sec. 12-407(a)(37)(D)(i)

Description: Services provided by off-duty police officers and fire fighters.

History: PA 95-160 created the exemption. PA 97-316 expanded the exemption to include all services provided by off-duty police officers and firefighters. PA 04-136 made a technical change.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

29. Coin and currency protection for financial service companies

Citation: CGS Sec. 12-407(a)(37)(D)(ii)

Description: Coin and currency services provided to a financial services company by or through another financial services company.

History: PA 04-136 created the exemption.

Fiscal Estimate: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

30. Training services

Citation: CGS Sec. 12-407(a)(37)(J)(ii)

Description: Any training services provided by an institution of higher education licensed or accredited by the Board of Governors of Higher Education pursuant to section 10a-34.

History: PA 99-173 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

31. Non-cable communications services

Citation: CGS Sec. 12-407(a)(27)

Description: Any non-cable communications services purchased by a cable network from the sales tax on CATV services. Applicable to sales on or after 7/1/02.

History: PA 02-4 of the May Special Session created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency and Conformity.

33. Marine vessel brokerage services

Citation: CGS Sec 12-412(116)

Description: Sales of marine vessel brokerage services provided by marine vessel brokers selling such vessels for their owners.

History: PA 05-251 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

34. Media payroll services

Citation: CGS Sec 12-407(a)(8)(B)(x) and 12-407(a)(9)(B)(x) and 12-407(a)(38).

Description: Separately stated charges for compensation, fringe benefits, workers' compensation, and payroll taxes or assessments paid to a media payroll services company. A "media payroll services company" is one whose principal business is managing and paying compensation, benefits, and payroll taxes and assessments to a film or digital media production company eligible for a film production tax credit.

History: PA 07-236 created the exemption.

Fiscal Estimates: $400,000 FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

35. Certain intrastate transportation

Citation: CGS Sec 12-407(a)(37)(JJ)

Description: Intrastate transportation includes taxicab, motor bus, ambulance or ambulette, scheduled public transportation, nonemergency medical transportation provided under the Medicaid program, paratransit services provided by agreement or arrangement with the state or any political subdivision of the state, dial-a-ride services or services provided in connection with funerals.

History: PA 11-6 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification. Intrastate transportation services provided by livery services, including limousines, community cars or vans, with a driver are taxable.

36. Certain pet grooming services

Citation: CGS Sec 12-407(a)(37)(KK)

Description: Pet grooming and pet boarding services provided as an integral part of professional veterinary services, and pet obedience services.

History: PA 11-6 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification. All other pet grooming services are taxable.

37. Reconstructive surgery

Citation: CGS Sec 12-407(a)(37)(LL)

Description: "Reconstructive surgery" includes any surgery performed on abnormal structures caused by or related to congenital defects, developmental abnormalities, trauma, infection, tumors or disease, including procedures to improve function or give a more normal appearance.

History: PA 11-6 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification. The law does not consider such surgery as "cosmetic medical surgery" which is taxable.

D. Non-Profit Organization Exemptions

Government

1. The United States, the State of Connecticut or political subdivisions

Citation: CGS Sec. 12-412(1)

Description: (A) Sales of tangible personal property or services to the United States, the state of Connecticut or any of the political subdivisions thereof, or its or their respective agencies; (B) sales of tangible personal property or services used to develop property which the state of Connecticut is under contract to purchase through a long-term financing contract; (C) sales and use of any services or tangible personal property to be incorporated into or used or otherwise consumed in (i) the demolition, remediation or preparation of the Adriaen's Landing site and the stadium facility site for purposes of the overall project, each as defined in section 32-651, (ii) the construction of the convention center, the Connecticut Center for Science and Exploration, the stadium facility and the related parking facilities and site preparation and infrastructure improvements, each as defined in section 32-651, or (iii) the construction of any future capital improvement to the convention center, the stadium facility or the related parking facilities.

History: The exemption has been in effect since the imposition of the tax. PA 75-213 added services, PA 93-361 added subdivision (B), and PA 93-1 of the September Special Session added subdivision (C). PA 98-1 of the December Special Session replaced language in subdivision(C) which was originally added by PA 93-1 of the September Special Session for purposes of relocating an NFL team to Hartford. PA 99-241 deleted stadium facility site and training facility site and added convention center site, sportsplex site and parking facilities site. PA 00-140 deleted references to former convention center site, sportsplex site and parking facilities site and added references to the Adriaen's Landing and the stadium facility site. PA 06-187 extends the exemption to the Connecticut Center for Science and Exploration.

Fiscal Estimates: $1,446.8 million in FY 22 and $1,494.5 million in FY 23.

Taxpayers Benefitting: All political subdivisions

Rationale: Conformity, Clarification, and Incentive. States are not permitted to levy taxes on the federal government under the U.S. Constitution. Additionally, state government does not tax itself. The provision regarding the Adriaen’s Landing site was intended to incentivize businesses to relocate to Hartford.

2. Federal exemptions

Citation: CGS Sec. 12-412(2)

Description: Sales of tangible personal property or services which this state is prohibited from taxing under the constitution or laws of the United States.

History: The exemption has been in effect since the imposition of the tax. PA 75-213 added services.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Conformity. States are not permitted to levy taxes on the federal government under the U.S. Constitution.

3. **Municipal publications, sales by public libraries or by municipal auction and book sales by library support groups**

   Citation: CGS Sec. 12-412(24)

   Description: Sales of municipal publications such as information booklets and zoning regulations, tangible personal property sold by public libraries, the sale of any property at auction by a municipality, and book sales by library support groups.

   History: PA 73-299 created the exemption. PA 95-160 includes book sales by library support groups.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Efficiency. The amount of revenue which could be collected is considered too small to justify the administrative cost.

4. **Connecticut Technology Park**

   Citation: CGS Sec. 12-412(84)

   Description: Sales of tangible personal property and services to The University of Connecticut Educational Properties, Incorporated, with regard to Connecticut Technology Park.

   History: PA 93-74 created the exemption.

   Fiscal Estimates: Up to $100,000 in FY 22 and FY 23.

   Taxpayer Benefitting: UCONN Technology Park and industry partners utilizing the facilities.

   Rationale: Incentive.

5. **Property Removed from Inventory and Donated to Charity or Government**

   Citation: CGS Sec. 12-413(4)

   Description: Exempt from the Sales and Use Tax any property removed by retailers from their inventory and donated to charity or a government agency.

   History: The exemption was created by PA 00-174.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Expediency.

Sales to Nonprofit Organizations

1. **Charitable and religious organization**

   Citation: CGS Sec. 12-412(8)

   Description: Sales of tangible personal property or services to any organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code of 1986 and that the United State Treasury Department has expressly determined to be an organization that is described in Section 501(c)(3) or (13) of said internal revenue code.

History: The exemption for tangible personal property has been in effect since the imposition of the tax. PA 75-567 added services. PA 93-74 added provisions to include sales to nonprofit organizations which receive at least 75% of their funding from the state or municipalities. PA 93-332 added the provision that state and municipal funds are considered as private donations to 501(c)(3) organizations for the purpose of this exemption. PA 95-359 placed the requirement that a letter of determination from the United States Treasury on the regarding federal tax status is needed to qualify for the exemption.

Fiscal Estimates: Combined estimates for Items 1 through 5: $161.4 million in FY 22 and $166.7 million in FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

2. **Personal property and services used or consumed in development, construction, rehabilitation, renovation, repair or operation of housing facilities for low and moderate income families and persons**

   Citation: CGS Sec. 12-407(a)(37)(I) and CGS Sec. 12-412(29)

   Description: (A) Sales of and the storage, use or other consumption of tangible personal property acquired for incorporation into or used and consumed in the operation of housing facilities for low and moderate income families and persons and sales of and the acceptance, use or other consumption of any service described in subdivision (2) of section 12-407 that is used and consumed in the development, construction, rehabilitation, renovation, repair or operation of housing facilities for low and moderate income families and persons, provided such facilities are constructed under the sponsorship of and owned or operated by nonprofit housing organizations or housing authorities, as defined in subsection (b) of section 8-39.

   History: PA 75-613 created the exemption. PA 97-243 added sales of services used and consumed in development, construction, rehabilitation, renovation, repair and operation of housing for low and moderate income families. PA 97-315 added provisions regarding services described in CGS Sec. 12-407(2). PA 99-173 expanded the exemption of certain goods and services used in the development, construction, and rehabilitation of housing for low and moderate income housing organizations to include for profit organizations.

   Fiscal Estimates: See Fiscal Estimate for Item 1.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

3. **Nonprofit charitable hospitals, nursing homes, rest homes and homes for the aged**

   Citation: CGS Sec. 12-412(5)(A) and CGS Sec. 12-412(5)(B)

   Description: Sales of tangible personal property or services to and by nonprofit charitable hospitals in this state, nonprofit nursing homes, nonprofit rest homes and nonprofit residential care homes licensed by the state pursuant to chapter 368v for the exclusive purposes of such institutions except any such service transaction as described in subparagraph (EE) of subdivision (37) of subsection (a) of section 12-407. In addition, sales on the premises of a for-profit hospital by a federally tax-exempt nonprofit organization are exempt from the tax.

   See also Item 1 under Sales by Nonprofit Organizations.

History: The exemption for sales of tangible personal property to and by nonprofit charitable hospitals has been in effect since the imposition of the tax. PA 75-567 added services. PA 93-44 excluded patient care services from the exemption. 93-332 added nonprofit nursing homes, nonprofit rest homes and nonprofit homes for the aged. PA 94-9, PA 94-175, PA 00-174, PA 00-196 and PA 02-103 made technical changes. PA 03-6 of the June Special Session exempted the sales of certain medical equipment and supplies for patient care to and by acute care, for-profit hospitals, applicable to sales occurring on or after July 1, 2005. PA 04-201 exempted items sold on premise of a for-profit hospital by a federally tax-exempt non-profit organization. PA 04-2 of the May Special Session deleted exemption for equipment and supplies for patient care to and by acute care, for-profit hospitals which was to have taken effect July 1, 2005.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive/Expediency. Incentive with regard to sales to such institutions. Expediency with regard to sales by gift shops at such institutions.

4. Centers of service for elderly persons

Citation: CGS Sec. 12-412(35)

Description: Sales of tangible personal property or services to any center of service for elderly persons as described in subdivision (d) of section 17b-425.

History: PA 79-400 created the exemption. PA 89-190 deleted a requirement that elderly service centers must be approved by the municipal tax assessor to qualify for the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

5. Services used or consumed in the development, construction, rehabilitation, renovation or repair of housing facilities for low and moderate-income families in Qualified Census Tracts or Difficult Development Areas

Citation: CGS Sec. 12-412(100)

Description: Sales of and the acceptance, use or other consumption of any service described in subsection (2) of section 12-407 that is accepted, used or consumed in the development, construction, rehabilitation, renovation or repair of housing facilities for low and moderate income families and persons, provided such facilities are situated in Qualified Census Tracts or Difficult Development Areas as designated by the Secretary of the United States Department of Housing and Urban Development and provided, further, that the development of such facilities is assisted by an allocation of Low Income Housing Tax Credits pursuant to Section 42 of the Internal Revenue Code.

History: PA 97-4 of the June Special Session created the exemption. PA 02-103 made technical changes.

Fiscal Estimates: See Fiscal Estimate for Item 1.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

Sales by Nonprofit Organizations

1. **Nonprofit charitable hospitals, nursing homes, rest homes and homes for the aged**

   Citation: CGS Sec. 12-412(5)

   Description: Sales of tangible personal property or services to and by nonprofit charitable hospitals in this state, nonprofit nursing homes, nonprofit rest homes and nonprofit residential care homes licensed by the state pursuant to chapter 368v for the exclusive purposes of such institutions except any such service transaction as described in subparagraph (EE) of subdivision (37) of subsection (a) of section 12-407. In addition, sales on the premises of a for-profit hospital by a federally tax-exempt nonprofit organization are exempt from the tax.

   See also Item 1 under Sales to Nonprofit Organizations.

   History: The exemption for sales of tangible personal property to and by nonprofit charitable hospitals has been in effect since the imposition of the tax. PA 75-567 added services. PA 93-44 exclude patient care services from the exemption. 93-332 added nonprofit nursing homes, nonprofit rest homes and nonprofit homes for the aged. PA 94-9, PA 94-175, PA 00-174, PA 00-196 and PA 02-103 made technical changes. PA 03-6 of the June Special Session exempted the sales of certain medical equipment and supplies for patient care to and by acute care, for-profit hospitals, applicable to sales occurring on or after July 1, 2005. PA 04-201 exempted items sold on premise of a for-profit hospital by a federally tax-exempt non-profit organization. PA 04-2 of the May Special Session delete exemption for equipment and supplies for patient care to and by acute care, for-profit hospitals which was to have taken effect July 1, 2005.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive/Expediency. Incentive with regard to sales to such institutions. Expediency with regard to sales by gift shops at such institutions.

2. **Items not costing more than twenty dollars each by certain nonprofit organizations and schools**

   Citation: CGS Sec. 12-412(26)

   Description: Sales of items for not more than twenty dollars each by any Connecticut eleemosynary organization, for purposes of youth activities which such organization is formed to sponsor and support, and by any accredited elementary or secondary school for purposes of such school or of organized activities of the students enrolled therein.

   History: PA 73-452 provided a $2 exemption for items sold by eleemosynary organizations. PA 85-462 increased the threshold to $5 and PA 90-255 increased it to $20.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

3. **Sales of items for not more than one hundred dollars each by nursing or convalescent homes or adult day care centers**

   Citation: CGS Sec. 12-412(56)

   Description: Sales of items for not more than one hundred dollars each by any nursing home, rest home, residential care home, convalescent home or any adult day care center approved for such purpose by the Commissioner of Social Services, provided (1) such sales are made through a gift shop located in such home or center and (2) any profits from such sales are retained by such home or center for the benefit of the patients, in the case of any such home, or persons using any such adult day care center.

   History: PA 86-397 created the exemption for nursing homes, rest homes, homes for the aged and convalescent homes. PA 87-311 increased the limit to $100 and added adult day care centers. PA 89-123 made a technical change. PA 93-262 made a technical change.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Expediency.

4. **Sales by an affiliate participating in certain community economic development programs**

   Citation: CGS Sec. 12-412(86)

   Description: Sales of services by an affiliate participating in implementation of the community economic development program established pursuant to section 8-240k to another affiliate participating in said program.

   History: PA 94-82 created the exemption. PA 95-160 made a technical change.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

5. **Tangible personal property at bazaars, fairs, picnics, tag sales by nonprofit organizations**

   Citation: CGS Sec. 12-412(94)

   Description: Sales of tangible personal property by nonprofit organizations at bazaars, fairs, picnics, tag sales or similar events to the extent of five such events of a day's duration held during any calendar year.

   History: PA 97-316 created the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

6. **Tangible personal property by historical societies**

   Citation: CGS Sec. 12-412(98)

   Description: Sales of tangible personal property by historical societies.

History: PA 97-316 created the exemption.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Up to 120 historical societies.

Rationale: Incentive.

7. Educational institution and certain health and care facility meals

Citation: CGS Sec. 12-412(9)

Description: Sales of food products and meals in a student cafeteria, dining hall, dormitory, fraternity or sorority maintained in a private, public or parochial school, college or university, to members of such institutions or organizations and sales of food products and meals to patients in hospitals, homes for the aged, convalescent homes, nursing homes and rest homes.

History: Educational institution meals have been exempt since the imposition of the tax. The exemptions for meals provided to patients in hospitals, homes for the aged, etc. were added in 1972. PA 00-174 clarified the exemption of candy and non-alcoholic beverages sold in educational institutions.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

8. Pilot property tax credit for computer equipment

Citation: CGS 12-413b

Description: There is established a pilot program of a credit against the Sales and Use Tax for the purchase of computer equipment to be used in electronic commerce for a business making a qualified investment in higher education for electronic commerce. The credit is capped at $4 million in the aggregate.

History: PA 00-170 established the program. PA 01-6 of the June Special Session increased the credit to $4 million from $2 million.

Fiscal Estimates: $0 in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

E. Miscellaneous Exemptions

1. United States and Connecticut state flags

Citation: CGS Sec. 12-412(23)

Description: Sales of United States and Connecticut state flags.

History: PA 73-196 created the exemption.

Fiscal Estimates: Less than $50,000 in FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rational: Expediency.

2. **Gold or silver bullion, legal tender of any nation, rare and antique coins**

   Citation: CGS Sec. 12-412(45)

   Description: Sales of and the storage or use of rare or antique coins, gold or silver bullion and gold or silver legal tender of any nation, traded according to its value as precious metal, provided such exemption shall not be applicable with respect to any such sale, storage or use in which the total value of such bullion or legal tender sold by the retailer is less than one thousand dollars.

   History: The exemption was created by PA 83-509. PA 95-160 added rare and antique coins.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

3. **A motor vehicle or vessel purchased but not registered in this state by a person who is not a resident of this state**

   Citation: CGS Sec. 12-412(60)

   Description: The sale of any motor vehicle or vessel, as defined in section 15-127, in this state when the purchaser of such motor vehicle or vessel is not a resident of this state and does not maintain a permanent place of abode in this state, provided such motor vehicle or vessel is not presented for registration with the Department of Motor Vehicles in this state and such purchaser submits any affidavit or other evidence as may be requested by the Commissioner of Revenue Services concerning such purchaser's residency or place of abode.

   History: PA 87-238 created the exemption for motor vehicles. PA 91-3 of the June Special Session created the exemption for vessels. PA 91-14 of the June Special Session made the provisions relating to vessels effective September 19, 1991. PA 92-17 changed proof of the purchaser's state of residency to a signed affidavit rather than registration of the boat in the purchaser's home state. PA 97-243 provided that the tax rate on vessels sold to nonresidents is the lesser of Connecticut's sales tax rate or the tax rate in the state in which the individual resides. PA 99-173 made technical changes to the exemption for vessels. PA 00-174 deletes requirement for an affidavit for certain information required to be submitted and to add provisions regarding declaration.

   Fiscal Estimates: $130.2 million in FY 22 and $134.5 million in FY 23.

   Taxpayers Benefitting: Under 30,000 purchasers.

   Rationale: Incentive.

4. **Property tax payments under motor vehicle leases**

   Citation: CGS Sec. 12-412(49)

   Description: Any payment made by a lessee of a motor vehicle to a lessor for the purpose of paying the property taxes on any such vehicle under a lease which is otherwise subject to the taxes imposed by this chapter if such lease requires the lessee to pay such property taxes and if a separate statement of the amount of any such property tax payment is contained in such lease or in any bill rendered pursuant to such lease.

History: PA 85-435 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification. The tax applies only to the portion of the payment that covers the lease of the motor vehicle. PA 85-435 created the exemption.

5. **Exemption from use tax for vessels brought into the state exclusively for storage, maintenance or repair**

   Citation: CGS Sec. 12-413a

   Description: Notwithstanding the provisions of section 12-411, the tax imposed there under shall not be applicable, in the period commencing on the first day of October in any year to and including the thirtieth day of April next succeeding, with respect to the use of any vessel within this state exclusively for purposes of (1) delivery of such vessel to a facility in this state for storage, including dry storage and storage in water by means of apparatus preventing ice damage to the hull, maintenance or repair or (2) the actual process of storage, maintenance or repair of such vessel.

   History: PA 83-455 created the exemption. PA 13-151 extended the length of time that boats stored in the winter are exempt from the tax from October 1 to April 30 to October 1 to May 31.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive. The exemption is intended to make in-state businesses more competitive with those out of state.

6. **Payment of sales or use tax to another state**

   Citation: CGS Sec. 12-430(5)

   Description: Any service or tangible personal property that has already been made subject to a sales or use tax by another state or political subdivision at a lesser rate than the tax imposed by Connecticut will incur this state's tax but at a rate measured by the difference between the Connecticut's rate and the rate of the previous tax paid. If the tax paid under the other state or political subdivision is equal to or in excess of the Connecticut rate, then no tax shall be due.

   History: The provision was added to the statutes prior to 1961.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Conformity. Double taxation may violate the Interstate Commerce Clause of the U.S. Constitution.

7. **Casual or isolated sales**

   Citation: CGS Sec. 12-426(1)

   Description: Casual sales are: (1) Infrequent sales of a nonrecurring nature made by a person not engaged in the business of selling tangible personal property; (2) Sales of articles of tangible personal property acquired for use or consumption by a seller and not sold in the regular course of business engaged in by such seller.

History: The exemption is a regulation adopted by the Department of Revenue Services as authorized by CGS Section 12-426(1).

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Efficiency. The amount of revenue which could be collected is considered too small to justify the administrative cost.

8. Tax on casual sales of motor vehicles, vessels, snowmobiles and aircraft

Citation: CGS Sec. 12-431

Description: No use tax shall be payable in cases of purchase of any motor vehicle, snowmobile, vessel or aircraft other than from a licensed dealer (1) when the purchaser is the spouse, mother, father, brother, sister or child of the seller, (2) when a motor vehicle or vessel is sold in connection with the organization, reorganization or liquidation of an incorporated business, (3) when a motor vehicle is sold in connection with the organization or termination of a partnership or limited liability company (4) when a motor vehicle which has been declared a total loss pursuant to the provisions of section 14-16c is rebuilt for sale or use, provided the purchaser was subjected to the tax imposed by this chapter for the last taxable sale of said vehicle.

History: The exemption was created prior to 1957 and was subsequently amended several times. The 1959 acts clarified when the use tax is not paid. PA 76-199 included boats. PA 77-614 made a technical change. PA 82-416 provided that transfer of a boat under such conditions be allowed the same exemption from use tax as in the case of a motor vehicle. PA 86-73 required that any property tax applicable to the motor vehicle transferred under subdivision (a) or (b) becoming due prior thereto shall be paid in full before registration of the motor vehicle transferred may be obtained. PA 88-6 changed "airplane" to "aircraft" and provided for payment of use tax by a purchaser of aircraft before obtaining registration. PA 88-7 deleted provisions requiring those eligible for exemption evidence that applicable property tax has been paid in full. PA 88-24 restated certain provisions regarding the transfer of a motor vehicle in connection with the organization or termination of a partnership. PA 89-123 substituted the term "vessel" for the term "boat" wherever it appeared. PA 91-3 of the June Special Session added Subsection (b), concerning the method of valuation of motor vehicles under this section. PA 95-260 extended the exemption to the transfer of a motor vehicle declared a total loss and rebuilt for sale or use. PA 97-243 added "licensed motor vehicle lessor." PA 99-173 expanded the exemption to sales in connection with the organization or termination of limited liability companies. PA 00-174 deleted a provision regarding the federal treatment of casual sales and made technical changes.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency/Clarification. Expediency with regard to transfers to family members. The Clarification is with regard to business-related transfers.

9. **Mobile manufactured home, modular or prefabricated home subject to sales tax when sold by manufacturer and subject to tax as a conveyance of realty when sold at its location in a mobile manufactured home park**

   Citation: CGS Sec. 12-412c.

   Description: (a) The sale of a new mobile manufactured home and the sale of a new modular or prefabricated home from a manufacturer shall be subject to sales and use taxes, except that for purposes of said taxes the sales price of such new mobile manufactured home or new modular or prefabricated home shall be deemed to be seventy per cent of the manufacturer's sales price applicable with respect to such sale.

   (b) The resale of any mobile manufactured home located in a mobile manufactured home park licensed pursuant to chapter 412 or located on a single-family lot as a permitted nonconforming use or as otherwise permitted by the zoning regulations of the municipality in which the home is located and the resale of any modular home, shall be exempt from the sales and use taxes imposed by this chapter and shall be taxed as a conveyance of realty in accordance with the provisions of chapter 223.

   History: PA 85-512 created the resale exemption and PA 86-310 created the 30% exemption. PA 88-364 made a technical correction. PA 93-332 added new modular or prefabricated homes.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Clarification/Redundancy. Clarification as it relates to 30% of a new unit's price. Sales Tax is due on the tangible personal property used in new home construction but not on the cost of labor. The 30% exemption represents the approximate labor cost for this type of dwelling. Redundancy as it relates to resale of mobile homes. The exemption prevents the double taxation of such transactions since they are subject to the Real Estate Conveyance Tax.

F. Items Subject to a Lower Sales Tax Rate or Basis

1. **Motor vehicles sold to members of the armed forces**

   Citation: CGS Sec. 12-408(1)(C) and 12-411(1)(C)

   Description: Motor vehicles sold to members of the armed forces on full-time active duty in the state but whose permanent residence is elsewhere (4.5%).

   History: The exemption was created by PA 84-545. PA 97-243 added the requirement that retailer maintain an affidavit or other evidence with respect to sales of motor vehicles to members of the armed forces concerning the buyer's state of residence and made technical and renumbering changes. PA 98-244 allowed a reduction in the tax rate and exemption for military when the name of the spouse is on the title of the motor vehicle. PA 00-170 eliminated the affidavit requirement for motor vehicle sales to armed forces personnel.

   Fiscal Estimates: $200,000 in FY 22 and FY 23.

   Taxpayers Benefitting: Between 500 to 1,000 service members.

   Rationale: Incentive. The lower rate is intended to encourage military personnel to buy and register their motor vehicles in-state.

2. **Trade-in of motor vehicles, snowmobiles, vessels or farm tractors**

   Citation: CGS Sec. 12-430(4)

   Description: Where a trade-in of a motor vehicle is received by a motor vehicle dealer, upon the sale of another motor vehicle to a consumer, or where a trade-in of an aircraft, as defined in subdivision (5) of section 15-34, is received by an aircraft dealer, upon the sale of another aircraft to a consumer, or where a trade-in of a farm tractor, snowmobile or any vessel, as defined in section 15-127, is received by a retailer of farm tractors, snowmobiles or such vessels upon the sale of another farm tractor, snowmobile or such vessel to a consumer, the tax is only on the difference between the sale price of the motor vehicle, aircraft, snowmobile, farm tractor or such vessel purchased and the amount allowed on the motor vehicle, aircraft, snowmobile, farm tractor or such vessel traded in on such purchase. When any such motor vehicle, aircraft, snowmobile, farm tractor or such vessel traded in is subsequently sold to a consumer or user, the tax provided for in this chapter applies.

   History: The exemption was added to the statutes prior to 1961. In 1961 it was limited to Connecticut motor vehicle dealers. In 1969 snowmobiles were added, references to in-state dealers were deleted, and a special provision for computing the tax between 1969 and 1971 was added. The 1971 acts deleted the special tax computation provision. PA 73-518 added vessels. PA 74-338 made a technical change. PA 94-4 of the May Special Session added the exemption for aircraft trade-ins.

   Fiscal Estimates: Combined estimates for Items 2, 3, 4, and 5 and 3: $66 million in FY 22 and $68.2 million in FY 23.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

3. **Determination of sales tax on certain construction equipment or machinery when such equipment or machinery is traded in on purchase**

   Citation: CGS Sec. 12-430a

   Description: In any sale at retail of construction equipment or machinery, the source of power for which is an integral part of any individual unit of such equipment or machinery, which sale is made by a retailer of such equipment or machinery who accepts a trade-in of such equipment or machinery in such sale, the sales tax with respect to such sale shall not be applicable to the entire purchase price of such equipment or machinery but shall be imposed on the difference between such purchase price and the amount allowed by the retailer on such equipment or machinery traded in as a credit against the entire purchase price of such equipment or machinery purchased. When any such equipment or machinery traded in is subsequently sold to a consumer or user, the tax imposed under this chapter shall be applicable to such sale.

   History: PA 85-457 created the exemption.

   Fiscal Estimates: See Fiscal Estimate for Item 2.

   Taxpayers Benefitting: Indeterminate.

   Rationale: Incentive.

4. **Coupons and discounts and battery deposits and trade-ins of like kind**

Citation: CGS Secs. 12-407(8) and 12-407(9)

Description: Coupons and discounts and battery deposits and trade-ins of like kind are excluded from the definition of "sales price" and "gross receipts."

History: PA 98-110 added coupons and discounts, battery deposits and trade-ins of like kind, effective 7/1/98.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

5. **Trade in of core parts**

Citation: CGS Sec. 12-412j

Description: In any sale at retail of any new or remanufactured part of an item of tangible personal property to a purchaser, which sale is made by a retailer of such parts who will accept in return from such purchaser a core component or core part of such tangible personal property, the sales or use tax with respect to such sale shall be imposed on the difference between the purchase price and the amount allowed by the retailer on the returned core component or core part, provided the retailer shall collect the tax, at the time of sale, on the purchase price and, when the core component or core part is returned, shall refund such tax on the amount allowed by the retailer on the returned core component or core part. When any such core component or core part traded in is subsequently sold to a consumer or user, the taxes imposed under this chapter shall be applicable to such sale.

History: PA 95-327 created the exemption. PA 96-172 expanded exemption to motor bus parts. PA 98-110 clarified when the tax must be collected by the retailer.

Fiscal Estimates: See Fiscal Estimate for Item 2.

Taxpayers Benefitting: Indeterminate.

Rationale: Expediency.

6. **Licensed motor vehicle dealers**

Citation: CGS Sec. 12-430(6)

Description: When a licensed motor vehicle dealer replaces a motor vehicle which has been registered to such dealer and the replaced motor vehicle is no longer in the possession of or used by such dealer, the tax imposed by this chapter shall be applicable only with respect to the difference between such dealer's cost for the new motor vehicle being registered, which motor vehicle is the replacement for said replaced motor vehicle, and the wholesale value of said replaced motor vehicle at the time of its replacement, determined in accordance with a standard reference book for such values acceptable to the Commissioner of Revenue Services.

History: PA 73-520 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive. The exemption is intended to reduce the cost of doing business for instate firms. It parallels the exemption for consumers (above), which permits trade-in allowances to be deducted from the purchase price of motor vehicles.

7. **Vessels, motors for vessels, trailers used for transporting a vessel, and marine dyed diesel fuel**

Citation: CGS Sec. 12-408(1)(E)(ii) and (iii) and CGS 12-411(1)(D)(ii)(II) and (III)

Description: Vessels, motors for vessels, trailers used for transporting a vessel, and marine dyed diesel fuel are taxed at 2.99%.

History: PA 18-81 created the exemption. PA 19-117 lowered the rate for marine dyed diesel fuel from 6.35% to 2.99%.

Fiscal Estimates: $11.4 million in FY 22 and $11.8 million FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

Tax Credits Claimed Against the Sales and Use Tax

1. **Film production**

Citation: CGS Sec. 12-217jj

Description: The credit is available to companies that produce qualified entertainment content wholly or in part in this state. Qualified activities include production of: (1) motion pictures, (2) television programming, (3) sound recordings, (4) music videos, (5) video games, (6) commercials (infomercials are ineligible) and (7) certain interactive websites. The credit is administered by the Department of Economic and Community Development (DECD). The credit is as follows:

Film Production Credit

Income Year	Minimum Production Expenditure	% Credit
2007 to 2009	$50,000	30%
2010 & after	$100,000 to $500,000	10%
	$500,000 to $1 million	15%
	Over $1 million	30%

Beginning with the 2010 income year, credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credit vouchers may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred. However, tax credit vouchers issued on or after July 1, 2015 may be claimed in the year the expenses were incurred or in the next five income years. Credits are not refundable.

History: PA 06-83 enacted the credit effective with the 2006 income year. PA 06-186 amended the language. PA 07-236: (1) allowed the credit to be applied against the insurance premium tax as well as the corporation tax and (2) changed the types of productions and expenses that are eligible. PA 07-4 (JSS) eliminated a partial credit for out of state expenditures that was added by PA 07-236. PA 08-142: (1) makes the insurance premiums tax credit retroactive to income years beginning between January 1, 2006 and January 1, 2007 and (2) permits insurance premiums tax and corporation tax credits for income years between January 1, 2006 and January 1, 2007 to be resold or transferred up to three times. PA 09-3 (JSS): (1) changed the minimum project expenditure and percentage of the credit beginning with the 2010 income year, (2) changed the requirements for eligible production expenditures beginning with the 2010 income year and (3) made infomercials ineligible for the credit. PA 11-61 specified that: (1) qualified productions must conduct no less than 50% of principal photography days within the state or expend no less than 50% of post-production costs within the state or expend not less than $1.0 million of post-production costs within the state, (2) for income years beginning on or after January 1, 2011, and prior to January 2, 2012, a production company may not transfer more than 50% of the film production tax credit in any one income year, (3) for income years beginning on or after January 1, 2012, a production company may not transfer more than 25% of the film production tax credit in any one income year, and (4) any production that is created in whole or in significant part at a "qualified production facility"[1] within the state shall not be subject to transfer limitations. PA 11-1 (OSS) expands the types of qualified productions that are eligible for film production tax credits to include "relocated television productions." It defines a relocated television production as an eligible production company's ongoing television program that (1) has filmed all of its prior seasons outside Connecticut, (2) may include certain current events shows, and (3) is created at a qualified production facility that meets specified investment and job creation thresholds on or after January 1, 2012. Productions featuring current events are not currently eligible for film production tax credits. PA 13-247 establishes a two-year moratorium on film production tax credits for FY 14 and FY 15 by barring the issuance of tax credit vouchers during those years for motion pictures that have not been designated as state-certified productions prior to July 1, 2013, with certain exceptions; PA 15-244 extends the moratorium for an additional two years through FY 17; PA 17-2 JSS makes the moratorium permanent. PA 15-5 JSS extends the length of time in which entities must claim all or part of the credits from three to five years following the year in which the qualified expenditures were incurred for vouchers issued on or after July 1, 2015. PA 17-2 JSS allows any film production tax credit that is sold, assigned or otherwise transferred, to be claimed at a discount against the gross receipts tax on cable, satellite, and competitive video services under certain circumstances. PA 21-2 JSS allows film and digital media production tax credits to be claimed at a discount against the sales and use tax under certain circumstances.

Fiscal Estimates: $10 million in FY 22 and $20 million FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

[1]A "qualified production facility" means a facility: (1) located in Connecticut, (2) intended for film, television, or digital media production and (3) that has a minimum investment of $3 million, or less if the DECD Commissioner determines such facility otherwise qualifies.

BUSINESS TAXES

Business entities are taxed for the privilege of: (1) doing business within the state, (2) owning or leasing in-state property, or (3) maintaining an office within the state. Connecticut has three business taxes that apply to different organizational structures.

Unrelated Business Income Tax (applicable to nonprofit corporations)
The tax is imposed on nonprofit corporations with income from businesses unrelated to their nonprofit status. It uses the same rate (CGS Sec. 12-242bb(a)) as the corporation business tax's net income base (see below) and a 3-factor apportionment formula (CGS Sec. 12-242bb(b)).

Corporation Business Tax (applicable to corporations)

Tax Rate and Basis: Corporations are subject to tax on income derived from in-state sources. The tax has three bases (see below). A taxpayer's liability is the greatest amount computed under any of the three.

1. **Net Income Base**: Liability under this base is calculated by multiplying the portion of a corporation's total net income that is taxable in this state (determined by apportionment) by the tax rate and surcharge that are applicable in that income year. This amount may be further reduced by subtracting any tax credits that a corporation is eligible to claim.

   Tax rates: The table below shows tax rates and surcharges for the net income base by income year:

Net Income Base Tax Rates and Surcharges

Income Year	Tax Rate CGS Sec. 12-214(a)	Surcharge CGS Sec. 12-214(b)	Legislation
1994	11.50%	none	none
1995	11.25%	none	PA 93-74[1]
1996	10.75%	none	PA 95-160[2]
1997	10.50%	none	none
1998	9.50%	none	none
1999	8.50%	none	none
2000	7.50%	none	none
2001	7.50%	none	none
2002	7.50%	none	none
2003	7.50%	20%	PA 03-2[3]
2004	7.50%	25%	PA 03-1 (JSS)[4]
2005	7.50%	none	none
2006	7.50%	20%	PA 05-251[5]
2007	7.50%	none	PA 06-186[6]
2008	7.50%	none	none
2009	7.50%	10%	PA 09-3 (JSS)[7]
2010	7.50%	10%	PA 09-3 (JSS)[7]

Income Year	Tax Rate	Surcharge	Legislation
	CGS Sec. 12-214(a)	CGS Sec. 12-214(b)	
2011	7.50%	10%	PA 09-3 (JSS)[7]
2012	7.50%	20%	PA 11-6[8]
2013	7.50%	20%	PA 11-6[8]
2014	7.50%	20%	PA 13-184[9]
2015	7.50%	20%	PA 13-184[9]
2016	7.50%	20%	PA 15-244[10]
2017	7.50%	20%	PA 15-244[10]
2018	7.50%	10%	PA 15-244[10]
2019	7.50%	10%	PA 19-117[11]
2020	7.50%	10%	PA 19-117[11]
2021	7.50%	10%	PA 21-2 JSS[12]
2022	7.50%	10%	PA 21-2 JSS[12]
2023 and after	7.50%	none	PA 21-2 JSS[12]

[1]PA 93-74 reduced the tax rate to 11.25% for the 1995 income year, 11.0% for the 1996 income year, 10.5% for the 1997 income year and 10% for the 1998 income year.

[2]PA 95-160 reduced the tax rate to 10.75% for the 1996 income year, 9.5% for the 1998 income year, 8.5% for the 1999 income year and 7.5% for the 2000 income year and thereafter. (The rate for the 1997 income year did not change.)

[3]PA 03-2 imposed a 20% surcharge for the 2003 income year.

[4]PA 03-1 (J30SS) imposed a 25% surcharge for the 2004 income year.

[5]PA 05-251 imposed a 20% surcharge for the 2006 income year and a 15% surcharge for the 2007 income year.

[6]PA 06-186 eliminated the 15% surcharge for the 2007 income year.

[7]PA 09-3 (JSS) imposed a 10% surcharge for the 2009, 2010 and 2011 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.

[8]PA 11-6 imposed a 20% surcharge for the 2012 and 2013 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.

[9]PA 13-184 imposed a 20% surcharge for the 2014 and 2015 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.

[10]PA 15-244 imposed a 20% surcharge for the 2016 and 2017 income years, and a 10% surcharge for the 2018 income year, for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.

[11]PA 19-117 imposed a 10% surcharge for the 2019 and 2020 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.

[12]PA 21-2 imposed a 10% surcharge for the 2021 and 2022 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.

Apportionment of Net Income: Net income equals gross income, as defined in the Internal Revenue Code, minus any deductions for which a corporation qualifies. The amount of a corporation's total net income that is taxable in Connecticut is calculated by a process called apportionment. This process compares the amount of income that is derived from the corporation's business activities carried on in-state versus the amount derived from business carried on everywhere. The resulting fraction is multiplied by the corporation's total net income to determine the portion that is subject to tax in this state. The statutes provide specific rules indicating how corporations in different economic sectors are required to apportion their income.

1. Three factor apportionment: Through the 2015 income year, corporations that derive their income from the sale or use of tangible personal or real property use a 3-factor formula for determining taxable net income in Connecticut. The 3 factors are: (1) sales (which is double weighted), (2) payroll and (3) property (CGS Sec. 12-218(c), PA 15-1 DSS).

2. One factor apportionment: Beginning with the 2016 income year, most corporations determine their net income based only on unweighted ("single factor") sales (PA 15-1 DSS). Receipts for sales of service and intangible property are required to be sourced on a market basis (PA 16-3 MSS).

   Through the 2015 income year, a one-factor formula is used for the following business sectors:

   a. Sales of services – apportionment is based on gross receipts assignable to the state. CGS Sec. 12-218(b)
   b. Bus companies that transport passengers and motor carriers that transport property for hire – apportionment is based on the relative number of miles driven in state. CGS Secs. 12-218(d) & 12-218(e)
   c. Management, distribution or administrative services provided to or on behalf of a regulated investment company (mutual fund) – apportionment is based on the proportion of shares in the fund owned by shareholders domiciled in Connecticut. CGS Sec. 12-218(f)
   d. Securities brokerage service companies – apportionment is based on the proportion of commissions and margin interest paid to accounts owned by clients domiciled in Connecticut. CGS Sec. 12-218(g)
   e. Banks that issue credit cards and regularly engage in credit card activities – apportionment is based on the proportion of receipts derived from credit card holders located within Connecticut. CGS Sec. 12-218(j)
   f. Manufacturers and broadcasters – apportionment is based on gross receipts assignable to the state. CGS Secs. 12-218(k) & (l)
   g. Financial service companies – apportionment is based on total receipts assignable to the state (CGS Sec. 12-218b(b)(1)). PA 98-110 excludes financial services companies from using the capital base to calculate their tax liability or paying the minimum tax.

2. **Capital Base:** Liability under this base tax is calculated by multiplying: (1) the average value of issued and outstanding capital stock and surplus reserves, and (2) the tax rate of .0031% (3.1 mills) plus any surcharge applicable in that income year (CGS Sec. 12-219(a)(1)).[2] This amount may be further reduced by subtracting any tax credits that a corporation is eligible to claim. The maximum tax liability under the capital base is $1 million (CGS Sec. 12-219(a)(1)(C)).

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[2]Per PA 21-2 JSS the capital base tax rate is reduced to 2.6 mills in 2024, 2.1 mills in 2025, 1.6 mills in 2026, 1.1 mills in 2027, and zero mills in 2028 and beyond.

Capital Base Surcharges

Income Year	Tax Rate CGS Sec. 12-219(a)(1)	Surcharge CGS Sec. 12-219(b)	Legislation
2002	0.0031%	none	none
2003	0.0031%	20%	PA 03-2[1]
2004	0.0031%	25%	PA 03-1 (JSS)[2]
2005	0.0031%	none	
2006	0.0031%	20%	PA 05-251[3]
2007	0.0031%	none	PA 06-186[4]
2008	0.0031%	none	
2009	0.0031%	10%	PA 09-3 (JSS)[5]
2010	0.0031%	10%	PA 09-3 (JSS)[5]
2011	0.0031%	10%	PA 09-3 (JSS)[5]
2012	0.0031%	20%	PA 11-6[6]
2013	0.0031%	20%	PA 11-6[6]
2014	0.0031%	20%	PA 13-184[7]
2015	0.0031%	20%	PA 13-184[7]
2016	0.0031%	20%	PA 15-244[8]
2017	0.0031%	20%	PA 15-244[8]
2018	0.0031%	10%	PA 15-244[8]
2019	0.0031%	10%	PA 19-117[9]
2020	0.0031%	10%	PA 19-117[9]
2021	0.0031%	10%	PA 21-2 JSS[10]
2022	0.0031%	10%	PA 21-2 JSS[10]
2023 and after	0.0031%	none	PA 21-2 JSS[10]

[1]PA 03-2 imposed a 20% surcharge for the 2003 income year.
[2]PA 03-1 (JSS) imposed a 25% surcharge for the 2004 income year.
[3]PA 05-251 imposed a 20% surcharge for the 2006 income year and a 15% surcharge for the 2007 income year.
[4]PA 06-186 eliminated the 15% surcharge for the 2007 income year.
[5]PA 09-3 (JSS) imposed a 10% surcharge for the 2009, 2010 and 2011 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.
[6]PA 11-6 imposed a 20% surcharge for the 2012 and 2013 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.
[7]PA 13-184 imposed a 20% surcharge for the 2014 and 2015 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax.

[8]PA 15-244 imposed a 20% surcharge for the 2014 and 2015 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.
[9]PA 19-117 imposed a 10% surcharge for the 2019 and 2020 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.
[10]PA 21-2 JSS imposed a 10% surcharge for the 2021 and 2022 income years for companies that have: (1) $100 million or more in annual gross income for those years and (2) a tax liability that exceeds the $250 minimum tax, or (3) that file as part of a combined or unitary return.

3. **Minimum Tax:** Corporations owing less than $250 under either the net income or the capital base are required to pay the minimum tax of $250. No surcharge is imposed on minimum tax payers. Companies paying the minimum tax are not permitted to use tax credits to reduce their liability below the $250 minimum tax (CGS Secs. 12-219(a)(1)(C) &12-223c).

Combined Returns: Through the 2015 income year if a corporation is permitted to file a federal consolidated return, it may elect to file a combined return in Connecticut (CGS Sec. 12-223a). Corporations filing combined returns are not entitled to the first $500,000 of tax savings over what they would have paid if they filed separately (CGS Sec. 12-223f as amended by PA 09-3 (JSS)). Taxpayers may no longer file combined returns for income years beginning on or after January 1, 2016 (PA 15-244, PA 15-5 JSS).

Elective Unitary Returns: Elective unitary returns measure the entire net income of all of the corporations included in the unitary group as if they were one corporation. Corporations that are subject to the add-back of interest expenses paid to related members may elect to calculate their tax on a unitary basis provided there are substantial intercorporate business transactions among the included corporations (CGS Sec. 12-218d). Taxpayers may otherwise petition the Commissioner of Revenue Services for approval. The combined entire net income of the unitary group is apportioned to Connecticut as if it was one corporation. Taxpayers may no longer file elective unitary returns for income years beginning on or after January 1, 2016 (PA 15-244, PA 15-5 JSS).

Mandatory Unitary Combined Reporting: Effective for income years beginning on or after January 1, 2016, commonly owned corporations that are engaged in a unitary business, where at least one corporation is subject to the corporation business tax, are required to file their returns on a unitary basis (PA 15-244, PA 15-5 JSS, PA 15-1 DSS).

Corporations exempt from the tax:

1. **Insurance companies**

   Citation: CGS Sec. 12-214(a)(2)(A)

   Description: The exemption is for domestic and foreign[3] insurance companies.

   History: PA 98-110 exempted domestic companies from the tax effective with the 1999 income year. PA 73-350 modified the exemption.

[3]Foreign or nonresident insurance companies are incorporated under the laws of another state or foreign government but must be licensed by the insurance department in order to issue policies in this state.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Approximately 1,200.

Rationale:

- Domestic insurance companies – Redundancy: These companies are subject to taxation under the insurance premiums tax.

- Foreign insurance companies – Expediency: Connecticut does not tax companies headquartered in other states to avoid having retaliatory taxes imposed by those states on insurance companies headquartered in Connecticut.

2. Domestic international sales corporations (DISCs)

Citation: CGS Sec. 12-214(a)(2)(B)

Description: DISCs are U.S. companies whose income is derived primarily from foreign sales; the exemption is for DISCs that are exempt from the federal income tax.

History: PA 72-271 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

3. Railroad companies

Citation: CGS Sec. 12-214(a)(2)(C) and (D)

Description: The exemption is for railroad companies that are subject to the utility gross earnings tax.

History: 1915 Ch. 292 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Fewer than 10.

Rationale: Redundancy.

4. Cooperative housing corporations

Citation: CGS Sec 12-214(a)(2)(E)

Description: The exemption is for cooperative housing corporations, as defined in Section 21b of the IRS Code, whether or not they have any federal taxable income.

History: A cooperative housing corporation exemption with certain residence and corporate membership restrictions was enacted in 1965. A general exemption was provided for any corporation with no federal taxable income in 1969. PA 94-4 broadened the exemption to include cooperative housing corporations that had federal taxable income, retroactive to 1990 income year.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity (1965 & 1969 exemptions) and Expediency (1994 exemption).

5. Political associations

Citation: CGS Sec 12-214(a)(2)(F)

Description: The exemption is for organizations established and operated for political purposes that are exempt from federal taxation.

History: PA 75-101 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

6. Alternate energy systems companies

Citation: CGS Sec. 12-214(a)(2)(G)

Description: The exemption is for companies that: (1) are not owned or controlled by another company; (2) have a gross annual revenue of less than $100 million; and (3) are engaged in the research, design manufacture, sale or installation of alternative energy systems. The company's net income must be directly attributable to alternative energy systems.

History: PA 80-406 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

7. Aero-derived gas turbine systems

Citation: CGS Sec. 12-214(a)(2)(H)

Description: The exemption is for companies that engage in the research, design, manufacture or sale of aero-derived gas turbine systems used in advanced industrial applications in this state.

History: PA 92-152 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

8. Non-US corporations whose sole activity in state is the trading of stocks, commodities and securities

Citation: CGS Sec. 12-214(a)(2)(I)

Description: The exemption is for foreign corporations whose only presence within the state relates to the trading of stocks, commodities, and securities.

History: PA 98-244 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

9. Subchapter S-corporations[4]

Citation: CGS 12-214(a)(2)(J)

Description: The exemption is for businesses electing to be taxed as a corporation through subchapter S of the IRS code.

History: PA 96-175 phased out the tax on the net income of Subchapter S corporations by reducing the percentage that was taxable. The Corporation Tax on S corporations was completely phased out at the end of the 2001 income year and they became taxable under the business entity tax for the 2002 income year (see above).

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Fewer than 175,000.

Rationale: Expediency.

10. Regulated investment companies[5] (RICs) and real estate investment trusts (REITs)

Citation: CGS Sec. 12-217(a)(1)(B) and 217(a)(3) exempt these entities from the net income base of the tax and CGS Sec. 219(c) exempts them from the capital base and the minimum tax.

Description: Regulated Investment Company (RIC) means a regulated investment company as defined in I.R.C. §851. DRS Ruling 93-24 states that distributions paid by the RIC to the company that are "exempt-interest dividends," as defined in 26 U.S.C. § 852(b)(5), and "capital gain dividends," as defined in 26 U.S.C. § 852(b)(3)(C), are not "dividends as defined in the federal income tax law" because federal law transforms their character from dividend income to exempt-interest income and capital gain income, respectively. Therefore, "exempt-interest dividends" and "capital gain dividends" may not be deducted under Conn. Gen. Stat. § 12-217(a)(D). Distributions paid by the RIC to the company that are not "exempt-interest dividends" or "capital gain dividends" may be deducted under Conn. Gen. Stat. § 12-217(a)(D), provided that such distributions are "dividends" as defined in 26 U.S.C. § 316 and

[4]Subchapter S is a section of the federal income tax code.
[5]Regulated investment companies are mutual funds.

no provision of federal income tax law expressly transforms their dividend character, and provided that the RIC is a domestic corporation.

History: PA 93-74 enacted the exemption effective with the 1993 income year.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive and Expediency.

11. Passive investment companies (PICs)

Citation: CGS Sec. 12-213(a)(9)(C)

Description: The exemption is for the income of PICs, which is derived from investments that earn interest, dividends, and/or capital gains.

History: PA 98-110 enacted the exemption effective with the 1999 income year.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

12. Municipal risk management agencies

Citation: CGS Sec. 12-219(c)

Description: The exemption is for associations formed by two or more municipalities or other local government units to insure against public liability, automobile and property risk.

History: PA 94-4 MSS clarified that municipal risk management agencies are exempt from the capital base and the minimum tax, effective with the 1980 income year. This type of organization does not have a tax liability under the net income base.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

13. Electric cooperatives

Citation: CGS Sec. 33-240 imposes a $25 fee on these companies and exempts them from all other excise and income taxes.

Description: Imposes a $25 licensing fee on electric cooperatives and exempts them from all excise and income taxes.

History: 1941 Ch. 287 created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Clarification.

14. Companies located in an insurance and financial services export zone

Citation: CGS Sec. 32-538(a)

Description: The exemption is for companies that: (1) have their corporate headquarters located in the insurance and financial export zone in the City of Hartford and (2) conduct all of their business outside of the United States.

History: PA 96-253 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive and Expediency.

Deductions available under the net income base: These deductions are used in the calculation of a corporation's net income. They are not available under the capital base because they do not relate to capital stock or surplus reserves.

1. Earnings from international banking facilities (IBFs)

Citation: CGS Sec. 12-217(a)(1)(C)

Description: International banking facilities (IBFs) are defined in federal regulations, which dictate state tax treatment of these entities. IBFs enable U.S. banks to use their domestic U.S. offices to offer foreign customers.

History: PA 81-245 enacted the deduction.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

2. Dividends from domestic international sales corporations (DISCs) or foreign sales corporations (FSCs)

Citation: DISCs: CGS Sec. 12-217(a)(1)(D). FSCs: CGS Sec. 12-213(a)(9)(B)

Description: Domestic international sales corporations (DISCs) are U.S. companies whose income is derived primarily from foreign sales. Foreign sales corporations (FSCs) no longer exist. FSC rules were repealed as of 9/30/00 after a determination by the World Trade Organization (WTO) that FSCs were an illegal export subsidy. Federal tax law formerly allowed U.S. companies to receive a tax reduction for profits derived from exports received through an offshore FSC subsidiary.

History: PA 81-245 enacted the deduction.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

3. Net operating loss (NOL) carryforward

Citation: CGS Sec. 12-217(a)(4)(A)

Description: Loss carryforwards smooth out fluctuations in corporate profits, which may change dramatically with economic conditions. Like federal law, prior year losses must be applied against income to the maximum extent possible and in a consecutive fashion during the carryover period, so that losses from the earliest years are used first. Federal law allows losses to be carried forward 20 years or carried back two years; the state deduction can be carried forward for 20 years.

History: PA 73-350 created the deduction. PA 99-173 extended the carryforward period from five years to 20 years. PA 15-244 limits the applicability of loss carryforwards to 50% of net income in any income year. PA 15-5 JSS allows certain filers with over $6 billion in NOLs from pre-2013 tax years to elect to use NOLs sooner than the limitations included in PA 15-244 would otherwise allow; PA 15-1 DSS establishes a minimum tax liability of $2.5 million for any filer making such an election.

Fiscal Estimates: $87.8 million in FY 22 and $92.2 million in FY 23.

Taxpayers Benefitting: Approximately 7,100.

Rationale: Conformity.

4. Net capital loss carryforward

Citation: CGS Sec. 12-217(a)(4)(B)

Description: The deduction is for net capital losses, as defined by federal corporate income tax law. The deduction can be carried forward for 5 years.

History: PA 73-350 enacted the deduction.

Fiscal Estimates: $700,000 in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 60.

Rationale: Conformity.

5. Unpaid loss reserve adjustment for non-life insurance companies

Citation: CGS Sec. 12-217(a)(5)

Description: An unpaid loss reserve is an estimate of the unpaid amounts required to settle a defined group of claims as of a particular accounting date. The deduction is for the unpaid loss reserve adjustment for non-life insurance companies that is required by the federal code.

History: PA 93-74 enacted the deduction.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Clarification and Conformity.

6. Capital gains from the sale to be preserved as open space or watershed land

Citation: CGS Sec. 12-217(a)(1)(E)

Description: The deduction is for capital gains realized from the sale of open space or land to: (1) the state, (2) a municipality, (3) a non-profit land conservation organization, or (4) a water company. The land must be permanently preserved space or as Class I or Class II water company land to qualify for the deduction.

History: PA 99-173 enacted the deduction.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

7. Manufacturing reinvestment accounts

Citation: CGS Sec. 32-9zz

Description: The Manufacturing Reinvestment Account (MRA) program allows manufacturers with 150 or fewer employees to deposit to 100% of their domestic gross receipts up to a maximum of $100,000 each year for five years in an interest-bearing MRA to save for various qualified purposes. Under the program, corporation taxes on the MRA funds are lowered through an exemption of 100% of the total funds deposited.

History: PA 11-140 established the program. PA 11-1 (OSS) increased the number of allowable participants from 50 to 100 and the maximum set-aside amount from $50,000 to $100,000. PA 14-69 increases the MRA exemption from 50% to 100% of qualified withdrawals, reduces from 100 to 50 the number of manufacturers that may participate in the program, and increases from 50 to 150 the maximum number of employees a manufacturer may have to be eligible for the program.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Up to 50.

Rationale: Incentive.

Tax Credits Claimed Against the Corporation Tax

The most recent data indicates the following credits are used to reduce corporations' tax liability. Companies are prohibited from using the credits to reduce their tax liability below the $250 minimum tax, beginning with the 2002 income year (CGS Sec. 12-219(a)(3) and 223(c)). Through the 2014 income year, the total value of credits allowed in any income year is limited to 70% of pre-credit tax liability under either the net income or the capital base (CGS Sec. 12-217zz). Beginning with the 2015 income year the limit is reduced to 50.01% of pre-credit liability (PA 15-244), though the limit is gradually raised over four years back to the 70% level by the 2019 income year with respect to the Research and Development and Urban and Industrial Site Reinvestment tax credits only. PA 19-117 reduces the limit from 70% to 50.01% for Research and Development and Urban and Industrial Site Reinvestment tax credits effective with the 2019 income year. PA 21-2 JSS increases the limit for Research and Development tax credits to 60% for the 2022 income year and 70% for the 2023 income year and each year thereafter.

2. $2.5 million limit on tax liability increases due to unitary filing

Citation: CGS Sec. 12-218e(k)(1)

Description: The credit establishes a $2.5 million cap on the amount a combined group's tax, calculated on a unitary basis, can exceed the tax it would have paid on a separate basis (i.e., its nexus combined base tax).

History: PA 15-1 DSS enacted the exemption.

Fiscal Estimates: $40 million in FY 22 and FY 23.

Taxpayers Benefitting: Between 10 and 15.

Rationale: Expediency.

3. Apprenticeship training credit in construction, manufacturing, and plastics trades

Citation: CGS Sec. 12-217g

Description: The credit is available to businesses in the construction, manufacturing, plastics and plastics-related trades that employ apprentices. It is administered by the Department of Labor. For the manufacturing and plastics trades, the credit is the lesser of: (1) 50% of the actual wages paid to apprentices in the income year or (2) up to $7,500 per apprenticeship. For the construction trades, the credit is the lesser of: (1) 50% of the actual wages paid to the apprentice or (2) up to $4,000 per apprenticeship. The construction trades credit is awarded in the year the apprentice completes a 4-year program. Pass-through entities may earn the manufacturing apprenticeship credit which may be sold, assigned, or transferred in whole or in part no more than three times and may be utilized against the Corporation Business Tax, Public Service Companies Tax, or the Petroleum Products Gross Earnings Tax. There are no carryback or carryforward provisions.

History: PA 79-475 enacted the credit for the machine tool and metal trades. PA 94-4 MSS changed the hourly wage requirements. PA 95-284 extended the credit to plastics trades. PA 97-295 substituted "manufacturing trades" for machine tool and metal trades, and extended the credit to the construction trades. PA 06-174 changes the construction trades credit: (1)

nonunion businesses qualify for the credit, (2) the credit is awarded in the year the apprentice completes a 4-year program, (3) the credit amount is based on the number of hours completed by the apprentice, and (4) the credit limit is raised from $1,000 to $4,000. PA 13-265 increases the manufacturing apprenticeship credit limit from $4,800 to $7,500. PA 14-217 allows pass-through entities to earn apprenticeship tax credits for manufacturing trades and sell, assign, or transfer them to other taxpayers, including corporations that may in turn claim the tax credits to reduce their corporation tax liability. PA 15-1 DSS allows pass-through entities to sell, assign, or transfer the credits to other taxpayers for use against their utility companies or petroleum products gross earnings tax liability.

Fiscal Estimates: $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 15.

Rationale: Incentive.

4. CHESLA Loan Repayment

Citation: PA 19-86

Description: The credit is available to businesses that make eligible education loan payments on a qualified employee's behalf. The credit equals 50% of the payments an employer makes on the outstanding principal balance of an eligible employee's education loan up to a maximum credit of $2,625 per employee per income year. Eligible loans are those issued by the Connecticut Higher Education Supplemental Loan Authority to refinance student loans.

History: PA 19-86 enacted the credit.

Fiscal Estimates: None in FY 22 and up to $525,000 in FY 22 (credit is available beginning with the 2022 income year).

Taxpayers Benefitting: Fewer than 200.

Rationale: Incentive.

5. Donation of land for educational use

Citation: CGS Sec. 12-217ff

Description: The credit is for land donated without any financial consideration or sold at a discounted price to a municipality or political subdivision of the state for educational use. The credit is 50% of the difference between fair market value and the amount received for the donated land. Unused credits may be carried forward 55 years.

History: PA 04-200 enacted the credit effective June 3, 2003. PA 13-232 extends, from 15 to 25 years, the maximum time during which taxpayers may carry forward the corporation business tax credit for donating land for educational uses.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 5.

Rationale: Incentive.

6. Electronic data processing

Citation: CGS Sec. 12-217t

Description: The credit is available for 100% of the local property tax paid on electronic data processing equipment, including computers, printers, peripheral computer equipment, bundled software and any other related equipment reported as Code 20 on the Personal Property Declaration. The credit is only for property tax liability and excludes any interest or penalties that the taxpayer may also be required to pay. It may only be taken when filing a final return and may not be used to calculate estimated payments. Unused credits may be carried forward for five years.

History: PA 94-4 MSS enacted the credit. PA 95-160 delayed the effective date of the credit from the 10/1/94 grand list to 10/1/96 grand list. PA 96-144 reinstated the original effective date of 10/1/94 grand list.

Fiscal Estimates: $11.4 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 850.

Rationale: Perceived Equity.

7. Film production

Citation: CGS Sec. 12-217jj

Description: The credit is available to companies that produce qualified entertainment content wholly or in part in this state. Qualified activities include production of: (1) motion pictures, (2) television programming, (3) sound recordings, (4) music videos, (5) video games, (6) commercials (infomercials are ineligible) and (7) certain interactive websites. The credit is administered by the Department of Economic and Community Development (DECD). The credit is as follows:

Film Production Credit

<table>
<tr><th>Income Year</th><th>Minimum Production Expenditure</th><th>% Credit</th></tr>
<tr><td>2007 to 2009</td><td>$50,000</td><td>30%</td></tr>
<tr><td rowspan="3">2010 & after</td><td>$100,000 to $500,000</td><td>10%</td></tr>
<tr><td>$500,000 to $1 million</td><td>15%</td></tr>
<tr><td>Over $1 million</td><td>30%</td></tr>
</table>

Beginning with the 2010 income year, credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credit vouchers may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred. However, tax credit vouchers issued on or after July 1, 2015 may be claimed in the year the expenses were incurred or in the next five income years. Credits are not refundable.

History: PA 06-83 enacted the credit effective with the 2006 income year. PA 06-186 amended the language. PA 07-236: (1) allowed the credit to be applied against the insurance premium tax as well as the corporation tax and (2) changed the types of productions and expenses that are eligible. PA 07-4 (JSS) eliminated a partial credit for out of state expenditures that was added by PA 07-236. PA 08-142: (1) makes the insurance premiums tax credit retroactive to income years beginning between January 1, 2006 and January 1, 2007 and (2) permits insurance premiums tax and corporation tax credits for income years between January 1, 2006 and January 1, 2007 to be resold or transferred up to three times. PA 09-3 (JSS): (1) changed the minimum project expenditure and percentage of the credit beginning with the 2010 income year, (2) changed the requirements for eligible production expenditures beginning with the 2010 income year and (3) made infomercials ineligible for the credit. PA 11-61 specified that: (1) qualified productions must conduct no less than 50% of principal photography days within the state or expend no less than 50% of post-production costs within the state or expend not less than $1.0 million of post-production costs within the state, (2) for income years beginning on or after January 1, 2011, and prior to January 2, 2012, a production company may not transfer more than 50% of the film production tax credit in any one income year, (3) for income years beginning on or after January 1, 2012, a production company may not transfer more than 25% of the film production tax credit in any one income year, and (4) any production that is created in whole or in significant part at a "qualified production facility"[6] within the state shall not be subject to transfer limitations. PA 11-1 (OSS) expands the types of qualified productions that are eligible for film production tax credits to include "relocated television productions." It defines a relocated television production as an eligible production company's ongoing television program that (1) has filmed all of its prior seasons outside Connecticut, (2) may include certain current events shows, and (3) is created at a qualified production facility that meets specified investment and job creation thresholds on or after January 1, 2012. Productions featuring current events are not currently eligible for film production tax credits. PA 13-247 establishes a two-year moratorium on film production tax credits for FY 14 and FY 15 by barring the issuance of tax credit vouchers during those years for motion pictures that have not been designated as state-certified productions prior to July 1, 2013, with certain exceptions; PA 15-244 extends the moratorium for an additional two years through FY 17; PA 17-2 JSS makes the moratorium permanent. PA 15-5 JSS extends the length of time in which entities must claim all or part of the credits from three to five years following the year in which the qualified expenditures were incurred for vouchers issued on or after July 1, 2015. PA 17-2 JSS allows any film production tax credit that is sold, assigned or otherwise transferred, to be claimed at a discount against the gross receipts tax on cable, satellite, and competitive video services under certain circumstances. PA 21-2 JSS allows film and digital media production tax credits to be claimed at a discount against the sales and use tax under certain circumstances.

Fiscal Estimates: $30 million in FY 22 and $20 million in FY 23.

Taxpayers Benefitting: Fewer than 25.

Rationale: Incentive and Expediency.

8. Film production infrastructure

Citation: CGS Sec. 12-217kk

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[6]A "qualified production facility" means a facility: (1) located in Connecticut, (2) intended for film, television, or digital media production and (3) that has a minimum investment of $3 million, or less if the DECD Commissioner determines such facility otherwise qualifies.

Description: The credit is available for investments in state-certified infrastructure projects for the film and digital media industry. It is administered by the Department of Economic and Community Development. The credit is as follows:

Motion Picture Infrastructure Credit

Income Year	Project Cost	% Credit
2007 to 2009	$15,001 to $149,999	10%
	$150,000 to $1 million	15%
	$1 million & above	20%
2010 & after	$3 million & above	20%

Credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credits are not refundable. Credits may be claimed for the income year in which the eligible expenditures are made or may be carried forward for three years.

History: PA 07-236 enacted the credit. PA 09-3 (JSS) changed the minimum project cost and percentage of the credit beginning with the 2010 income year. PA 11-1 (OSS) allows taxpayers to claim all or part of the tax credits either in the income year in which the infrastructure investments were made or in any of the three immediately succeeding income years. PA 13-232 allows taxpayers to whom film infrastructure investment tax credits have been assigned (i.e., assignees) to claim the credits during the year in which the expenditures were made or in the three immediately succeeding income years, rather than only in the income year in which the expenditures were made.

Fiscal Estimates: $10 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

9. Fixed capital[7]

Citation: CGS Sec. 12-217w

Description: The credit is available for fixed capital which: (1) has an IRS class life of more than 4 years; (2) was not purchased from a related entity; (3) is not leased to another entity within 12 months of purchase; and (4) will be located and used in state for at least 5 full years following acquisition. The credit is 5% of qualified expenditures. There is a recapture provision if the fixed capital for which the credit is claimed is not located and used in state for 3 full years following its acquisition (100% credit recapture) or five full years following its acquisition (50% credit recapture). Unused credits may be carried forward five years.

History: Rationale: PA 97-295 enacted the credit and phased it in at the rate of 3% for the 1998 income year, 4% for 1999, and 5% thereafter. PA 98-262 clarified the recapture provision.

Fiscal Estimates: $40 million in FY 22 and FY 23.

[7]Fixed capital does not include inventory, land, buildings or structures, or mobile transportation property (such as trucks, buses, forklifts, snowplows or construction equipment).

Taxpayers Benefitting: Approximately 1,350.

Rationale: Clarification and Expediency.

10. Historic home rehabilitation, historic structures rehabilitation, historic preservation, and historic rehabilitation

Citation: CGS Sec. 10-416 (Historic home rehabilitation), CGS Sec. 10-416a (Historic structure rehabilitation), CGS Sec. 10-416b (Historic preservation), and CGS Sec. 10-416c (Historic rehabilitation)

Description:

- Historic home rehabilitation: The credit is available for expenses associated with rehabilitating owner-occupied historic homes. It is administered by the Department of Economic and Community Development (DECD). The property must: (1) have 1 to 4 dwelling units, one of which is the principal residence of the owner, and (2) be listed individually on the National Register of Historic Places or located in a district listed in the National or State Register of Historic Places. In addition, DECD must certify that the property contributes to the district's historic character. A minimum qualified rehabilitation expenditure of $15,000 must be incurred, the minimum amount for which a credit is available is $15,000, the credit limit per dwelling unit is $30,000, [8] and the annual limit for all taxpayers is $3 million. The owner must occupy the home for at least five years following the completion of the rehabilitation work. Unused credits may be carried forward for four succeeding income years.
- Historic structure rehabilitation: The credit was available to individuals, limited liability companies, and nonprofit and for-profit corporations for expenses associated with rehabilitating historic commercial and industrial properties for residential use. It was administered by the Department of Economic and Community Development (DECD). The property must either be: (1) listed individually on the National Register of Historic Places or (2) located in a district listed in the National or State Register of Historic Places. In addition, DECD had to certify that the property contributes to the district's historic character. The credit was up to 25% of the qualified rehabilitation costs, the limit per structure was $2.7 million and the annual limit for all taxpayers was $15 million. Owners can claim the credit themselves or transfer it to others. Credit holders may claim a credit in the tax year when the property receives its certificate of occupancy. For multiphase projects, credit holders may claim a part of the credit in proportion to that part of the project that received a certificate of occupancy. Unused credits may be carried forward for five succeeding income years.
- Historic preservation: The credit was available to individuals, limited liability companies, and nonprofit and for-profit corporations for expenses associated with rehabilitating historic property used for both residential and commercial purposes.[9] It was administered by the Department of Economic and Community Development (DECD). The property must be an historic commercial or industrial property: (1) individually listed on the national or state Register of Historic Places or (2) located in an historic district listed on the national or state Register of Historic Places. In addition,

[8]The maximum credit is limited to $50,000 for owners that are nonprofit corporations.

[9]The residential portion must comprise at least 33% of the total floor area in the rehabilitated property.

the Department of Economic and Community Development (DECD) must certify that the property contributes to the district's historic character. The credit was up to 25% of the qualified rehabilitation costs; the credit increases to 30% if a portion of the units are affordable[10] to low- and moderate-income people. The total credit amount was up to $50 million per three-year cycle, beginning with FY 09 through FY 11. Unused credits may be carried forward for five succeeding income years.

- Historic rehabilitation: The credit, which effectively consolidates the provisions of the Historic Preservation and Historic Structure Rehabilitation tax credits effective January 1, 2014, is for qualified expenditures associated with the rehabilitation of a Certified Historic Structure for either: (1) residential use of five units or more, (2) mixed residential and nonresidential use, or (3) nonresidential use consistent with the historic character of such property or the district in which such property is located. The credit is up to 25% of the qualified rehabilitation costs; the credit increases to 30% if at least 20% of the units are rental units and qualify as affordable housing or at least 10% of the units are individual homeownership units and qualify as affordable housing. Unused credits may be carried forward for five succeeding income years or may be transferred in whole or in part no more than three times.

History:

- Historic home rehabilitation: PA 99-173 established the credit. PA 13-266 expands the credit by making the credit available statewide, reducing the minimum amount that must be spent, and increasing the maximum amount of the credit that businesses may claim when contributing to nonprofits rehabilitating historic homes. PA 14-217 requires that 70% of the credits annually be reserved for rehabilitating historic homes in the 24 municipalities designated as "regional centers" in the state's current five-year plan of conservation and development.
- Historic structure rehabilitation: PA 06-186 established the credit. PA 14-217 specified that no credits may be reserved under this program effective July 1, 2014.
- Historic preservation: PA 07-250 established the credit and specified that the first 3-year period for which the credit is available is FY 09 through FY 11. PA 14-217 specified that no credits may be reserved under this program effective July 1, 2014.
- Historic rehabilitation: PA 14-217 established the credit.

Fiscal Estimates: $1.3 million in FY 22 and FY 23 (cumulative).

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

11. Housing program contribution

Citation: CGS Sec. 8-395

[10] A project is considered affordable if: (1) at least 20% of the units are affordable rental units or (2) 10% are affordable homeownership units. A unit is affordable if it costs a moderate-income household no more than 30% of its income. A household falls into this category if it earns no more than the median income of the town where the unit is located.

Description: The credit is available to firms making cash contributions to nonprofit organizations that develop, sponsor, or manage housing programs for families with low or moderate incomes. It is administered by the Connecticut Housing Finance Authority (CHFA). The credit is equal to the amount contributed. The minimum amount for which a credit is granted is $250 per firm. The annual limit for all firms is $10 million (of this total, $2 million is set aside for the Supportive Housing Pilots Initiative or the Next Steps Initiative and $1 million is set aside for workforce housing). The maximum amount a nonprofit organization may receive in the aggregate is $500,000. Unused credits may be carried backward or forward for 5 years.

History: PA 87-377 enacted the credit effective with the 1988 income year. PA 99-173 increased: (1) the credit limit per business from $50,000 to $75,000; (2) the limit for the total annual amount allowed for all businesses from $1 million to $5 million; and (3) the amount an entity can receive in the aggregate from $300,000 to $400,000. PA 00-170 required eligible contributions to be in cash and removed the per-business limit on credits. PA 01-8 JSS set aside $1 million for the Supportive Housing Pilots Initiative. PA 06-186: (1) raised the annual limit for all firms from $5 million to $10 million; (2) set aside $2 million for the Supportive Housing Pilots Initiative or the Next Steps Initiative; (3) set aside $1 million for workforce housing; and (4) raised the maximum amount a nonprofit organization may receive in the aggregate from $400,000 to $500,000.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Perceived Equity.

12. Human capital

Citation: CGS Sec. 12-217x

Description: The credit is available for expenses related to: (1) job training; (2) work education; (3) donations or contributions to higher education institutions for the advancement of technology, including physical plant improvements; (4) day care facilities for children of employees; (5) childcare subsidies to employees; or (6) donations and contributions to the Individual Development Account Reserve Fund[11]. The credit is 5% of qualified expenditures. Unused credits may be carried forward 5 years.

History: PA 97-295 enacted the credit and phased it in at the rate of 3% for the 1998 income year, 4% for 1999, and 5% thereafter. PA 00-192 created the Individual Development Account Reserve Fund and made contributions to the Fund eligible for the human capital investment tax credit effective with the 2001 income year.

Fiscal Estimates: $2.5 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 75.

Rationale: Incentive and Expediency.

[11]CGS Sec. 31-51ww allows low-income and disabled taxpayers to open savings accounts and receive matching funds from the Individual Development Account Reserve Fund as an incentive to save for specific purposes.

13. Machinery and equipment

Citation: CGS Sec. 12-217o

Description: The credit is available to small and medium-sized companies for the incremental increase in capital goods expenditures over the previous year. The credit is 10% for companies with 250 or fewer full-time, permanent employees and 5% for companies with 251 to 800 employees. There are no carryback or carryforward provisions.

History: PA 93-382 enacted the credit effective with the 1995 income year. PA 94-3 required the machinery and equipment to be used in a facility in this state. PA 94-4 MSS increased the maximum number of full-time employees from 500 to 800. PA 99-121 limits the employment criteria to workers based in this state.

Fiscal Estimates: $800,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Perceived Equity.

14. Manufacturing facilities, service facilities, and enterprise zones

Citation: CGS Sec. 12-217e(a) (Manufacturing facilities), CGS Sec. 12-217e(b) (Service facilities), CGS Sec. 12-217v (Enterprise zones)

Description:

- Manufacturing facilities: The credit ranges from 25% to 50% of the amount of tax that is allocable to a facility located in an Enterprise Zone or a municipality with an Entertainment District[12] depending on whether the corporation is occupying a new or renovated facility or certain employment criteria is met.[13] To qualify, the corporation must obtain certification from DECD. Unused credits may be carried forward 10 years.
- Service facilities: The credit is based on certain employment criteria[14]. It is available for between 15% and 50% of the amount of tax that is allocable to a service facility located

[12] Enterprise Zones are defined under CGS Sec. 32-70 and Entertainment Districts are defined under CGS Sec. 32-76 and Section 2 of PA 93-311.

[13] The 50% credit is available if, during the last quarter of a firm's income year, not less than 150 or 30% of the facility's full-time positions are held by: (1) residents of the zone, or (2) residents of the municipality and qualify under the Federal Comprehensive Employment Training Act (CETA).

[14] Employment criteria and credit amounts for the service facilities credit:

Employment Criteria for the Service Facilities Credit

% Corp Tax Credit	Employment Criteria
15%	300 to 599 new employees work at the facility
20%	600 to 899 new employees work at the facility
25%	900 to 1,199 new employees work at the facility
30%	1,200 to 1,499 new employees work at the facility
40%	1,500 to 1,999 new employees work at the facility
50%	2,000 or more new employees work at the facility

in an Enterprise Zone or a municipality with an Entertainment District. The credit is administered by the Department of Economic and Community Development (DECD). To qualify for it, the corporation must obtain certification from DECD that it is occupying a new or renovated facility located within an Enterprise Zone or Entertainment District. Unused credits may be carried forward 10 years.

- Enterprise Zones: The credit is available to qualified corporations[15] for 100% of the corporation's tax liability for the first three taxable years and 50% of its liability for the next seven years. It is administered by the Department of Economic and Community Development. There are no carryback or carryforward provisions.

History:

- Manufacturing facilities: PA 78-357 enacted a 25% Enterprise Zone credit. PA 81-445 added the 50% credit. PA 82-435 provided that: (1) the 30% determination will be made for the last quarter rather than the last day of the year and (2) CETA eligible residents of the municipality count toward the 30%. PA 83-381 amended the eligibility criteria for facilities in Enterprise Zones. PA 90-270 extended the credit to businesses employing more than 150 full-time employees. PA 93-311 extended the credit to Entertainment Districts. PA 00-174 changes a provision regarding positions at an eligible facility. PA 18-145 sunsets the credit; only those companies that first claimed the credit for an income year before 2018 may continue to claim the credit after July 1, 2018.
- Service facilities: PA 78-357 enacted an Enterprise Zone credit. PA 96-239 added the service facilities credit. PA 10-98 made conforming changes. PA 18-145 sunsets the credit; only those companies that first claimed the credit for an income year before 2018 may continue to claim the credit after July 1, 2018.
- Enterprise Zones: PA 96-239 established the credit. PA 15-1 DSS lowers the employment thresholds that certain bioscience, clean technology, and cybersecurity technology businesses must meet to qualify for the tax credit for qualifying corporations in enterprise zones.

Fiscal Estimates: $700,000 million in FY 22 and FY 23 (cumulative).

Taxpayers Benefitting: Approximately 15.

Rationale: Incentive.

[15] Qualified corporations are those created on or after 1/1/97 in an Enterprise Zone (EZ) that either:
a. Have at least 375 employees, at least 40% of whom: (1) are residents of the EZ or the municipality in which the EZ is located, and (2) qualify under the Job Training Partnership Act, or
b. Have less than 375 employees, at least 150 employees of whom: (1) are residents of the EZ or the municipality in which the EZ is located, and (2) qualify under the Job Training Partnership Act.
For entities in the bioscience, clean technology, and cybersecurity technology industries created after July 1, 2015, qualified corporations are those created in an Enterprise Zone (EZ) that either:
a. Have at least 188 employees, at least 40% of whom: (1) are residents of the EZ or the municipality in which the EZ is located, and (2) qualify under the Job Training Partnership Act, or
b. Have less than 188 employees, at least 75 employees of whom: (1) are residents of the EZ or the municipality in which the EZ is located, and (2) qualify under the Job Training Partnership Act.

15. Neighborhood assistance

Citation: CGS Sec. 12-632 through 12-635(a)

Description: A 60% credit of the amount contributed is available for expenditures on activities approved by municipalities such as: (1) neighborhood assistance; (2) job training or education; (3) community services; (4) crime prevention; (5) cash donations used for purchase of open space; or (6) community-based alcoholism prevention or treatment programs. A 100% credit is available for energy conservation or construction or rehabilitation of dwelling units for families of low and moderate income. The program is administered by the Department of Revenue Services. The minimum amount for which a credit is granted is $250, the annual credit limit per business firm is $150,000, a non-profit organization is limited to receiving $150,000 in contributions in the aggregate, and the annual limit for all firms is $5 million. Unused credits may be carried back for two years.

History: PA 82-469 enacted the credit. PA 95-268 lowered the amount of the credit from 50% to 40% of the amount contributed. PA 03-225 increased the amount of the credit from 40% to 60% of the amount contributed. PA 07-242 increased the amount for energy conservation projects from 60% to 100%. PA 97-251 increased the total limit from $3 million to $4 million. PA 99-173 increased the total limit to $5 million. PA 10-188 eliminated municipal approval requirements. PA 11-140 increased the total amount of credits a company may claim annually and extends tax credit eligibility to the business entity tax. PA 15-5 JSS increased the total limit from $5 million to $10 million beginning July 1, 2017. PA 17-2 JSS subsequently reduced the total limit from $10 million to $5 million effective July 1, 2017.

Fiscal Estimates: $1.6 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 50.

Rationale: Incentive and Perceived Equity.

16. Research and development

Citation: CGS Sec. 12-217n

Description: The credit is available for research and development expenditures incurred in this state. The credit increases from (1) 1% of expenditures up to $50 million to (2) 6% of expenditures over $200 million. Qualified small businesses with a gross income of less than $100 million are eligible for the 6% credit. The credit cannot be claimed if the credit under 12-217j is claimed. The credit for expenditures over $200 million is reduced if there are work force reductions and the credit for certain aerospace companies is subject to employment restrictions. PA 21-2 JSS limits the number of years taxpayers may carry forward unused credits by capping the carryforward period at 15 years (beginning with credits allowed for the 2021 income year); previously there was no limit.

History: PA 93-433 enacted the credit effective July 1, 1993. PA 98-110 expanded credit to qualified small businesses. PA 99-173 increased the credit for companies who have over 2,500 employees in the state, over $3 billion in revenue and are located in an Enterprise Zone.

Fiscal Estimates: $13.5 million in FY 22 and $24.2 million in FY 23.

Taxpayers Benefitting: Approximately 170.

Rationale: Incentive.

17. Research and experimentation

Citation: CGS Sec. 12-217j

Description: The credit is available for incremental increases in research and experimental expenditures incurred in this state. The credit is 20% of the amount by which expenditures in the current income year exceed expenditures in the preceding year. Unused credits may be carried forward for 15 years.

History: PA 92-193 enacted the credit and phased it in at the rate of 10% for the 1993 income year and 20% for the 1994 income year. P.A. 93-403 limited the credit to research and experimental expenditures incurred in the state. P.A. 96-252 permitted biotechnology companies to carry unused credits forward for 15 years. PA 98-110 extended the carryforward to all corporations.

Fiscal Estimates: $33 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 270.

Rationale: Incentive.

18. Sale of certain credits

Citation: CGS Sec. 12-217ee

Description: Companies with less than $70 million in gross sales that cannot take research and development credits under CGS Secs. 12-217j and 217n because they do not have a tax liability, are permitted to sell unused credits back to the state at 65% of their value. The maximum annual refund is $1.5 million per company.

History: PA 99-173 enacted this provision effective with the 2000 income year. PA 02-1 MSS limited the maximum annual refund to $1.5 million. P.A. 02-4 M9SS clarified that payment of the $250 minimum tax is not considered a tax liability for the purpose of this credit. PA 03-1 JSS eliminated the sale of credits for taxpayers under the capital base tax, effective 1/1/05 but PA 04-235 removed the sunset date and made permanent the eligibility of such taxpayers.

Fiscal Estimates: $6.6 million in FY 22 and $6.8 million in FY 23.

Taxpayers Benefitting: Data not available.

Rationale: Expediency.

19. Urban and industrial reinvestment

Citation: CGS Sec. 32-9t

Description: The credit is available for investments associated with urban site remediation. It is administered by the Department of Economic and Community Development (DECD) and is allowable over 10 years. The credit amount may not exceed the amount of state revenue that DECD determines will be generated by the site. There is a recapture provision if the actual amount of revenue generated is less than the total sum of tax credits claimed. The credit is limited to $100 million per project and $950 million for all projects. Unused credits may be carried forward for five years or assigned to another taxpayer.

The credit may be used against corporation tax, insurance premium tax, public service companies tax and other miscellaneous tax liabilities.[16]

History: PA 00-170 enacted the credit. PA 01-9 (JSS) extended the credit to taxpayers investing in eligible environmental remediation and urban sites reinvestment projects through Community Economic Entities (CDEs). PA 06-187 expands the credit's qualification criteria to include projects that: (1) are connected to an operation relocating from another state or (2) involve the expansion of an existing facility requiring a minimum $50 million investment. PA 11-86 increased the aggregate amount of tax credits available under the program to $750 million for all projects; PA 11-1 (OSS) later reduced that amount to $650 million. PA 13-184 (1) allows the DECD Commissioner to pay taxpayers holding urban and industrial sites reinvestment tax credits for their credit eligibility certificates and (2) authorizes up to $40 million in bonds for this purpose, $20 million of which is available on July 1, 2014. PA 14-98 increased the aggregate amount of tax credits available under the program from $650 million to $800 million; PA 15-5 JSS further increased the cap from $800 million to $950 million.

PA 15-244 imposes a 50.01% limit on the amount of tax liability that certain eligible entities may reduce through the use of tax credits effective for calendar quarters commencing on or after July 1, 2015. PA 15-1 DSS raises this cap by 5% per year until it reaches 70% in 2019 for Urban & Industrial Sites tax credits utilized against the corporation business tax; this cap was subsequently lowered to 50.01% (PA 19-117).

Fiscal Estimates: Approximately $3.7 million in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 10.

Rationale: Incentive and Expediency.

[16] Miscellaneous taxes include air carriers tax and dry cleaning tax. Prior to passage of PA 17-2 JSS, as amended by PA 17-4 JSS, the credit could also be utilized against the hospitals tax and ambulatory surgical centers tax.

INSURANCE PREMIUMS TAX

On Insurance Companies, Health Centers and Hospital & Medical Services Corporations

A tax is levied on insurance premiums and medical subscriber charges under the insurance premiums tax and the unauthorized (unlicensed) insurance company tax. The tax rate and base depends on the nature of the company issuing the insurance:

Rate & Basis

1. Domestic insurance companies[17]: 1.5% on all net direct insurance premiums derived from policies written in this state. CGS Sec. 12-202.

2. Health care centers: 1.5% on the total net direct subscriber charges received by such corporations. CGS Sec. 12-202a.

3. Foreign insurance companies[18]: 1.5% on all taxable net direct premiums derived from policies written in this state. CGS Sec. 12-210(b).

4. Hospital and medical service companies[19]: 2% on the total net direct subscriber charges received by such corporations during the preceding year. CGS Sec. 12-212a.

5. Unauthorized insurance[20] companies: 4% on gross premiums derived from policies written in the state (CGS Sec. 38a-743(a)). These companies are taxed under a separate statutory section and are not eligible for any deductions or tax credits that are available under the insurance premiums tax.

6. Captive insurance[21] companies: An amount derived from the tables below, with a minimum tax of $7,500 annually and an aggregate maximum tax of $200,000 annually (CGS Sec. 38a-91nn(a)). These companies are taxed under a separate statutory section and are not eligible for any deductions or tax credits that are available under the insurance premiums tax.

[17] Domestic insurance companies are incorporated under Connecticut state law and licensed by the Insurance Department to issue policies. PA 17-125 allows the Insurance Commissioner to designate a domestic insurance company as a domestic surplus lines insurer, which is subject to a 4% gross premiums tax.

[18] Foreign or nonresident insurance companies are incorporated under the laws of another state or foreign government but must be licensed by the Insurance Department in order to issue policies in this state.

[19] There are currently no taxpayers remitting this tax in the state of Connecticut.

[20] Unauthorized insurance companies are not licensed by the insurance department but must register with it to be able to offer lines generally unavailable from licensed insurers (i.e., surplus lines).

[21] A captive insurance company is wholly owned and controlled by a parent company or association and operates to insure the parent's own risks.

Rate Schedules

Computation of Tax Due on Insurance			
Net Taxable Premiums		**Tax**	
Column A	**Column B**	**Column C**	**Column D**
Over $	**But not over $**	**Tax on Column A**	**Tax Rate on excess over Column A**
0	20,000,000	0.38% of Total Amount	
20,000,000	40,000,000	76,000	0.285%
40,000,000	60,000,000	133,000	0.190%
Over 60,000,000		171,000 plus 0.072%of the excess over 60,000,000	

Computation of Tax Due on Reinsurance			
Net Taxable Premiums		**Tax**	
Column A	**Column B**	**Column C**	**Column D**
Over $	**But not over $**	**Tax on Column A**	**Tax Rate on excess over Column A**
0	20,000,000	0.214% of Total Amount	
20,000,000	40,000,000	42,800	0.143%
40,000,000	60,000,000	71,400	0.048%
Over 60,000,000		81,000 plus 0.024%of the excess over 60,000,000	

Exemptions Available Under the Insurance Premiums Tax

1. Ocean marine insurance

Citation: CGS Sec. 12-210(b)

Description: The exemption is for premiums from the sale of ocean and inland marine insurance of nonresident and foreign companies.

History: 1945 Ch. 42 created the exemption.

Fiscal Estimates: $600,000 in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 45.

Rationale: Expediency.

2. Fraternal benefit societies

Citation: CGS Sec. 38a-604

Description: Fraternal benefit societies or associations are exempt from all state taxes, but are subject to municipal taxes on real estate and office equipment. These societies are nonprofit, charitable organizations that provide life, sickness and/or accident benefits for their members.

History: The exemption was enacted in 1935 and last modified by PA 57-448.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

3. Municipal risk management agencies

Citation: CGS Sec. 7-479e(d)

Description: The exemption is for premiums from associations formed by two or more municipalities or other local government units to insure against public liability, automobile and property risk.

History: PA 93-297 established the exemption, effective 7/1/94.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

4. Special taxing districts

Citation: CGS Sec. 38a-743(a)

Description: The exemption is for premiums for a special taxing district, which is created by an act of the legislature that permits the assessment of taxes to fund services to homeowners and businesses such as water, sewer, and fire protection.

History: PA 96-75 established the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

5. State employee health plans

Citation: CGS Secs. 12-202a(b)(1) and 12-202a(b)(9)

Description: The exemption is for premiums for state employee health plans.

History: PA 97-11 JSS established the exemption.

Fiscal Estimates: $15 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Conformity.

6. Medicare, Medicaid, HUSKY and General Assistance

Citation: CGS Secs. 12-202a(b)(2) through 12-202a(b)(4)

Description: The exemption is for Medicare patients, Medicaid contracts, contracts to serve children enrolled in the HUSKY program, and contracts to serve clients on General Assistance (welfare).

History: PA 98-110 established the exemption, effective 1/1/98.

Fiscal Estimates: $26 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Redundancy/Conformity.

7. Health care coverage for municipal employees, non-profit organizations and the State Teachers' Retirement System

Citation: CGS Secs. 12-202a(b)(5) through 12-202a(b)(10)

Description: The exemption is for certain new or renewed insurance health policies written under plans for the Connecticut municipal employees' retirement system, non-profit organizations and the State Teachers' Retirement System.

History: PA 01-30 created the exemption.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive.

8. Small employer/Self-employed health insurance plans

Citation: CGS Sec. 38a-566(b)

Description: The exemption is for certain individual health insurance plans issued to self-employed people and small employer health care plans.

History: PA 98-122 established the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

9. Companies located in an insurance and financial services export zone

Citation: CGS Sec. 32-538(b)

Description: The exemption is for premiums from companies that: (1) have their corporate headquarters located in the insurance and financial export zone in the City of Hartford and (2) conduct all of their business outside of the United States.

History: PA 96-253 established the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

Tax Credits Claimed Under the Insurance Premiums Tax

Insurance companies or health maintenance organizations (HMOs) may use the credits listed below to reduce state tax liability. Effective with the 2003 through 2010 income years, the total value of tax credits that an entity may claim in any income year is limited to 70% of its pre-credit tax liability (CGS Sec. 12-211a). Effective with the 2011 income year, the total value of tax credits that an entity may claim in any income year is limited to 30% of its pre-credit tax liability (PA 11-6, PA 13-184, PA 15-244, and PA 17-2 JSS), with certain exceptions[22] (PA 11-6, PA 11-61, and PA 11-1 (OSS)).

1. Insurance Department assessment credit

Citation: CGS Sec. 12-202

Description: The credit is for 80% of the Connecticut Insurance Department assessment paid by local domestic insurance companies whose assets do not exceed $95 million during the calendar year.

History: PA 73-350 established the credit. PA 80-482 increased the asset threshold from $50 million to $75 million. PA 90-333 increased the threshold to $95 million.

Fiscal Estimates: $675,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Expediency and Incentive.

2. Neighborhood assistance

Citation: CGS Sec. 12-632 through 12-635(a)

Description: A 60% (100% in the case of energy conservation programs) credit of the amount contributed is available for expenditures on activities approved by municipalities such as: (1) neighborhood assistance; (2) job training or education; (3) community services; (4) crime

[22]Insurance Reinvestment Fund, Digital Animation, Film Production, and Film Production Infrastructure tax credits are subject to alternative limitations.

prevention; (5) cash donations used for purchase of open space; or (6) community-based alcoholism prevention or treatment programs. A 100% credit is available for energy conservation or construction or rehabilitation of dwelling units for families of low and moderate income. The program is administered by the Department of Revenue Services. The minimum amount for which a credit is granted is $250, the annual credit limit per business firm is $150,000, a non-profit organization is limited to receiving $150,000 in contributions in the aggregate, and the annual limit for all firms is $5 million. Unused credits may be carried back for two years.

History: PA 82-469 enacted the credit. PA 95-268 lowered the amount of the credit from 50% to 40% of the amount contributed. PA 03-225 increased the amount of the credit from 40% to 60% of the amount contributed. PA 07-242 increased the amount for energy conservation projects from 60% to 100%. PA 97-251 increased the total limit from $3 million to $4 million. PA 99-173 increased the total limit to $5 million. PA 10-188 eliminated municipal approval requirements. PA 11-140 increased the total amount of credits a company may claim annually and extends tax credit eligibility to the business entity tax. PA 15-5 JSS increased the total limit from $5 million to $10 million beginning July 1, 2017. PA 17-2 JSS subsequently reduced the total limit from $10 million to $5 million effective July 1, 2017.

Fiscal Estimates: $1 million in FY 22 and FY 23.

Taxpayers Benefitting: Between 10 and 15.

Rationale: Incentive and Perceived Equity.

3. Insurance reinvestment fund

Citation: CGS Sec. 38a-88a

Description: The credit is available to investors in Insurance Reinvestment Funds. It is administered by the Department of Economic and Community Development (DECD). The credit is equal to the amount invested, which is taken over a 10-year period. Managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit. The credit has recapture provisions under certain circumstances. Unused credits may be carried forward for five years. New eligibility certificates for insurance businesses which enable investors to claim a Corporation Business Tax credit cannot be issued after July 1, 2010. Any new eligibility certificates issued on or after July 1, 2010 qualify investors for the Second Insurance Reinvestment Fund tax credit applicable against the Insurance Premiums Tax.

History: PA 94-214 enacted the credit and permitted the establishment of Insurance Reinvestment Funds. PA 00-170 stipulated that: (1) managers of eligible funds must have registered with DECD by 7/1/00 in order for their investors to claim this credit, and (2) investments in funds created on or after this date are not eligible for the credit. PA 01-6 (JSS): (1) sunsets the credit after 12/31/15 and (2) permits recapture under certain circumstances. PA 10-75 phased out the Insurance Reinvestment Act tax credit program, which authorizes credits for investing only in insurance businesses, and replaced it a new version authorizing similar credits for insurers investing in many different types of businesses. PA 17-244 allows the companies to sell or otherwise transfer all or parts of these credits to any taxpayer or taxpayers.

Fiscal Estimates: $35 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 70.

Rationale: Expediency and Incentive.

4. Electronic data processing

Citation: CGS Sec. 12-217t

Description: The credit is available for 100% of the local property tax paid on electronic data processing equipment, including computers, printers, peripheral computer equipment, bundled software and any other related equipment reported as Code 20 on the Personal Property Declaration. The credit is only for property tax liability and excludes any interest or penalties that the taxpayer may also be required to pay. It may only be taken when filing a final return and may not be used to calculate estimated payments. Unused credits may be carried forward for five succeeding years.

History: PA 94-4 MSS enacted the credit. PA 95-160 delayed the effective date of the credit from the 10/1/94 grand list to 10/1/96 grand list. PA 96-144 reinstated the original effective date of 10/1/94 grand list.

Fiscal Estimates: $18 million in FY 22 and FY 23.

Taxpayers Benefitting: Between 50 and 80.

Rationale: Perceived Equity.

5. Film production

Citation: CGS Sec. 12-217jj

Description: The credit is available to companies that produce qualified entertainment content wholly or in part in this state. Qualified activities include production of: (1) motion pictures, (2) television programming, (3) sound recordings, (4) music videos, (5) video games, (6) commercials (infomercials are ineligible) and (7) certain interactive websites. The credit is administered by the Department of Economic and Community Development (DECD). The credit is as follows:

Film Production Credit

Income Year	Minimum Production Expenditure	% Credit
2007 to 2009	$50,000	30%
2010 & after	$100,000 to $500,000	10%
	$500,000 to $1 million	15%
	Over $1 million	30%

Beginning with the 2010 income year, credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credit vouchers may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred. However, tax credit vouchers issued on or after July 1, 2015 may be claimed in the year the expenses were incurred or in the next five income years. Credits are not refundable.

History: PA 06-83 enacted the credit effective with the 2006 income year. PA 06-186 amended the language. PA 07-236: (1) allowed the credit to be applied against the insurance premium tax as well as the corporation tax and (2) changed the types of productions and expenses that are eligible. PA 07-4 (JSS) eliminated a partial credit for out of state expenditures that was added by PA 07-236. PA 08-142: (1) makes the insurance premiums tax credit retroactive to income years beginning between January 1, 2006 and January 1, 2007 and (2) permits insurance premiums tax and corporation tax credits for income years between January 1, 2006 and January 1, 2007 to be resold or transferred up to three times. PA 09-3 (JSS): (1) changed the minimum project expenditure and percentage of the credit beginning with the 2010 income year, (2) changed the requirements for eligible production expenditures beginning with the 2010 income year and (3) made infomercials ineligible for the credit. PA 11-61 specified that: (1) qualified productions must conduct no less than 50% of principal photography days within the state or expend no less than 50% of post-production costs within the state or expend not less than $1.0 million of post-production costs within the state, (2) for income years beginning on or after January 1, 2011, and prior to January 2, 2012, a production company may not transfer more than 50% of the film production tax credit in any one income year, (3) for income years beginning on or after January 1, 2012, a production company may not transfer more than 25% of the film production tax credit in any one income year, and (4) any production that is created in whole or in significant part at a "qualified production facility"[23] within the state shall not be subject to transfer limitations. PA 11-1 (OSS) expands the types of qualified productions that are eligible for film production tax credits to include "relocated television productions." It defines a relocated television production as an eligible production company's ongoing television program that (1) has filmed all of its prior seasons outside Connecticut, (2) may include certain current events shows, and (3) is created at a qualified production facility that meets specified investment and job creation thresholds on or after January 1, 2012. Productions featuring current events are not currently eligible for film production tax credits. PA 13-247 establishes a two-year moratorium on film production tax credits for FY 14 and FY 15 by barring the issuance of tax credit vouchers during those years for motion pictures that have not been designated as state-certified productions prior to July 1, 2013, with certain exceptions; PA 15-244 extends the moratorium for an additional two years through FY 17. PA 15-5 JSS extends the length of time in which entities must claim all or part of the credits from three to five years following the year in which the qualified expenditures were incurred for vouchers issued on or after July 1, 2015. PA 17-2 JSS allows any film production tax credit that is sold, assigned or otherwise transferred, to be claimed at a discount against the gross receipts tax on cable, satellite, and competitive video services under certain circumstances. PA 21-2 JSS allows film and digital media production tax credits to be claimed at a discount against the sales and use tax under certain circumstances.

Fiscal Estimates: $42 million in FY 22 and FY 23.

Taxpayers Benefitting: Up to 75.

Rationale: Incentive and Expediency.

[23] A "qualified production facility" means a facility: (1) located in Connecticut, (2) intended for film, television, or digital media production and (3) that has a minimum investment of $3 million, or less if the DECD Commissioner determines such facility otherwise qualifies.

6. Film production infrastructure

Citation: CGS Sec. 12-217kk

Description: The credit is available for investments in state-certified infrastructure projects for the film and digital media industry. It is administered by the Department of Economic and Community Development. The credit is as follows:

Motion Picture Infrastructure Credit

Income Year	Project Cost	% Credit
2007 to 2009	$15,001 to $149,999	10%
	$150,000 to $1 million	15%
	$1 million & above	20%
2010 & after	$3 million & above	20%

Credits may be: (1) sold or transferred to other eligible companies and (2) resold for a maximum of three transfers. Credit buyers and sellers must jointly notify DECD of a sale or transfer. Credits are not refundable. Credits may be claimed for the income year in which the eligible expenditures are made or may be carried forward for three years.

History: PA 07-236 enacted the credit. PA 09-3 (JSS) changed the minimum project cost and percentage of the credit beginning with the 2010 income year. PA 11-1 (OSS) allows taxpayers to claim all or part of the tax credits either in the income year in which the infrastructure investments were made or in any of the three immediately succeeding income years. PA 13-232 allows taxpayers to whom film infrastructure investment tax credits have been assigned (i.e., assignees) to claim the credits during the year in which the expenditures were made or in the three immediately succeeding income years, rather than only in the income year in which the expenditures were made.

Fiscal Estimates: $1 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Expediency.

7. Urban and Industrial Site Reinvestment

Citation: CGS Sec. 32-9t

Description: The credit is available for investments associated with urban site remediation. It is administered by the Department of Economic and Community Development (DECD) and is allowable over 10 years. The credit amount may not exceed the amount of state revenue that DECD determines will be generated by the site. There is a recapture provision if the actual amount of revenue generated is less than the total sum of tax credits claimed. The credit is limited to $100 million per project and $950 million for all projects. Unused credits may be carried forward for five years or assigned to another taxpayer.

The credit may be used against corporation tax, insurance premium tax, public service companies tax and other miscellaneous tax liabilities.[24]

History: PA 00-170 enacted the credit. PA 01-9 (JSS) extended the credit to taxpayers investing in eligible environmental remediation and urban sites reinvestment projects through Community Economic Entities (CDEs). PA 06-187 expands the credit's qualification criteria to include projects that: (1) are connected to an operation relocating from another state or (2) involve the expansion of an existing facility requiring a minimum $50 million investment. PA 11-86 increased the aggregate amount of tax credits available under the program to $750 million for all projects; PA 11-1 (OSS) later reduced that amount to $650 million. PA 13-184 (1) allows the DECD Commissioner to pay taxpayers holding urban and industrial sites reinvestment tax credits for their credit eligibility certificates and (2) authorizes up to $40 million in bonds for this purpose, $20 million of which is available on July 1, 2014. PA 14-98 increased the aggregate amount of tax credits available under the program from $650 million to $800 million; PA 15-5 JSS further increased the cap from $800 million to $950 million.

PA 15-244 imposes a 50.01% limit on the amount of tax liability that certain eligible entities may reduce through the use of tax credits effective for calendar quarters commencing on or after July 1, 2015. PA 15-1 DSS raises this cap by 5% per year until it reaches 70% in 2019 for certain credits utilized against the corporation business tax; this cap was subsequently lowered to 50.01% (PA 19-117) then raised back to 70% (PA 21-2 JSS).

Fiscal Estimates: $8 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 15.

Rationale: Incentive and Expediency.

[24] Miscellaneous taxes include air carriers tax and dry cleaning tax. Prior to passage of PA 17-2 JSS, as amended by PA 17-4 JSS, the credit could also be utilized against the hospitals tax and ambulatory surgical centers tax.

REAL ESTATE CONVEYANCE AND CONTROLLING INTEREST TRANSFER TAXES

Real Estate Conveyance Tax

The real estate conveyance tax was enacted on the municipal level in 1967 and became a General Fund tax in 1983. It is levied on the seller of real property for the full purchase price of the property.

Rate & Basis
The tax is imposed on the conveyance of each deed, instrument or writing whereby any lands, tenements or other realty is granted, assigned, transferred or otherwise conveyed to a purchaser (CGS Sec. 12-494). The rate depends on the property's classification and purchase price, as noted below:

Real Estate Conveyance Tax Rates

Type of Property	Tax Rate	Citation
Unimproved land	0.75%	PA 11-6
Residential dwelling:		
First $800,000 of purchase price	0.75%	PA 11-6
Portion of purchase price between $800,000 and $2.5 million	1.25%	PA 19-117
Portion of purchase price that exceeds $2.5 million	2.25%	PA 19-117
Residential property other than a dwelling	0.75%	PA 11-6
Nonresidential property other than unimproved land	1.25%	PA 11-6
Delinquent mortgages	0.75%	PA 11-6

Real Estate Conveyance Tax Exclusions and Exemptions

1. **Conveyances of less than $2,000**

   Citation: CGS Sec. 12-494(a) and Sec. 12-498(a)(10)

   Description: The exemption is for conveyances of land for consideration of less than $2,000.

   History: PA 67-693 enacted the municipal tax and created an exemption for conveyances of $100 or less under CGS Sec. 12-494(a). PA 83-1 JSS enacted the state tax but did not exempt conveyances below any dollar amount. PA 89-205 enacted the current exemption. PA 03-1 ensures that property transfers are taxable whether they occur in one transaction or a series, and whether they involve one seller/transferor or a group acting in concert.

   PA 85-244 enacted the exemption under CGS Sec. 12-498(a)(10).

   Fiscal Estimates: $200,000 in FY 22 and FY 23.

   Taxpayers Benefitting: Approximately 29,000.

   Rationale: Efficiency.

2. Conveyances of properties with crumbling foundations

Citation: CGS Sec. 12-498(a)(21)

Description: The exemption is for transfers of certain principal residences with concrete foundations that have deteriorated due to the presence of pyrrhotite. The exemption applies to the first transfer of the residence after the written evaluation is obtained but is not available to a transferor who received financial assistance to repair or replace the foundation from the Crumbling Foundations Assistance Fund.

History: PA 19-117 enacted the exemption.

Fiscal Estimates: $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10,000.

Rationale: Perceived Equity.

3. Transfer of burial rights for a cemetery lot

Citation: CGS Sec. 12-497a

Description: The exemption is for the transfer of burial rights for a cemetery lot.

History: PA 95-62 enacted the exemption.

Fiscal Estimates: $3.7 million in FY 22 and $3.8 million in FY 23 (Combined estimates for Items 3-24 listed below).

Taxpayers Benefitting: Approximately 8,700 (combined estimate for Items 3-24).

Rationale: Perceived Equity.

4. Deeds that the state is prohibited from taxing under the U.S. constitution or federal law

Citation: CGS Sec. 12-498(a)(1)

Description: The exemption is for deeds that the state is prohibited from taxing under the U.S. constitution or federal law.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Conformity.

5. Deeds that secure a debt or other obligation

Citation: CGS Sec. 12-498(a)(2)

Description: The exemption is for recording a debt-related encumbrance on a deed, such as a mortgage or lien, which does not convey title to a new owner.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Clarification.

6. Governmental entities

Citation: CGS Sec. 12-498(a)(3)
Description: The exemption is for transfers to which the state or its political subdivisions are a party.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Conformity.

7. Tax deeds

Citation: CGS Sec. 12-498(a)(4)

Description: The exemption is for deeds issued when a property is purchased at a public sale for nonpayment of taxes.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Clarification.

8. Deed releases

Citation: CGS Sec. 12-498(a)(5)

Description: The exemption is for deeds of release for property that is security for a debt or other obligation.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Clarification.

9. Deeds of partition

Citation: CGS Sec. 12-498(a)(6)

Description: The exemption is for transfers that are separate of the respective interests in land of joint owners.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Clarification.

10. Deeds made pursuant to mergers of corporations

Citation: CGS Sec. 12-498(a)(7)

Description: The exemption is for transfers from the original property owner (the merged company) to itself as part of the new corporate entity.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Clarification.

11. Corporate subsidiaries

Citation: CGS Sec. 12-498(a)(8)

Description: The exemption is for transfers by a subsidiary corporation to its parent corporation for no consideration other than cancellation or surrender of the subsidiary's stock.

History: PA 67-693 enacted the municipal tax and created the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Incentive: The exemption provides horizontal equity between firms that are organized as a parent company with wholly-owned subsidiaries and firms that are organized as a single entity with different divisions. (See Sales Tax section for discussion of horizontal equity.)

12. Court decrees

Citation: CGS Sec. 12-498(a)(9)

Description: The exemption is for court ordered title transfers due to divorce, annulment of marriage and division of property by heirs.

History: PA 85-469 enacted the exemption. PA 09-3 (JSS) removed the exemption for property that is foreclosed for sale through a court order.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Expediency.

13. Affiliated nonprofit corporations

Citation: CGS Sec. 12-498(a)(11)

Description: The exemption is for transfers made by a nonprofit corporation affiliated with the nonprofit corporation to which the transfer is made, provided one of the corporations owns or controls 100% of the other corporation.

History: PA 90-315 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Incentive.

14. Nonprofit corporations

Citation: CGS Sec. 12-498(a)(12)

Description: The exemption is for transfers made by a corporation that is exempt under Section 501(c) of the federal tax code to another corporation that is exempt under Section 501(c).

History: PA 91-403 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Incentive.

15. Conservation or recreation purposes

Citation: CGS Sec. 12-498(a)(13)

Description: The exemption if for transfers to any nonprofit organization that is organized for the purpose of holding undeveloped land in trust for conservation or recreation purposes.

History: PA 91-403 enacted the exemption effective 7/1/92.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Incentive.

16. Transfers between spouses

Citation: CGS Sec. 12-498(a)(14)

Description: The exemption is for all transfers between spouses.

History: PA 93-389 enacted the exemption. It was formerly part of CGS Sec. 12-498(a)(11), which specified that the exempt transfer had to be for no consideration. The current exemption applies to all transfers between spouses, whether or not payment is involved.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Expediency.

17. Adriaen's Landing Site and Stadium

Citation: CGS Sec. 12-498(a)(15)

Description: The exemption is for property transferred for the purpose of the projects at the Adriaen's Landing site or the stadium facility. The exemption is assumed to only apply once, when parcels are transferred for the Adriaen's Landing site or stadium facility site and not to any future transfer of the parcel.

History: PA 93-1 enacted an exemption for a former convention center and sportsplex project. PA 00-140 changed the references to apply to the Adriaen's Landing and stadium facility site.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Conformity.

18. Class I or II land transferred to a water company on or after July 1, 1998

Citation: CGS Sec. 12-498(a)(16)

Description: The exemption is for Class I or II land transferred to a water company on or after July 1, 1998.

History: PA 98-157 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Incentive.

19. Transfers to effectuate a mere change of identity or form of ownership

Citation: CGS Sec. 12-494(a)(17)

Description: The exemption is for transfers that effectuate a change of identity or form of ownership but do not change beneficial ownership.

History: PA 99-231 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Clarification.

20. Employee Relocation Plan

Citation: CGS Sec. 12-498(a)(18)

Description: The exemption is for real estate transactions executed under employee relocation plans as a single transaction for real estate tax purposes even though the transaction involves two deeds.

History: PA 04-154 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Perceived Equity. Transactions involving employee relocations are often executed using two deeds because of a federal tax court ruling. The exemption prevents double taxation of a transaction that was previously taxed only once.

21. Principal residence for persons on certain types of assistance

Citation: CGS Sec. 12-498(b)(1)

Description: The exemption is for the transfer of a person's principal residence if the person has been approved for certain types of local property tax relief.

History: PA 85-159 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Perceived Equity.

22. Enterprise Zones

Citation: CGS Sec. 12-498(b)(2)

Description: The exemption is for transfer of Interest in property located in an area designated as an Enterprise Zone.

History: PA 89-205 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Incentive, specifically for economic development.

23. Entertainment Districts

Citation: CGS Sec. 12-494(b)(3)

Description: The exemption is for transfer of Interest in property located in an area designated as an Entertainment District.

History: PA 93-311 enacted the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Incentive.

24. Mutual saving institution that has reorganized

Citation: CGS Sec. 36a-199

Description: The exemption is for property transferred by a mutual savings institution to: (1) a reorganized capital stock savings bank or (2) a reorganized capital stock savings and loan association.

History: PA 92-92 enacted the exemption effective 5/20/92.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Clarification.

25. Conveyance to mortgagee in a judgment of loss mitigation

Citation: CGS Sec. 12-498(a)

Description: The exemption allows a mortgagor of an underwater mortgage to satisfy all or part of his or her obligation to the mortgagee by conveying the residential real property to the mortgagee. The mortgagor may do so through a transfer agreement executed by both parties. Such a transfer is exempt from the real estate conveyance tax.

History: PA 16-65 established the exemption.

Fiscal Estimates: See Fiscal Estimate for Item 3.

Taxpayers Benefitting: See Taxpayers Benefitting for Item 3.

Rationale: Perceived Equity.

Additional Real Estate Conveyance Tax on the Farm, Forest and Open Space Land

In 1963, the legislature established the Farm, Forest and Open Space Program to encourage preservation through preferential taxation. The program permits landowners to pay a reduced amount of property tax on land that has been classified as farm, forest or open space by assessing the land's value based on its current use rather than its market value. The reduction is available for a period of 10 years.

In an attempt to prevent abuse of the program and to help recover abated taxes, an additional real estate conveyance tax is levied on the sale of such land while it is in the program. For open space land, additional tax is due if the land is sold within 10 years of when it is classified for the program (CGS Sec.

12-504a(a)). For farm or forestland, additional tax is due if the period of ownership of the land is 10 years or less (CGS Sec. 12-504a(b)). The rate of additional tax begins with 10% in the first year and declines at the rate of 1% per year (the rate in the tenth year is 1%). If the property is sold after the tenth year, the real estate conveyance tax is imposed at the normal rate.

The exemptions to the additional tax on farm, forest and open space parallel those for the real estate conveyance tax, with the following exceptions:

1. **Transfers of land resulting from eminent domain proceedings**

   Citation: CGS Sec. 12-504c(1)

   Description: The exemption is for transfers resulting from eminent domain proceedings.

   History: PA 72-152 enacted the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Conformity.

2. **Strawman deeds and deeds that correct, modify, supplement or confirm a previously recorded deed**

   Citation: CGS Sec. 12-504c(4)

   Description: The exemption is for strawman deeds and deeds that correct, modify, supplement or confirm a previously recorded deed. It only applies to transfers that do not convey title to a new owner.

   History: PA 72-152 enacted the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Clarification.

3. **Deed of foreclosure**

   Citation: CGS Sec. 12-504c(7)

   Description: The exemption is for transfers associated with foreclosure proceedings.

   History: PA 72-152 enacted an exemption for deeds of release for property that is security for a debt or other obligation. PA 05-190 deleted that language and provided an exemption for deeds of foreclosure.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Clarification.

4. **Land held by a nonprofit for educational, scientific, aesthetic ore equivalent passive uses**

   Citation: CGS Sec. 12-504c(12)

   Description: The exemption is for transfers of land to nonprofit corporations, trusts or other entities that will hold it in perpetuity for educational, scientific, aesthetic or equivalent passive uses.

   History: PA 73-585 enacted the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Incentive.

5. **Deeds with special covenants**

   Citation: CGS Sec. 12-504c(13)

   Description: The exemption is for transfers of land that is subject to a covenant specifically set forth in the deed that transfers title, to refrain from selling or developing the land in a manner inconsistent with its classification as farm, forest or open space land for not less than 8 years after the date of transfer.

   History: PA 73-585 enacted the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Incentive.

6. **Farmland development right sold to the state**

   Citation: CGS Sec. 12-504c(14)

   Description: The exemption is for the transfer development rights for agricultural land to the state under the farmland preservation program.

   History: PA 99-173 enacted the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Incentive.

Controlling Interest Transfer Tax

The tax was enacted in 1989. It is levied on the transfer of a controlling interest[25] in a corporation, partnership, association, trust or other entity, where an entity owns an interest in Connecticut real property with a value of at least $2,000. CGS Sec. 12-638b(a)

Rate & Basis - A tax of 1.11% is imposed upon the value of any real property held by any corporation, partnership, association, trust or other entity when the interest in the real property is transferred. CGS Sec. 12-638b(a)(1)

CGS Secs. 12-638l(a) and 638l(b) impose an additional tax of 1% to 10% on property classified as farmland, open space or forest if the controlling interest is transferred within 10 years of when the land is classified for the program. The provisions are the same as those listed above under "Additional Real Estate Conveyance Tax on the Farm, Forest and Open Space Land." The exemptions are the same except that there are no exemptions for: (1) transfers made pursuant to mergers of corporations and (2) transfers made by corporate subsidiaries. CGS Sec. 12-638n

Exemptions

Data is not available for Controlling Interest Transfer Tax exemptions.

1. **Transfers of less than $2,000**

   Citation: CGS Sec. 12-638b(a)

   Description: The exemption is for transfers for consideration of less than $2,000.

   History: PA 89-251 enacted the tax and created the exemption.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

   Rationale: Efficiency.

2. **Enterprise zones**

   Citation: CGS Sec. 12-638b(b)(1)

   Description: The exemption is for the sale or transfer of controlling interest in any entity that possesses an interest in real property located in an Enterprise Zone.

   History: PA 89-251 enacted the tax and created the exemption. PA 03–1 clarified that the exemption does not apply to property transfers located outside an Enterprise Zone.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefitting: Data not available.

[25]In a corporation, "controlling interest" means more than 50% of the combined voting power of all classes of stock in the corporation. For all other entities, "controlling interest" is an amount greater than 50% of the capital, profits or beneficial interest in that entity.

Rationale: Incentive.

3. Transfers to effectuate a mere change of identity or form of ownership

Citation: CGS Sec. 12-638b(b)

Description: The exemption is for transfers that effectuate a change of identity or form of ownership, but do not change beneficial ownership.

History: PA 00-174 enacted the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Clarification.

UNIFIED ESTATE AND GIFT TAX

Inheritance taxes are excise taxes levied on the transfer of wealth at the time of death. There are two principal types: a succession tax, which is levied on the separate shares of an estate passed to beneficiaries, and an estate tax, which is levied on value of the estate. A gift tax applies to the transfer of personal and real property situated within the state by residents or nonresidents of this state.

During the 2005 session, the legislature passed PA 05-251 and PA 05-3 JSS which: (1) repealed the succession tax, the estate tax and the gift tax, and (2) established new taxes on estates or gifts for deaths occurring and gifts made on or after January 1, 2005 with a value exceeding $2 million. PA 09-3 JSS increased the exemption to $3.5 million beginning with deaths occurring and gifts made on or after January 1, 2010. PA 11-6 rolled the exemption level back to $2 million. PA 17-2 JSS increases the exemption level to $2.6 million on January 1, 2018, to $3.6 million on January 1, 2019, and matches the federal exemption level on January 1, 2020; PA 18-81 adjusted exemption levels to $5.1 million on January 1, 2020, to $7.1 million on January 1, 2021, to $9.1 million on January 1, 2022, and to the federal exemption level on January 1, 2023. PA 15-244 established a lifetime cap of $20 million on total unified gift and estate tax liability; PA 17-2 JSS reduces the lifetime cap to $15 million beginning January 1, 2019.

Computation of Tax

Tax Basis - A Connecticut taxable estate is: (1) a person's gross estate minus all federally allowable deductions except the one for state death taxes paid, plus (2) the aggregate value of all Connecticut taxable gifts the decedent made during his life starting on January 1, 2005 and (3) the amount of gift tax paid on any gift made by the decedent or the decedent's spouse during the three-year period preceding the decedent's death. For state tax purposes, a person may take advantage of the optional deduction for the value of a qualifying life income interest in property passing to a surviving spouse, even if he or she does not do so for the federal estate tax. However, the gross estate must include any such qualifying life income interest that the decedent held (CGS Sec. 12-391(c)).

A Connecticut taxable gift is: (1) any federally taxable gift made by a Connecticut resident, excluding real estate or tangible personal property located outside the state, and (2) any federally taxable gift made by a nonresident of real estate or tangible personal property located in Connecticut (CGS Sec. 12-643).

Tax Rate – Table 1 shows the tax rates on taxable gifts made and taxable estates of those who die after January 1, 2011. To find the tax on any taxable gift or estate value in a bracket above the exemption threshold, subtract the amount in Column A from the total value, multiply the result by the tax rate in Column D, and add the dollar amount in Column C.

Tax Rates on Taxable Gifts and Estates
on or after January 1, 2011 and prior to January 1, 2018

Value of Gift or Estate		Tax	
Column A	**Column B**	**Column C**	**Column D**
Over $	**But not over $**	**Tax on Column A**	**Tax Rate on excess over Column A**
0	2,000,000	No Tax	
2,000,000	3,600,000	7.2% of the excess over $2,000,000	
3,600,000	4,100,000	115,200	7.8%
4,100,000	5,100,000	154,200	8.4%
5,100,000	6,100,000	238,200	9.0%
6,100,000	7,100,000	328,200	9.6%
7,100,000	8,100,000	424,200	10.2%
8,100,000	9,100,000	526,200	10.8%
9,100,000	10,100,000	634,200	11.4%
Over 10,100,000		748,200 plus 12% of the excess over $10,100,000	

Tax Rates on Taxable Gifts and Estates
on or after January 1, 2018 and prior to January 1, 2019

Value of Gift or Estate		Tax	
Column A	**Column B**	**Column C**	**Column D**
Over $	**But not over $**	**Tax on Column A**	**Tax Rate on excess over Column A**
0	2,600,000	No Tax	
2,600,000	3,600,000	7.2% of the excess over $2,600,000	
3,600,000	4,100,000	72,000	7.8%
4,100,000	5,100,000	111,000	8.4%
5,100,000	6,100,000	195,000	10.0%
6,100,000	7,100,000	295,000	10.4%
7,100,000	8,100,000	399,900	10.8%
8,100,000	9,100,000	507,000	11.2%
9,100,000	10,100,000	619,000	11.6%
Over 10,100,000		735,000 plus 12% of the excess over $10,100,000	

Tax Rates on Taxable Gifts and Estates
on or after January 1, 2019 and prior to January 1, 2020

Value of Gift or Estate		Tax	
Column A	**Column B**	**Column C**	**Column D**
Over $	**But not over $**	**Tax on Column A**	**Tax Rate on excess over Column A**
0	3,600,000	No Tax	
3,600,000	4,100,000	7.8% of the excess over $3,600,000	
4,100,000	5,100,000	39,000	8.4%
5,100,000	6,100,000	123,000	10.0%
6,100,000	7,100,000	223,000	10.4%
7,100,000	8,100,000	327,000	10.8%
8,100,000	9,100,000	435,000	11.2%
9,100,000	10,100,000	547,000	11.6%
Over 10,100,000		663,000 plus 12% of the excess over $10,100,000	

Tax Rates on Taxable Gifts and Estates
on or after January 1, 2020 and prior to January 1, 2021

Value of Gift or Estate		Tax	
Column A	**Column B**	**Column C**	**Column D**
Over $	**But not over $**	**Tax on Column A**	**Tax Rate on excess over Column A**
0	5,100,000	No Tax	
5,100,000	6,100,000	10.0% of the excess over $5,100,000	
6,100,000	7,100,000	100,000	10.4%
7,100,000	8,100,000	204,000	10.8%
8,100,000	9,100,000	312,000	11.2%
9,100,000	10,100,000	424,000	11.6%
Over 10,100,000		540,000 plus 12% of the excess over $10,100,000	

Tax Rates on Taxable Gifts and Estates on or after January 1, 2021 and prior to January 1, 2022

Value of Gift or Estate		Tax	
Column A	Column B	Column C	Column D
Over $	But not over $	Tax on Column A	Tax Rate on excess over Column A
0	7,100,000	No Tax	
7,100,000	8,100,000	10.8% of the excess over $7,100,000	
8,100,000	9,100,000	108,000	11.2%
9,100,000	10,100,000	220,000	11.6%
Over 10,100,000		336,000 plus 12% of the excess over $10,100,000	

Tax Rates on Taxable Gifts and Estates on or after January 1, 2022 and prior to January 1, 2023

Value of Gift or Estate		Tax	
Column A	Column B	Column C	Column D
Over $	But not over $	Tax on Column A	Tax Rate on excess over Column A
0	9,100,000	No Tax	
9,100,000	10,100,000	11.6% of the excess over $9,100,000	
Over 10,100,000		116,000 plus 12% of the excess over $10,100,000	

Tax Rates on Taxable Gifts and Estates on or after January 1, 2023

Value of Gift or Estate		Tax
Column A	Column B	Column C
Over $	But not over $	
0	federal threshold	No Tax
Over federal threshold		12% of the excess over the federal threshold

Exemptions

1. **Calculated tax amounts due in excess of $15 million**

   Citation: CGS Sec. 12-391(d)(1)(D), CGS Sec. 12-391(e)(1)(C) and CGS Sec. 12-642(c)(1)

Description: The exemption establishes a $15 million lifetime cap on total unified gift and estate tax liability.

History: PA 15-244 established the exemption. PA 17-2 JSS reduces the lifetime cap to $15 million beginning January 1, 2019.

Fiscal Estimates: $12.5 million in FY 22 and FY 23.

Taxpayers Benefitting: Data not available.

Rationale: Expediency.

Credits

1. **Certain inheritance taxes paid to other jurisdictions**

Citation: CGS Sec. 12-391

Description: The credit is for similar inheritance taxes paid to any other state or the District of Columbia on property under the other states' jurisdiction. The credit is the lesser of (1) the actual taxes paid in the other states or (2) the full Connecticut transfer tax, excluding any gift tax credits that would otherwise be due multiplied by the percentage of the gross estate that is under the jurisdiction of other states.

History: PA 97-165 established the credit.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

2. **Qualifying investments in a Connecticut Innovations investment program**

Citation: CGS Sec. 12-391(i)

Description: The credit allows for a reduction in the estate tax for decedents that make qualifying investments through a Connecticut Innovations (CI) investment program for state residents and is applicable to estates of decedents who die on or after January 1, 2021. Decedents qualify for amounts they invested for at least 10 years in a private investment fund through the CI program. The estate tax reduction is equal to half of the eligible investment, up to $5 million per decedent. The aggregate amount of reductions is capped at $30 million.

History: PA 16-3 MSS established the reduction.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: Zero.

Rationale: Incentive.

Taxes Eliminated

During the 2005 session, the legislature passed PA 95-298, which phased out the succession and gift taxes between January 1, 1997 and January 1, 2010. The act phased out the succession Tax[26] on Class A heirs (immediate family such as parents and children) as of January 1, 2001; Class B heirs (collateral relatives of the deceased, such as siblings, nieces, and nephews) as of January 1, 2006 and Class C heirs (more remote relatives and unrelated people) as of January 1, 2008. The act also phased out the gift tax between January 1, 2001 and January 1, 2010.

During the 2005 session the legislature passed PA 05-251, which repealed the remaining phase outs[27] for the succession tax and old gift tax, effective as of January 1, 2005, and replaced them with the new estate and gift taxes.

Connecticut's former estate tax was effectively eliminated on January 1, 2005 by a 2001 federal law, which phased out the federal estate tax credit over four years (the change was enacted in "The Economic Growth and Tax Relief Recovery Act (EGTRRA) of 2001"). Connecticut's tax was referred to as a "sponge tax" because it was intended to preserve revenue for the state that would otherwise have gone to the federal government. The tax was equal to 100% of the maximum federal credit for the amount of state inheritance taxes that were paid.

[26] It should be noted that the succession tax did not apply to Class AA (surviving spouse).

[27] PA 05-251 eliminated the estate tax on Class B and C heirs and the Gift Tax on gifts between $75,000 and $1 million.

PUBLIC SERVICE COMPANIES TAX

The tax is imposed on the gross earnings of public service companies.

Computation of Tax

Rate & Basis - The basis for the tax is gross earnings from which the following deductions are made: (1) all sales for resale of steam, gas and electricity to public service corporations and municipal utilities, and (2) any federal BTU energy tax. The following companies are taxed at the rates listed (CGS Sec. 12-249, 251, 255, 264, 265, 268a):

Tax Rates for the Public Service Companies Gross Earnings Tax

Type of Public Service Company	Tax Rate	CGS Section
Community Antenna and Cable & Satellite TV Systems	5.0%[1]	12-258
Gas	5.0%[2]	12-265(b)
Gas -- sales to residential customers	4.0%[2]	12-265(b)
Transmission & Distribution of Electric Power	8.5%[2]	12-265(c)
Residential Transmission & Distribution of Electric Power	6.8%[2]	12-265(c)
Railroad Companies	2-3.5%[3]	12-251(b)

[1]Effective October 1, 2007, through September 30, 2009, Certified Competitive Video Service Providers, Community Antenna TV, and Satellite TV service providers were subject to an additional 0.5% tax for a total tax rate equal to 5.5%. Effective October 1, 2009, the additional tax has been 0.25%. Statute requires funds from this surtax to be deposited into the Public, Educational and Governmental Programming and Education Technology Investment Account established under Public Act 07-253. PA 17-2 JSS subsequently diverted $3.5 million of total annual PEGPETIA deposits to the General Fund until PA 19-117 eliminated this provision for FY 22 and beyond.

[2]Effective January 1, 2000, the gross receipts tax on generation services was eliminated. However, the rate on transmission and distribution was increased to 6.8% for residential customers and to 8.5% for non-residential customers other than manufacturers.

[3]The tax rate varies with the amount by which net operating income exceeds gross earnings. When income does not exceed 8% of gross earnings, the tax rate is 2%. The tax rate increases by 0.25% for each additional 2% that income exceeds gross earnings. When income exceeds 18% of gross earnings, the rate is 3.5%.

Deductions from gross earnings

1. **Sales for resale**

   Citation: CGS Sec. 12-265(b)(1)

   Description: All sales for resale of water, steam, gas and electricity to public service corporations and municipal utilities, whether or not the purchasers are Connecticut public service corporations or Connecticut municipal utilities, and whether or not they are subject to the public service companies tax.

   History: Established prior to 1949. PA 04-180 extended the exemption for natural gas sold for use as fuel in the operation of a cogeneration facility providing electricity or steam to a company engaged in manufacturing processes but operated by a third party.

Fiscal Estimates: $9.9 million in FY 22 and $10.1 million in FY 23.

Taxpayers Benefitting: Fewer than 20.

Rationale: Incentive and Cascading. The exemption is intended to reduce cascading.

2. Appliance sales

Citation: CGS Sec. 12-265(b)(1)

Description: The deduction is for the net invoice price plus transportation costs of appliances using water, steam, gas or electricity, sold by utility companies. "Net invoice price" means invoice price less trade discounts.

History: The exemption was created prior to 1949.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Redundancy. Appliances are taxable under the Sales and Use Tax.

3. Real property taxes paid by railroad companies

Citation: CGS Sec. 12-251(b)

Description: The deduction is for the amount of taxes paid in any town in Connecticut on real estate not used exclusively in the business of the corporation, is deductible from the amount of tax on gross earnings.

History: 1871 ch. 89 created the deduction for property taxes paid on real property that was not used exclusively for the railroad company's business. 1915 ch. 292 expanded the exemption to include property taxes paid by any corporation whose property the railroad company operates. 1917 ch. 70 made a technical change.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive.

Exemptions

1. Manufacturing

Citation: CGS Sec. 12-265(c)

Description: The 5% tax on gas and electricity supplied to manufacturing customers in SICs 2000-3999 was phased out and is now exempt.

History: PA 93-73 and PA 93-332 enacted it. The exemption was extended to include gas used to operate cogeneration facilities providing electricity or steam used in manufacturing, and the cogeneration facility is located entirely on the manufacturer's premise (PA 04-180).

Fiscal Estimates: $17.3 million in FY 22 and $17.7 million in FY 23.

Taxpayers Benefitting: Between 15 and 20.

Rationale: Incentive and Cascading. The exemption is intended to reduce cascading.

2. Electricity production

Citation: CGS Sec. 12-264

Description: The exemption is for the gross earnings a gas company makes by selling gas to an existing combined cycle generating plant comprised of three gas turbines with a total capacity of 775 megawatts that is used to generate electricity. In a combined cycle plant, the heat created by burning fuel to produce electricity is recycled to produce more electricity.

History: PA 04-180 enacted the exemption.

Fiscal Estimates: $4.6 million in FY 22 and $4.3 million in FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Expediency.

3. Railroad Companies When Certified by the DOT

Citation: CGS Secs. 13b-226 through 13b-233

Description: Exempts from the public service company gross earnings tax qualifying passenger or freight railroad companies that undertake projects to preserve or improve their facilities. Railroads seeking this exemption must annually submit to the Transportation Commissioner a list of the preservation and improvement projects they intend to undertake to qualify for the exemption.

History: 1961 PA 11 created the exemption.

Fiscal Estimates: $800,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive.

Rate Reductions

1. Residential utilities

Citation: CGS Sec. 265(b) and CGS Sec. 265(c)

Description: Companies and municipal utilities are taxed at the rate of 4%, rather than 5% for gas and 6.8% rather than 8.5% on electricity, on gross earnings from manufacturing, selling or distributing gas or transmission and distribution of electricity for residential light, heat or power.

History: PA 85-159 created the rate reduction. PA 98-28, effective January 1, 2000, eliminated the gross receipts tax on generation services as part of the deregulation of the electric industry in Connecticut. However, the rate on transmission and distribution was increased to 6.8% for residential customers and to 8.5% for non-residential customers other than manufacturers.

Fiscal Estimates: \$30.5 million in FY 22 and \$31.2 million in FY 23.

Taxpayers Benefitting: Between 15 and 20.

Rationale: Perceived Equity.

Tax Credits Claimed Under the Public Service Companies Tax

Previously, data indicated that the credits applicable against taxes on gross earnings have not been claimed under the public service companies tax. Rather, it appeared that these entities applied the credits against their corporate income taxes (business taxes) in lieu of applying a credit against their gross earnings tax liability. However, the latest data indicates an increase in credit utilization under the public service companies tax, the details of which are outlined below.

1. Neighborhood assistance

Citation: CGS Sec. 12-632 through 12-635(a)

Description: A 60% credit of the amount contributed is available for expenditures on activities approved by municipalities such as: (1) neighborhood assistance; (2) job training or education; (3) community services; (4) crime prevention; (5) cash donations used for purchase of open space; or (6) community-based alcoholism prevention or treatment programs. A 100% credit is available for energy conservation or construction or rehabilitation of dwelling units for families of low and moderate income. The program is administered by the Department of Revenue Services. The minimum amount for which a credit is granted is \$250, the annual credit limit per business firm is \$150,000, a non-profit organization is limited to receiving \$150,000 in contributions in the aggregate, and the annual limit for all firms is \$5 million. Unused credits may be carried back for two years.

History: PA 82-469 enacted the credit. PA 95-268 lowered the amount of the credit from 50% to 40% of the amount contributed. PA 03-225 increased the amount of the credit from 40% to 60% of the amount contributed. PA 07-242 increased the amount for energy conservation projects from 60% to 100%. PA 97-251 increased the total limit from \$3 million to \$4 million. PA 99-173 increased the total limit to \$5 million. PA 10-188 eliminated municipal approval requirements. PA 11-140 increased the total amount of credits a company may claim annually and extends tax credit eligibility to the business entity tax. PA 15-5 JSS increased the total limit from \$5 million to \$10 million beginning July 1, 2017. PA 17-2 JSS subsequently reduced the total limit from \$10 million to \$5 million effective July 1, 2017.

Fiscal Estimates: Less than \$100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Incentive and Perceived Equity.

2. Historic home rehabilitation, historic structures rehabilitation, historic preservation, and historic rehabilitation

Citation: CGS Sec. 10-416 (Historic home rehabilitation), CGS Sec. 10-416a (Historic structure rehabilitation), CGS Sec. 10-416b (Historic preservation), and CGS Sec. 10-416c (Historic rehabilitation)

Description:

- Historic home rehabilitation: The credit is available for expenses associated with rehabilitating owner-occupied historic homes. It is administered by the Department of Economic and Community Development (DECD). The property must: (1) have 1 to 4 dwelling units, one of which is the principal residence of the owner, and (2) be listed individually on the National Register of Historic Places or located in a district listed in the National or State Register of Historic Places. In addition, DECD must certify that the property contributes to the district's historic character. A minimum qualified rehabilitation expenditure of $15,000 must be incurred, the minimum amount for which a credit is available is $15,000, the credit limit per dwelling unit is $30,000, [28] and the annual limit for all taxpayers is $3 million. The owner must occupy the home for at least five years following the completion of the rehabilitation work. Unused credits may be carried forward for four succeeding income years.
- Historic structure rehabilitation: The credit was available to individuals, limited liability companies, and nonprofit and for-profit corporations for expenses associated with rehabilitating historic commercial and industrial properties for residential use. It was administered by the Department of Economic and Community Development (DECD). The property must either be: (1) listed individually on the National Register of Historic Places or (2) located in a district listed in the National or State Register of Historic Places. In addition, DECD had to certify that the property contributes to the district's historic character. The credit was up to 25% of the qualified rehabilitation costs; the limit per structure was $2.7 million, and the annual limit for all taxpayers was $15 million. Owners can claim the credit themselves or transfer it to others. Credit holders may claim a credit in the tax year when the property receives its certificate of occupancy. For multiphase projects, credit holders may claim a part of the credit in proportion to that part of the project that received a certificate of occupancy. Unused credits may be carried forward for five succeeding income years.
- Historic preservation: The credit was available to individuals, limited liability companies, and nonprofit and for-profit corporations for expenses associated with rehabilitating historic property used for both residential and commercial purposes.[29] It was administered by the Department of Economic and Community Development (DECD). The property must be an historic commercial or industrial property: (1) individually listed on the national or state Register of Historic Places or (2) located in an historic district listed on the national or state Register of Historic Places. In addition, the Department of Economic and Community Development (DECD) must certify that the property contributes to the district's historic character. The credit was up to 25% of the qualified rehabilitation costs; the credit increases to 30% if a

[28] The maximum credit is limited to $50,000 for owners that are nonprofit corporations.

[29] The residential portion must comprise at least 33% of the total floor area in the rehabilitated property.

portion of the units are affordable[30] to low- and moderate-income people. The total credit amount was up to $50 million per three-year cycle, beginning with FY 09 through FY 11. Unused credits may be carried forward for five succeeding income years.

- Historic rehabilitation: The credit, which effectively consolidates the provisions of the Historic Preservation and Historic Structure Rehabilitation tax credits effective January 1, 2014, is for qualified expenditures associated with the rehabilitation of a Certified Historic Structure for either: (1) residential use of five units or more, (2) mixed residential and nonresidential use, or (3) nonresidential use consistent with the historic character of such property or the district in which such property is located. The credit is up to 25% of the qualified rehabilitation costs; the credit increases to 30% if at least 20% of the units are rental units and qualify as affordable housing or at least 10% of the units are individual homeownership units and qualify as affordable housing. Unused credits may be carried forward for five succeeding income years or may be transferred in whole or in part no more than three times.

History:

- Historic home rehabilitation: PA 99-173 established the credit. PA 13-266 expands the credit by making the credit available statewide, reducing the minimum amount that must be spent and increasing the maximum amount of the credit that businesses may claim when contributing to nonprofits rehabilitating historic homes. PA 14-217 requires that 70% of the credits annually be reserved for rehabilitating historic homes in the 24 municipalities designated as "regional centers" in the state's current five-year plan of conservation and development.
- Historic structure rehabilitation: PA 06-186 established the credit. PA 14-217 specified that no credits may be reserved under this program effective July 1, 2014.
- Historic preservation: PA 07-250 established the credit and specified that the first 3-year period for which the credit is available is FY 09 through FY 11. PA 14-217 specified that no credits may be reserved under this program effective July 1, 2014.
- Historic rehabilitation: PA 14-217 established the credit.

Fiscal Estimates: $21 million in FY 22 and FY 23 (cumulative).

Taxpayers Benefitting: Fewer than five.

Rationale: Incentive and Expediency.

3. Electronic data processing

Citation: CGS Sec. 12-217t
Description: The credit is available for 100% of the local property tax paid on electronic data processing equipment, including computers, printers, peripheral computer equipment, bundled software and any other related equipment reported as Code 20 on the Personal

[30]A project is considered affordable if: (1) at least 20% of the units are affordable rental units or (2) 10% are affordable homeownership units. A unit is affordable if it costs a moderate-income household no more than 30% of its income. A household falls into this category if it earns no more than the median income of the town where the unit is located.

Property Declaration. The credit is only for property tax liability and excludes any interest or penalties that the taxpayer may also be required to pay. It may only be taken when filing a final return and may not be used to calculate estimated payments. Unused credits may be carried forward for five years.

History: PA 94-4 MSS enacted the credit. PA 95-160 delayed the effective date of the credit from the 10/1/94 grand list to 10/1/96 grand list. PA 96-144 reinstated the original effective date of 10/1/94 grand list.

Fiscal Estimates: $30 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 10.

Rationale: Perceived Equity.

4. Urban and industrial reinvestment

Citation: CGS Sec. 32-9t

Description: The credit is available for investments associated with urban site remediation. It is administered by the Department of Economic and Community Development (DECD) and is allowable over 10 years. The credit amount may not exceed the amount of state revenue that DECD determines will be generated by the site. There is a recapture provision if the actual amount of revenue generated is less than the total sum of tax credits claimed. The credit is limited to $100 million per project and $950 million for all projects. Unused credits may be carried forward for five years or assigned to another taxpayer.

The credit may be used against corporation tax, insurance premium tax, public service companies tax and other miscellaneous tax liabilities.[31]

History: PA 00-170 enacted the credit. PA 01-9 (JSS) extended the credit to taxpayers investing in eligible environmental remediation and urban sites reinvestment projects through Community Economic Entities (CDEs). PA 06-187 expands the credit's qualification criteria to include projects that: (1) are connected to an operation relocating from another state or (2) involve the expansion of an existing facility requiring a minimum $50 million investment. PA 11-86 increased the aggregate amount of tax credits available under the program to $750 million for all projects; PA 11-1 (OSS) later reduced that amount to $650 million. PA 13-184 (1) allows the DECD Commissioner to pay taxpayers holding urban and industrial sites reinvestment tax credits for their credit eligibility certificates and (2) authorizes up to $40 million in bonds for this purpose, $20 million of which is available on July 1, 2014. PA 14-98 increased the aggregate amount of tax credits available under the program from $650 million to $800 million; PA 15-5 JSS further increased the cap from $800 million to $950 million.

PA 15-244 imposes a 50.01% limit on the amount of tax liability that certain eligible entities may reduce through the use of tax credits effective for calendar quarters commencing on or after July 1, 2015. PA 15-1 DSS raises this cap by 5% per year until it reaches 70% in 2019 for certain credits utilized against the corporation business tax; this cap was subsequently lowered to 50.01% (PA 19-117) then raised back to 70% (PA 21-2 JSS).

[31] Miscellaneous taxes include air carriers tax and dry cleaning tax. Prior to passage of PA 17-2 JSS, as amended by PA 17-4 JSS, the credit could also be utilized against the hospitals tax and ambulatory surgical centers tax.

Fiscal Estimates: $23 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than five.

Rationale: Incentive and Expediency.

PETROLEUM PRODUCTS GROSS EARNINGS TAX

PA 80-71 enacted the tax. It is currently levied at an 8.1% statutory rate on the gross earnings of companies that distribute petroleum products in Connecticut (CGS Sec 12-587.) There are approximately 600 taxpayers remitting the tax on a quarterly basis.

Computation of Tax

Statutory Rate & Basis - The tax is imposed on companies distributing petroleum products to wholesale and retail dealers for marketing and distribution in the state. Petroleum products include gasoline, aviation fuel, kerosene, diesel fuel (after 7/1/07 diesel fuel used exclusively for by motor carriers are excluded), benzyl, distillate fuels, residual fuels, crude oil and derivatives of petroleum such as paint, detergents, antiseptics, fertilizers, nylon, asphalt, plastics and other similar products. Prior to July 1, 2005, the rate is 5% (effective 10/1/91) on gross earnings from sales of petroleum products in this state and gross earnings from sales of petroleum products in this state by any corporation in which the taxpayer owns 25% or more of the stock of such corporation.

The table below presents scheduled rate changes enacted by PA 05-4 JSS and PA 08-2 JSS. PA 08-2 JSS eliminated the scheduled increase from 7.0% to 7.5% effective July 1, 2008. CGS Sec. 12-587.

Incremental Rate Increase for Petroleum Company Gross Earnings Tax

On or After	But Before	Tax Rate is
July 1, 2005	July 1, 2006	5.8%
July 1, 2006	July 1, 2007	6.3%
July 1, 2007	July 1, 2008	7.0%
July 1, 2008	July 1, 2013	7.0%[32]
July 1, 2013	and after	8.1%

A use tax of the equivalent rate is imposed on companies that import petroleum products into the state for their own consumption if the value of these products in any quarter is more than $100,000.

Exemptions

1. **#2 Heating oil used for heating purposes**

   Citation: CGS Sec 12-587(b)(2)(B)

   Description: The exemption is for #2 heating oil used for heating purposes.

   History: PA 85-159 established the exemption.

   Fiscal Estimates: $117 million.

   Taxpayers Benefitting: Approximately 400.

   Rationale: Perceived Equity.

[32]The rate was scheduled to go to 7.5% effective July 1, 2008 but PA 09-2 JSS eliminated the scheduled increase enacted by 05-4 JSS.

2. **Diesel Fuel**

Citation: CGS Sec. 12-587(b)(2)(L)

Description: The exemption is for the first sale of diesel fuel other than diesel fuel used in an electric generation facility to generate electricity effective July 1, 2007.

History: PA 07-199 and PA 07-1 (JSS) established the exemption.

Fiscal Estimates: $166 million.

Taxpayers Benefitting: Approximately 400.

Rationale: Expediency.

3. **Propane used for residential heating**

Citation: CGS Sec. 12-587(b)(2)(D)

Description: The exemption is for propane sold for use in residential heating when: (1) sold in containers, or (2) sold and delivered to a stationary storage tank with a capacity of not more than 1,000 gallons.

History: PA 87-312 created the exemption.

Fiscal Estimates: $20.6 million.

Taxpayers Benefitting: Approximately 200.

Rationale: Perceived Equity.

4. **Wholesale gasoline in excess of $3.00 per gallon**

Citation: CGS Sec. 12-587(a)(2)

Description: The exemption is for the amount of gross earnings derived from wholesale gasoline or gasohol in excess of $3.00 per gallon.

History: PA 12-4 created the exemption.

Fiscal Estimates: Less than $500,000.

Taxpayers Benefitting: Fewer than 50.

Rationale: Perceived Equity and Expediency.

5. **Commercial Heating Oil Blend**

Citation: CGS Se. 12-587(b)(2)(K)

Description: The exemption is for sales of commercial heating oil blend containing not less than 10% of alternative fuels derived from agricultural produce, food waste, waste vegetable oil or municipal solid waste, but not limited to, bio-diesel or low sulfur dyed diesel fuel effective July 1, 2006.

History: PA 06-143 established the exemption.

Fiscal Estimates: $2.4 million.

Taxpayers Benefitting: Fewer than 20.

Rationale: Expediency and Incentive.

6. Fuel used in vessels engaged in interstate commerce

Citation: CGS Sec 12-587(b)(2)(H)

Description: The exemption was created by phasing out the tax at the rate of 1% per year, beginning 1/1/98. It is currently entirely exempt from the Petroleum Products Gross Earnings Tax.

History: PA 97-281 created the exemption and PA 14-222.

Fiscal Estimates: $3.7 million.

Taxpayers Benefitting: Fewer than 20.

Rationale: Incentive.

7. Kerosene used for residential heating

Citation: CGS Sec. 12-587(b)(2)(C)

Description: The exemption is for kerosene used exclusively for heating purposes, when the fuel is delivered via a truck with a metered delivery ticket.

History: PA 93-74 created the exemption, which became effective 5/19/93.

Fiscal Estimates: $1.3 million.

Taxpayers Benefitting: Approximately 125.

Rationale: Perceived Equity.

8. #2 Heating oil used in commercial fishing vessels

Citation: CGS Sec 12-587(b)(2)(B)

Description: The exemption is for #2 heating oil used in commercial fishing vessels.

History: PA 96-183 created the exemption.

Fiscal Estimates: Less than $500,000.

Taxpayers Benefitting: Approximately 15.

Rationale: Incentive.

9. Cosmetic grade mineral oil

Citation: CGS Sec. 12-587(b)(2)(M)

Description: The exemption is for the first sale of cosmetic grade mineral oil sold on or after July 1, 2013.

History: PA 13-232 created the exemption.

Fiscal Estimates: Less than $200,000.

Taxpayers Benefitting: Approximately 20.

Rationale: Incentive and Expediency.

10. Fuel used by industrial consumers

Citation: CGS Sec. 12-587(b)(2)(G)

Description: The exemption is for #6 fuel oil used by industrial consumers in SIC 2000-3999 and NAICS 31, 32, 33 (i.e., consumers in the manufacturing sector). It was created by phasing out the tax at the rate of 1% per year, beginning 1/1/98, and is currently entirely exempt from the Petroleum Products Gross Earnings Tax.

History: PA 97-281 established the exemption.

Fiscal Estimates: Less than $300,000.

Taxpayers Benefitting: Fewer than 20.

Rationale: Incentive.

11. Bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil

Citation: CGS Sec. 12-587(b)(2)(E)

Description: The exemption is for fuel used in vessels displacing more than 1,000 gallons.

History: PA 92-17 (MSS) created the exemption.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Fewer than 600.

Rationale: Incentive and Expediency.

12. Paraffin and microcrystalline waxes

Citation: CGS Sec. 12-587(b)(2)(I)

Description: The exemption is for petroleum products used in the production of paraffin and microcrystalline waxes.

History: PA 00-174 established the exemption.

Fiscal Estimates: Less than $100,000.

Taxpayers Benefitting: Approximately 20.

Rationale: Expediency.

13. Propane used for fuel in school buses

Citation: PA 13-247

Description: The exemption is for propane used as fuel in school buses.

History: PA 13-247 established the exemption.

Fiscal Estimates: Approximately $100,000.

Taxpayers Benefitting: Fewer than 20.

Rationale: Incentive.

Other Exclusions

1. Fuel in certain fuel supply tanks

Citation: CGS Sec. 12-587(c)

Description: The exemption is for petroleum fuel in supply tanks of motor vehicles when the tanks are connected to the engine.

History: PA 92-177 created the exemption.

Fiscal Estimates: None; tax is collected under the Motor Fuels Tax.

Taxpayers Benefitting: Fewer than 600.

Rationale: Redundancy.

2. DOT contracted service stations along state highways

Citation: CGS Sec. 12-587(e)

Description: The exclusion applies the definition used for calculating the gross earnings tax based on retail price to calculating the tax on the wholesale price of fuel. The difference between retail price and the wholesale price basis is the dollar amount made tax exempt. It applies to the gross receipts of service stations that are located along state and interstate highways pursuant to a contract with the Department of Transportation (DOT), beginning with the 1988 income year.

History: PA 94-4 (MSS) created the exclusion.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Incentive.

Credits

1. Credit for Sale of Petroleum Products to Reseller Located Outside the State

Citation: CGS Sec. 12-587a

Description: The credit is for companies that sell petroleum products to resellers located outside the state. The company reimburses the purchaser for the tax paid on such products.

History: PA 82-157 established the credit, which became effective 5/3/82.

Fiscal Estimates: $33.1 million.

Taxpayers Benefitting: Approximately 140.

Rationale: Conformity.

2. **Petroleum products used in certain paints, coatings, and adhesive materials**

Citation: PA 13-232

Description: The credit is for the first sale of petroleum products sold to a purchaser who then incorporates them into paint, coating, or adhesive material for sale or use outside Connecticut occurring on or after July 1, 2015.

History: PA 13-232 established the exemption.

Fiscal Estimates: Zero.

Taxpayers Benefitting: None.

Rationale: Expediency.

Other Tax Credits

Data indicates that the credits applicable against their taxes on gross earnings have not been claimed in the past. It appears that these entities apply the credits against their Corporate Income Taxes (Business Taxes) in lieu of applying credit against their gross earnings tax liability.

CIGARETTE AND TOBACCO PRODUCTS TAX

Computation of the Tax

The cigarette tax is levied on cigarettes held by distributors in the state (CGS Sec. 12-296) and on the use or storage of unstamped cigarettes (CGS Sec. 12-316). An electronic cigarette tax is imposed on sales of electronic nicotine delivery systems, liquid nicotine containers, vapor products, and electronic cigarette liquids products by wholesalers. The tobacco products tax is imposed on all tobacco products held in the state by distributors or unclassified importers. Distributors, dealers and vending machine operators must obtain a license from the Department of Revenue Services for both taxes.

Rate & Basis - The cigarette tax is levied at a rate of to 217.5 mills ($4.35 per pack of 20) effective 12/1/17 (PA 17-2 JSS). Twenty-four distributors pay the tax.

The cigarette tax increased from 150 mills per cigarette ($3.00 per pack of 20) to 170 mills per cigarette ($3.40 per pack) effective July 1, 2011 (PA 11-6); the rate increased to 182.5 mills ($3.65 per pack) effective 10/1/15 and to 195 mills per cigarette ($3.90 per pack) effective 7/1/16 (PA 15-244). PA 12-1 JSS makes anyone who has or allows someone to use a "cigarette rolling machine," also known as a "roll-your-own" machine, to make cigarettes at his or her retail or commercial premises a tobacco product manufacturer, subject to existing laws and restrictions governing such manufacturers who sell cigarettes in Connecticut.

A tax on the sales of electronic cigarette (e-cigarette) products by e-cigarette wholesalers is levied at a rate of (1) 40 cents per milliliter of e-cigarette liquid, for any e-cigarette product that is pre-filled, manufacturer-sealed, and not intended to be refillable, and (2) 10% of the wholesale price for all other e-cigarette products (PA 19-117).

The tobacco products tax is levied at a rate of 50% of the wholesale price on such tobacco products as cigars[33], cheroots, stogies, periques, and chewing tobacco (PA 11-6). Cigarettes are excluded from the tax. The tax on snuff was increased from one dollar per ounce (PA 11-6) to three dollars per ounce effective 12/1/17 (PA 17-2 JSS). The tax has been in effect since 7/1/89 (PA 89-251) and is paid by approximately 225 distributors.

Exclusions

1. Sales to the United States

Citation: Attorney General's Office 10/26/37 ruling

Description: Sales or purchases for the use of an instrumentality of the United States (military bases, embassies, etc.) are exempt from the excise tax and the sales and use tax.

History: In a 10/26/37 ruling, the Attorney General's Office indicated to the Tax Commission that sales to the U.S. government where the U.S. has exclusive jurisdiction

[33] PA 11-61 caps the tax on cigars at 50 cents each.

over the property, such as military base and coast guard stations, are considered sales occurring outside the state.

Fiscal Estimates: See Item 2 below.

Taxpayers Benefitting: See Item 2 below.

Rationale: Conformity.

2. Exported or exempt tobacco products

Citation: CGS Sec. 12-330c(c)

Description: Tobacco products that are exported from the state or are not subject to taxation under the laws of the United States.

History: PA 89-251 established the exemption.

Fiscal Estimates: $9.4 million in FY 22 and FY 23 (inclusive of Item 1 above).

Taxpayers Benefitting: Fewer than 30 (inclusive of Item 1 above).

Rationale: Conformity.

3. Cigarettes sold in any institution

Citation: CGS Sec. 12-297

Description: Cigarettes sold in any state institution, other than a correctional institution or cigarettes purchased with revolving funds under the jurisdiction of any state institution, other than a correctional institution, for distribution to or consumption by patients or inmates confined at such institutions. Sales to inmates at correctional institutions are taxable.

History: PA 89-16 established the exemption.

Fiscal Estimates: None in FY 22 or FY 23.

Taxpayers Benefitting: Not applicable.

Rationale: Perceived Equity.

4. **Cigarettes brought into this state**

Citation: CGS Sec. 12-320

Description: Cigarettes brought into this state in an amount not exceeding two hundred or ten packs of 20.

History: Established prior to 1949.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Efficiency, specifically administrative efficiency.

Rate Reductions

1. **Modified risk tobacco products**

   Citation: CGS Sec. 12-296 and CGS Sec. 12-330c(d)

   Description: The tax on cigarettes and tobacco products is reduced by 50% for any product the Secretary of the United States Department of Health and Human Services determines to be a "modified risk tobacco product" pursuant to 21 U.S.C. §387k.

   History: PA 17-2 JSS established the rate reduction.

   Fiscal Estimates: None in FY 22 and FY 23.

   Taxpayers Benefitting: None.

   Rationale: Incentive.

2. **Calculated tax amounts in excess of 50 cents per cigar**

   Citation: CGS Sec. 12-330c(a)(2)

   Description: The tax on cigars is capped at 50 cents.

   History: PA 11-61 established the cigar tax cap.

   Fiscal Estimates: $4 million in FY 22 and FY 23.

   Taxpayers Benefitting: Fewer than 328.

   Rationale: Expediency.

ALCOHOLIC BEVERAGE TAX

Computation of the Tax

Distributors of alcohol beverages are required to pay an excise tax on alcoholic beverages sold in the state (CGS Sec. 12-435). The distributors must obtain a license from the Department of Revenue Services. Approximately 975 distributors file monthly with the agency.

Rate & Basis - The tax rates for distributors of beer, liquor, and wine are as follows (PA 19-117):

Alcoholic Beverage Tax Rates

Type of Alcohol	Tax Rate
Beer[1]	$7.20 per barrel[2]
Beer	.24 per gallon[3]
Cider	7.92 per barrel
Cider	.26 per gallon
Still Wines[4]	.79 per gallon
Still Wines from Small Wineries[5]	.20 per gallon
Sparkling Wines	1.98 per gallon
Alcohol	5.94 per proof gallon
Distilled Liquor	5.94 per gallon
Liquor Coolers	2.71 per gallon

[1]The tax rate for beer is reduced by 50% for beer sold for off-premises consumption on the premises of an entity covered by a manufacturer's permit
[2]Beginning July 1, 2023 the rate decreases to $6.00 per barrel
[3]Beginning July 1, 2023 the rate decreases to $0.20 per gallon
[4]Still wine consist of 21% absolute alcohol, or less, per gallon
[5]Small Wineries are those that produce up to 55,000 gallons annually (PA 93-74)

Exemptions

- Alcoholic beverage sales to licensed distributors
- Alcoholic beverage sales for transport out-of-state
- Malt beverage sales for on-premises consumption when covered by a manufacturer's permit

State Exclusions

1. United States Military

Citation: Attorney General's Office 10/26/37 ruling

Description: Sales to federal military organizations located on federal bases in the state are exempt from the excise taxes, as well as exempted from the sales and use tax.

History: In a 10/26/37 ruling, the Attorney General's Office indicated to the Tax Commission that sales to the U.S. government where the U.S. has exclusive jurisdiction over the property such as military bases and coast guard stations are considered sales occurring outside the state.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

2. Alcoholic beverages transported out of state

Citation: CGS Sec. 12-435

Description: Sales of alcoholic beverages that are transported to another state.

History: Established prior to 1949.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Conformity.

3. First 15 barrels of malt beverages consumed on premises

Citation: CGS Sec. 12-435

Description: The sales of malt beverages (beer) which are consumed on the premises of an establishment covered by a manufacturer's permit.

History: Established prior to 1949 for all malt beverages consumed on premises. PA 19-24 narrowed the exclusion to the first 15 barrels produced annually.

Fiscal Estimates: $13,000 in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 120.

Rationale: Expediency.

4. Alcoholic beverages and ethyl alcohol

Citation: CGS Sec. 12-435 (alcoholic beverages) and CGS Sec. 12-453 (ethyl alcohol)

Description: Sales of alcoholic beverages to licensed distributors and sales of ethyl alcohol intended for use or used in medical, scientific, chemical, mechanical or industrial uses and that are not sold as a beverage for human consumption. Also included are wine and distilled liquors that are used in the manufacture or preparation of pharmaceutical products or for the production of fruit preserves.

History: Established prior to 1949.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Redundancy.

5. Alcoholic beverages brought into this state

Citation: CGS Sec. 12-436

Description: Alcoholic beverages brought into the state in an amount not exceeding 4 gallons.

History: Established prior to 1949. PA 79-604 increased the exclusion from 1 to 4 gallons.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Efficiency, specifically administrative efficiency.

Rate Reductions

1. Beer sold for off-premises consumption on the premises of an entity covered by a manufacturer's permit

Citation: CGS Sec. 12-435

Description: The tax rate on beer sold for off-premises consumption on the premises of an entity covered by a manufacturer's permit is reduced by 50%.

History: PA 19-117 created the rate reduction.

Fiscal Estimates: $30,000 in FY 22 and FY 23.

Taxpayers Benefitting: Approximately 120.

Rationale: Expediency and Incentive.

ADMISSIONS AND DUES TAXES

The admissions and dues taxes (formerly admissions, dues and cabaret taxes) are separate taxes that were enacted by PA 71-837. The admissions tax is levied on the admissions charge to a place of amusement, entertainment or recreation (CGS Sec. 12-541). The dues tax is levied on the amount paid as membership dues or initiation fees to a social, athletic or sporting club (CGS Sec. 12-543).

PA 99-173 repealed the cabaret tax, effective 7/1/99. Originally, the cabaret tax was levied on the amount charged for admission, refreshment service or merchandise at a cabaret or similar place furnishing music, dancing privileges, or other entertainment for profit, at the rate of 5% (CGS Sec. 12-542--REPEALED) and was due only during the time that the entertainment was offered. PA 00-170 exempts establishments from the admission tax that were subject to the cabaret tax before 7/1/99.

Rate & Basis

- **Admissions Tax** - The admission charge to any place of amusement, entertainment or recreation is taxed at 10% (CGS Sec. 12-541). PA 00-170 reduced the tax on movie theater tickets from 10% to 8% effective July 1, 2000 and to 6% effective July 1, 2001 and thereafter. PA 21-2 JSS sunsets the tax for all venues except movie theaters beginning July 1, 2021.
- **Dues Tax** - The tax is levied on membership dues or initiation fees to any social, athletic or sporting club at a rate of 10% (CGS Sec. 12-543).

1. Admissions Tax Exemptions

Note: PA 21-2 JSS sunsets the tax for all venues except movie theaters beginning July 1, 2021. Thus, exemptions under the admissions tax remain in statute but there is no revenue impact and there are no taxpayers benefitting beginning in FY 22.

a. Admission charges under $1 or, in the case of motion picture shows, under $5

Citation: CGS Sec. 12-541(a)(1)

Description: The exemption is for admissions charges under $1, with the exception of movies, for which the exemption is admissions charges under $5.

History: The exemption for charges less than $1 was created by PA 71-837, which enacted the tax. PA 88-293 raised the exemption for movie tickets to $2; PA 97-315 raised it to $4.50; and PA 99-173 raised it to $5.00.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 50.

Rationale: Efficiency and Expediency. Efficiency for admissions under $1, because the amount of revenue collected would be too small to justify the administrative cost to collect it. Expediency with regard to movie tickets under $5.

b. Daily admission charges that entitle patrons to participate in an athletic or sporting activity

Citation: CGS Sec. 12-541(a)(2)

Description: The exemption is for admissions charges for participation in an athletic or sporting activity.

History: PA 71-7 JSS created the exemption. PA 82-457 made a technical change by reorganizing the subsection.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: None.

Rationale: Expediency.

c. Admissions to events sponsored by tax exempt entities

Citation: CGS Sec. 12-541(a)(3)

Description: The exemption is for admissions to events sponsored by tax exempt entities, provided the entity actively engages in and assumes the financial risk associated with the presentation of the event.

History: The exemption was established by PA 71-387, which enacted the tax.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: None.

Rationale: Incentive.

d. Admissions to benefit tax exempt entities

Citation: CGS Sec. 12-541(a)(4)

Description: The exemption is for admissions to events that, in the opinion of the Commissioner of Revenue Services, are conducted primarily to raise funds for tax exempt entities, provided the Commissioner is satisfied that the net profit that goes to the entity will exceed the amount of admissions tax which, but for this exemption, would be imposed upon the person gaining admittance to such event.

History: An exemption for tax-exempt organizations was contained in PA 71-837, which enacted the tax. PA 82-457 created the exemption in its current form.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: None.

Rationale: Incentive.

e. Admissions paid by centers of service for elderly persons

Citation: CGS Sec. 12-541(a)(6)

Description: The exemption is for admissions paid by centers of service for elderly persons, as described in CGS Sec. 17b-425(d).

History: PA 73-521 created an exemption for admissions paid for by groups of at least 10 members of senior citizens centers. PA 82-457 created the exemption in its current form.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: None.

Rationale: Expediency.

f. Admissions to productions at certain venues

Citation: CGS Sec. 12-541(a)(7)

Description: The exemption is for admissions to productions featuring live performances by actors or musicians presented at Gateway's Candlewood House, Ocean Beach Park or any nonprofit theater or playhouse in the state, provided it is exempt under Section 501 of the federal Internal Revenue Code.

History: PA 88-140 created the exemption. PA 97-315 exempts live performances held at Gateway's Candlewood House and Ocean Beach Park.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: None.

Rationale: Expediency.

g. Admissions to carnival or amusement rides

Citation: CGS Sec. 12-541(a)(8)

Description: The exemption is for admissions to carnival or amusement rides.

History: PA 94-4 MSS created the exemption.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: None.

Rationale: Expediency.

h. Health club charges

Citation: CGS Sec. 12-541

Description: Health clubs are excluded from the definition of taxable admissions charges (i.e., they do not appear in statutory language.)

History: PA 75-473 deleted the reference to health clubs.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: None.

Rationale: Expediency.

i. Charges for instruction

Citation: CGS Sec. 12-540(3)

Description: Charges for instruction are specifically excluded from the definition of taxable admissions charges.

History: The exclusion for instruction was made in PA 75-473.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: None.

Rationale: Expediency.

2. Admissions Tax Rate Reductions

Note: PA 21-2 JSS sunsets the tax for all venues except movie theaters beginning July 1, 2021. Thus, rate reductions under the admissions tax remain in statute but there is no revenue impact and there are no taxpayers benefitting beginning in FY 22.

a. Admission charges for certain events held at: XL Center, Dillon Stadium, New Britain Stadium, Webster Bank Arena, Harbor Yard Amphitheater, Dodd Stadium, the Oakdale, and Rentschler Field

Citation: CGS Sec. 12-541(b)(1), CGS Sec. 12-541(b)(3)

Description: The admissions tax rate is reduced in two steps: from 10% to 7.5% for sales occurring on or after July 1, 2019, and from 7.5% to 5% for sales occurring on or after July 1, 2020.

History: PA 19-117 created the rate reduction.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: Zero.

Rationale: Expediency and Incentive.

b. Admission charges for events at Dunkin' Donuts Park

Citation: CGS Sec. 12-541(a)(10), CGS Sec. 12-541(b)(2)

Description: The admissions tax rate is reduced in two steps: from 10% to 5% beginning July 1, 2019, and 5% to fully exempt beginning July 1, 2020.

History: PA 19-117 created the rate reduction.

Fiscal Estimates: None in FY 22 and FY 23.

Taxpayers Benefitting: Zero.

Rationale: Expediency and Incentive.

2. Dues Tax Exemptions

a. Annual Dues Less than $100

Citation: CGS Sec. 12-543(b)(1)

Description: Clubs are exempt from the tax if the annual dues for full membership privileges and any initiation fee are each $100 or less.

History: PA 71-837, which enacted the tax, created an exemption for dues and initiation fees of up to $50 each. PA 85-438 increased the amount to $100.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Perceived Equity.

b. Certain clubs, lodges, or fraternal organizations sponsored and controlled by charitable or religious organizations, governmental agencies, nonprofit educational institutions, or at a college/university

Citation: CGS Sec. 543(b)(2) (Clubs) and CGS Sec. 12-543(b)(3) (Lodges and fraternal organizations)

Description: The exemption is for clubs sponsored and controlled by charitable or religious organizations, governmental agencies, nonprofit educational institutions, and for societies, orders or associations operating under the lodge system or any local fraternal organization among students of a college or university.

History: PA 71-837, which enacted the tax, created the exemption.

Fiscal Estimates: $3.7 million in FY 22 and $3.8 million in FY 23.

Taxpayers Benefitting: Fewer than 310.

Rationale: Incentive (Clubs) and Expediency (Lodges and fraternal organizations).

c. Charges for athletic instruction

Citation: CGS Sec. 12-540(4)

Description: Dues charges for athletic instruction are specifically excluded from the taxable base.

History: PA 75-473 established the exclusion for instruction.

Fiscal Estimates: $2.7 million in FY 22 and $2.8 million in FY 23.

Taxpayers Benefitting: Fewer than 310.

Rationale: Expediency.

d. Charges or special assessments

Citation: CGS Sec. 12-540(4).

Description: Charges or special assessments made for construction or reconstruction of any social, athletic or sporting facility or furnishings and fixtures for such facility. These are specifically excluded from the definition taxable dues.

History: PA 71-837, which enacted the tax, created the exemption.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Clarification.

e. Dues of lawn bowling clubs

Citation: CGS Sec. 12-543(b)(4)

Description: The exemption is for dues charges of lawn bowling clubs.

History: PA 99-173 made the exclusion.

Fiscal Estimates: Less than $100,000 in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 310.

Rationale: Expediency.

f. Open space acquisition

Citation: CGS Sec. 12-540(4)

Description: The portion of dues paid by members of clubs (e. g. golf, social) to acquire farm, forest, and/or open space land is exempt.

History: PA 99-173 created the exclusion and PA 99-235 modified it.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Expediency and Incentive.

g. Club locker rentals

Citation: CGS Sec. 12-540(4)

Description: The exemption is for dues for club locker rentals.

History: PA 00-170 created the exclusion.

Fiscal Estimates: Indeterminate.

Taxpayers Benefitting: Data not available.

Rationale: Expediency and Incentive.

HEALTH PROVIDER TAXES

Hospital Tax

In Connecticut, the hospital user fee was first instituted in April 1994 and was eliminated in April 2000. PA 11-44 and PA 11-61 implemented a user fee on hospital inpatient and outpatient revenue levied at a rate of 6.0% on inpatient revenue and 3.83% on outpatient revenue which were further amended by PA 17-2 of the June Special Session and PA 17-4 of the June Special Session.

PA 19-1 of the December Special Session (i.e. the hospital settlement) currently set the tax for inpatient service at 6% of each hospital's FY 16 audited net revenue attributable to such services. The Act outlines the outpatient tax rates by fiscal year based on a calculation of total tax due from the hospitals in aggregate less the inpatient service portion of the tax divided by FY 16 audited net revenue for outpatient services. The table below lists the total tax due from the industry by fiscal year and the effective tax rate for inpatient and outpatient services.

Hospital Tax Rates by Fiscal Year

Fiscal Year	Total Tax Due	Inpatient Tax Rate	Outpatient Tax Rate
FY 18-19	900,000,000	6%	12.3325%
FY 20	890,000,000	6%	12.0942%
FY 21	882,000,000	6%	11.7503%
FY 22 - 25	850,000,000	6%	11.0976%
FY 26 +	820,000,000	6%	10.4858%

1. Financially distressed hospitals

Citation: CGS Sec. 12-263b

Description: Distressed hospitals that have experienced an average net loss of more than 5% of aggregate revenue over a five-year period and are approved for the exemption by Centers for Medicare and Medicaid Services (CMS). These hospitals are exempt from the tax on outpatient revenue. The exemption is limited to FY 18-20.

History: PA 11-61 established the exemption from the tax on payment earned for the provision of outpatient services based on financial hardship. PA 17-4 of the June Special Session increases the threshold at which a hospital is considered financially distressed to one that has experienced an average net loss of more than 5% of aggregate revenue over a five-year period, rather than more than 1%. PA 19-1 of the December Special Session limits the exemption for financially distressed hospitals to FYs 18, 19, and 20, and sets the five year period used to determine whether a hospital qualifies for the exemption.

Fiscal Estimates: $0 in FY 22 and FY 23. The law requires a recalculation of the effective tax rates on remaining non-exempt hospitals in order to attain the total tax due from the industry each fiscal year.

Taxpayers Benefiting: Fewer than 10.

Rationale: Perceived Equity.

2. Other hospitals

Citation: CGS Sec. 12-263q

Description: Specialty hospitals, children's general hospitals, and state-run hospitals.

History: PA 17-2 of the June Special Session, as amended by PA 17-4 of the June Special Session requires the Department of Social Services (DSS) commissioner to seek CMS approval to exempt from the hospital tax. PA 19-1 of the December Special Session specifies that any hospital for which CMS denies an exemption must pay the tax at the same effective rates established under the Act.

Fiscal Estimates: $0 in FY 22 and FY 23. The law requires a recalculation of the effective tax rates on remaining non-exempt hospitals in order to attain the total tax due from the industry each fiscal year.

Taxpayers Benefiting: Fewer than 20.

Rationale: Expediency.

3. Sole community hospitals

Citation: PA 19-1 of the December Special Session

Description: Beginning in FY 21, the DSS commissioner must seek CMS's approval to exempt "sole community hospitals" from the tax on outpatient hospital services. Under federal law, CMS classifies a hospital as a "sole community hospital" if it is more than 35 miles from similar hospitals or located in a rural area and meets one of several other conditions (42 C.F.R. § 412.92).

History: PA 19-1 of the December Special Session creates this exemption.

Fiscal Estimates: $0 in FY 22 and FY 23. The law requires a recalculation of the effective tax rates on remaining non-exempt hospitals in order to attain the total tax due from the industry each fiscal year.

Taxpayers Benefiting: Fewer than 10.

Rationale: Expediency.

Ambulatory Surgical Centers Gross Receipt Tax

Effective October 1, 2015 through June 30, 2023, the law imposes a 6% gross receipts tax on Department of Public Health-licensed and Medicare-certified ambulatory surgical centers, facilities where surgery and related services take less than a day without subsequently requiring patients to be admitted to a hospital.

Beginning July 1, 2023, PA 21-2 JSS replaces the gross receipts tax on ASCs with a 3% net revenue tax on ASC services, excluding (1) Medicaid and Medicare payments for "ASC services," as defined under the act, and (2) any net revenue of a hospital subject to the hospital provider tax.

1. **First $1 million of gross receipts**

   Citation: CGS 12-263i(b)(1)(B)

   Description: The first $1 million of a center's gross receipts is excluded from the gross receipts tax.

   History: PA 15-1 JSS implemented the gross receipts tax as well as the exclusion of the first $1 million from the tax. PA 18-170 specifies that this exemption excludes Medicaid and Medicare payments. PA 21-2 JSS restructures the ambulatory surgical centers tax and in doing so eliminates the exemption effective July 1, 2023.

   Fiscal Estimates: $3 million in FY 22 and FY 23.

   Taxpayers Benefiting: Approximately 40 – 50 entities.

   Rationale: Perceived Equity.

2. **Net patient revenue of a hospital**

   Citation: CGS 12-263i(b)(1)(B)

   Description: Excludes any portion of a center's gross receipts that constitutes net patient revenue of a hospital and is subject to the hospital tax.

   History: PA 15-1 JSS implemented the gross receipts tax as well as the exclusion net patient revenue of a hospital.

   Fiscal Estimates: Indeterminate.

   Taxpayers Benefiting: Indeterminate.

   Rationale: Perceived Equity.

3. **Medicare and Medicaid payments**

   Citation: CGS 12-263i(b)(1)(B)

   Description: Excludes gross receipts from any Medicaid and Medicare payments an ambulatory surgical center receives from the tax.

   History: PA 18-170 created this exemption.

   Fiscal Estimates: $500,000 in FY 22 and FY 23.

   Taxpayers Benefiting: Indeterminate.

   Rationale: Perceived Equity.

MOTOR VEHICLE FUELS AND MOTOR CARRIER ROAD TAXES

The Motor Vehicle Fuels Tax is an excise tax imposed on motor vehicle fuel sold in the state. The Motor Carrier Road Tax is levied on motor vehicle fuel used in the state by licensed motor carriers, at the same tax rate as the Motor Vehicle Fuels Tax. (CGS Sec. 12-479)

Motor Vehicle Fuels Tax

Rate & Basis - The tax is levied on distributors of fuel sold or used within the state.

Motor Fuels Taxes[1]

Tax	Amount $
Gasoline	25 cents/gallon
Diesel Fuel[2]	40.1 cents/gallon
Natural Gas or Propane	26 cents/gallon

[1] Taxes are levied pursuant to 12-458 and 12-479.

[2]DRS set the tax on diesel to 40.1 effective 7/1/21.

Motor Carrier Road Tax

Rate & Basis - The tax is imposed on motor carriers using state highways and is based on the amount of fuel used within the state as determined by proportionate mileage. This tax rate is equal to the current per gallon rate on diesel fuel. A credit is allowed for taxes paid on motor fuels purchased in state. CGS Sec. 12-478 to 493.

On 1/1/96, Connecticut entered into a cooperative agreement among most U.S. states and Canadian provinces called the International Fuel Tax Agreement (IFTA) to simplify the collection and reporting of fuel use tax by interstate motor carriers (CGS 12-486.) Under IFTA, fuel tax returns are filed in the base jurisdiction[34] of the motor carrier. For the purpose of IFTA reporting, a qualified motor vehicle: (1) is designed to transport persons or property; (2) has two axles and a gross vehicle weight or registered gross vehicle weight over 26,000 pounds; (3) has three or more axles regardless of weight; or (4) when used in combination, has a combined gross vehicle weight over 26,000 pounds. Motor carriers who qualify and travel solely within the state are not required to file a return, but instead are subject to state tax at the time of fuel purchase. CGS Sec. 12-478(4)

Refund - A refund is due when the credit for Motor Fuels Tax paid exceeds amount of Motor Carrier Road Tax that is due. CGS Sec. 12-480

[34]The base jurisdiction is where the vehicle is based for registration purposes and where operations are controlled.

1. Motor Vehicle Fuels Tax Exemptions

a. Fuel sold to the United States government

Citation: CGS Sec. 12-458(a)(3)(A) The refund provision is contained in CGS Sec. 12-459(a)(3).

Description: Sales of gasoline and diesel fuel to the United States government are exempt from the tax.

History: The exemption was included in PA 59-579, which replaced previous provisions.

Fiscal Estimates: $1.1 million

Taxpayers Benefitting: 1

Rationale: Conformity. States are not permitted to tax the federal government under the U.S. Constitution.

b. Fuel used by a contractor performing services for a municipality

Description: Fuel sales to a municipality for use by a contractor performing services for the municipality in accordance with a contract, when such fuel is used exclusively for the purposes of the contract.

History: PA 73-636 created an exemption for school bus contractors and PA 78-322 applied it to all municipal contractors.

Fiscal Estimates: Included in Item c below

Taxpayers Benefitting: Included in Item c below

Rationale: Clarification. The state does not tax itself, and municipalities are a subdivision of the state.

c. Fuel sold to municipalities, transit districts or the state

Citation: CGS Sec. 12-458(a)(3)(C). The refund provisions are contained in CGS Sec. 12-459(a)(6) for the state or a municipality and CGS Sec. 12-459(a)(10) for a transit district.

Description: Fuel sales to municipalities, transit districts or the state at other than a retail outlet for governmental purposes and for use in vehicles owned and operated or leased and operated by the municipality, transit district or the state.

History: PA 71-784 and PA 71-8 JSS created the municipal exemption. PA 72-205 exempted fuel sold to the state. PA 75-511 exempted fuel sold to transit districts. PA 84-427 created the refund provision for transit districts.

Fiscal Estimates: $12.4 million, combined estimate with Item b

Taxpayers Benefitting: Approximately 700, combined estimate with Item b

Rationale: Clarification: The state does not tax itself, and municipalities and transit districts are subdivisions of the state.

d. Fuel distributors.

Citation: CGS Sec. 12-458(a)(3)(D)

Description: Sales and transfers to licensed motor vehicle fuel distributors are exempt from the tax.

History: The exemption was included in PA 59-579, which replaced previous provisions.

Fiscal Estimates: Approximately $1.593 billion

Taxpayers Benefitting: Approximately 1,350

Rationale: Incentive: The exemption is intended to reduce cascading.

e. Fuel transferred from storage within the state to some point out of state and fuel purchased for export by a distributor licensed in another state.

Citation: CGS Sec. 12-458(a)(3)(E) & CGS Sec. 12-458(a)(3)(F)

Description: Sales and transfers of fuel out of Connecticut and sales in Connecticut to licensed motor fuels exporters are exempt from the tax.

History: The exemption was included in PA 59-579, which replaced previous provisions. PA 65-58 and PA 65-325 created the export exemption.

Fiscal Estimates: $154 million

Taxpayers Benefitting: Approximately 1,150

Rationale: Clarification: The tax is levied on fuel consumed in the state.

f. Fuel for farming

Citation: CGS Sec. 12-458(a)(3)(G). Agricultural tractors and farm implements are also excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c). The refund provision is contained in CGS Sec. 12-459(a)(2).

Description: Fuel sold to any person engaged in the business of farming, provided: (1) the fuel is not used in motor vehicles licensed or required to be licensed to operate on public highways, unless the vehicle is registered exclusively for farming purposes; (2) the fuel is not delivered to a tank in which the purchaser keeps fuel for both personal and farm use; and (3) the purchaser submits to the distributor an affidavit, prescribed by the Commissioner of Revenue Services, affirming that the fuel is used exclusively for farming purposes.

History: A refund for farming was included in PA 59-579, which replaced previous provisions. PA 84-424 created the exemption.

Fiscal Estimates: $273 million, combined estimate for items f through k

Taxpayers Benefitting: 3,000, including for items f through j

Rationale: Incentive. The exemption is intended to reduce cascading.

g. Fuel for industrial fabrication, agricultural production or fishing industry

Citation: CGS Sec. 12-458(a)(3)(H)

Description: Fuel sold exclusively to furnish power for an industrial plant in the actual fabrication of finished products to be sold or for an agricultural production process or for the fishing industry.

History: PA 84-427 created the exemption.

Fiscal Estimates: $273 million, combined estimate for items f through k

Taxpayers Benefitting: 3,000, including for items f through j

Rationale: Incentive: The exemption is intended to reduce cascading.

h. Heating fuel

Citation: CGS Sec. 12-458(a)(3)(I)

Description: Fuel sold exclusively for heating purposes.

History: PA 84-427 created the exemption.

Fiscal Estimates: $273 million, combined estimate for items f through k

Taxpayers Benefitting: 3,000, including for items f through j

Rationale: Perceived Equity.

i. Aviation fuel

Citation: Aviation fuel is specifically exempted by CGS Sec. 12-462 and 12-458(a)(3)(L) and aircraft are excluded from the definition of motor vehicle in CGS Sec. 12-455a(c).

History: The exemption was included in PA 59-579, which replaced previous provisions. PA 97-243 provides tax-free sales of aviation fuel used for aviation purposes at airports for sales occurring on or after 1/1/98.

Fiscal Estimates: $273 million, combined estimate for items f through k

Taxpayers Benefitting: 3,000, including for items f through j

Rationale: Incentive.

j. Diesel fuel sold exclusively for use in portable power systems

Citation: CGS Sec. 12-458(a)(3)(M)

Description: Diesel fuel when sold for use in portable power system generating more than 150 kW.

History: PA 97-281

Fiscal Estimates: $273 million, combined estimate for items f through k

Taxpayers Benefitting: 3,000, including for items f through j

Rationale: Incentive.

2. Motor Vehicle Fuels Tax Exclusions

a. Aircraft

Citation: Aircraft are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

Description: The definition of a motor vehicle excludes aircraft for purposes for the motor vehicle fuels tax.

History: PA 70-140

Fiscal Estimates: Claimed as a refund, see Item 1j.

Taxpayers Benefitting: See Item 1j.

Rationale: Clarification.

b. Motorboat fuel

Citation: Motorboats are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

Description: The definition of a motor vehicle excludes motorboats for purposes for the motor vehicle fuels tax.

History: PA 70-140

Fiscal Estimates: Claimed as a refund, see Item 3a.

Taxpayers Benefitting: See Item 3a.

Rationale: Clarification: The language parallels the definition of "motor vehicle" in CGS Sec. 14-1(a)(47).

c. Agricultural tractor and farm implements

Citation: Agricultural tractors and farm implements are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

Description: The definition of a motor vehicle excludes agricultural tractors and farm implements for purposes for the motor vehicle fuels tax.

History: PA 70-140

Fiscal Estimates: Claimed as a refund, see Item 1f.

Taxpayers Benefitting: See Item 1f.

Rationale: Clarification.

d. Baggage truck fuel

Citation: Baggage trucks used around railroad stations are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

Description: The definition of a motor vehicle excludes baggage trucks used about railroad stations for purposes of the motor vehicle fuels tax.

History: PA 70-140

Fiscal Estimates: Claimed as a refund, see Item 3a.

Taxpayers Benefitting: See Item 3a.

Rationale: Clarification: The language parallels the definition of "motor vehicle" in CGS Sec. 14-1(a)(47).

e. Fuel for railroad trains, streetcars, etc.

Citation: Vehicles that run only rails or tracks are excluded from the definition of "motor vehicle" in CGS Sec. 12-455a(c).

Description The definition of a motor vehicle excludes vehicles that run exclusively on rail tracks for purposes of the motor vehicle fuels tax.

History: PA 70-140

Fiscal Estimates: Claimed as a refund, see Item 3a.

Taxpayers Benefitting: See Item 3a.

Rationale: Clarification: The language parallels the definition of "motor vehicle" in CGS Sec. 14-1(a)(47).

f. Connecticut Motor Bus Company

Citation: CGS Sec. 12-455a(e)

Description: Any CT Bus company engaged in the business of carrying passengers for hire to which the company has been issued a certificate under 13b-80 and 75% of its gross operating revenue is derived from operations within CT.

History: Added by PA 82-25.

Fiscal Estimates: Claimed as a refund, see Item 3b.

Taxpayers Benefitting: See Item 3b.

Rationale: Incentive.

3. Motor Vehicle Fuels Tax Refunds

a. Fuel used by vehicles not operated on public highways

Citation: CGS Sec. 12-459(a)(1)

Description: Fuel used by vehicles, other than those used in farming, which are not licensed or required to be licensed for use on public highways.

History: It was included in PA 59-579, which replaced previous provisions.

Fiscal Estimates: $1 million

Taxpayers Benefitting: 1,500

Rationale: Incentive: The refund is intended to reduce cascading.

b. Fuel used by Connecticut motorbus companies

Citation: CGS Sec. 12-459(a)(4)

Description: Motorbus companies are defined under CGS Sec. 12-455a(c) as common carriers organized in the state which derives at least 75% of their gross operating revenue from in-state operations. They are also excluded from the definition of "motor carrier" for the Motor Carrier Road Tax under CGS Sec. 12-478(a).

History: PA 84-541 provided the refund for Connecticut motorbuses.

Fiscal Estimates: Less than $500,000

Taxpayers Benefitting: 20

Rationale: Incentive: The exemption is intended to reduce cascading.

c. Fuel used by livery services

Citation: CGS Sec. 12-459(a)(12)

Description: Sales of fuel when used by a licensed livery service provider to transport persons for hire on roads in Connecticut.

History: PA 85-437 provided the refund for livery services.

Fiscal Estimates: Less than $500,000, combined with Item d.

Taxpayers Benefitting: 156, combined with Item d.

Rationale: Expediency.

d. Fifty percent refund for fuel used by taxicabs and airport livery services and airport motorbuses

Citation: CGS Sec. 12-459(a)(4)&(5)

Description: A 50% refund is available for the tax paid on fuel used for in-state travel by taxicabs and airport livery services and motorbuses.

History: PA 77-542 created the 50% refund for taxicabs and PA 78-322 applied it to airport livery services and motorbuses. PA 77-542 created the refund provision for taxicabs and PA 78-322 applied it to airport livery services and airport motorbuses.

Fiscal Estimates: Less than $500,000, combined with Item c.

Taxpayers Benefitting: 156, combined with Item c.

Rationale: Expediency.

e. Fuel used in ambulances owned by hospitals

Citation: CGS Sec. 12-459(a)(8)

Description: Fuel purchased by hospitals for use in ambulances that they own.

History: The refund was included in PA 59-579, which replaced previous provisions.

Fiscal Estimates: Indeterminate, no data available

Taxpayers Benefitting: Indeterminate, no data available

Rationale: Incentive.

f. Fuel used in ambulances owned by nonprofit civic groups

Citation: CGS Sec. 12-459(a)(9)

Description: Fuel purchased by nonprofit civic groups for use in ambulances that they own.

History: The refund was included in PA 59-579, which replaced previous provisions.

Fiscal Estimates: Indeterminate, no data available

Taxpayers Benefitting: Indeterminate, no data available

Rationale: Incentive.

g. Fuel used in high-occupancy commuter vehicles

Citation: CGS Sec. 12-459(a)(11)

Description: Fuel used in high-occupancy commuter vehicles which seat at least ten, but not more than fifteen people and have a minimum average daily usage of nine passengers, to and from work.

History: PA 78-322 created the refund.

Fiscal Estimates: Less than $100,000

Taxpayers Benefitting: Less than 200

Rationale: Incentive.

h. **Fuel used by the United States government:** See section on Motor Vehicle Fuels Tax exemptions.

i. **Fuel purchased by municipalities for use by school bus contractors in transporting children to and from school:** See section on Motor Vehicle Fuels Tax exemptions.

j. **Fuel used by the state, a municipality or a transit district:** See section on Motor Vehicle Fuels Tax exemptions.

k. **Fuel used in farming:** See section on Motor Vehicle Fuels Tax exemptions.

l. **Meals on wheels**

Citation: CGS Sec. 12-459(a)(13)

Description: Fuel for vehicles used exclusively to deliver meals to seniors citizens in association with federally funded programs.

History: PA 97-232 provided the refund for meal on wheels delivery services.

Fiscal Estimates: Less than $100,000

Taxpayers Benefitting: 15

Rationale: Expediency.

4. Motor Carrier Road Tax Credits

a. **Fuel purchased in state upon which the Motor Vehicle Fuels Tax has been paid**

Citation: CGS Sec. 12-480(a)

Description: Motor carriers are entitled to a credit for taxes previously paid on motor fuel purchased within this state.

History: PA 61-575 created the exemption.

Fiscal Estimates: $81.0 million

Taxpayers Benefitting: Indeterminate

Rationale: Redundancy: The credit prevents taxation under both taxes.

HIGHWAY USE TAX

Rate & Basis - The Highway Use Tax is a milage-based tax on most trucks weighing more than 26,000 pounds (tractor trailers) for the privilege of operating on any public road in the state. The tax will be levied, beginning on January 1, 2023, at the following rates (pursuant to CGS Sec. 12-493a):

Gross Weight in Pounds	Rate (cents per mile)
26,000 – 28,000	2.50
28,001 – 30,000	2.79
30,001 – 32,000	3.08
32,001 – 34,000	3.37
34,001 – 36,000	3.65
36,001 – 38,000	3.94
38,001 – 40,000	4.23
40,001 – 42,000	4.52
42,001 – 44,000	4.81
44,001 – 46,000	5.10
46,001 – 48,000	5.38
48,001 – 50,000	5.67
50,001 – 52,000	5.96
52,001 – 54,000	6.25

Gross Weight in Pounds	Rate (cents per mile)
54,000 – 56,000	6.54
56,001 – 58,000	6.83
58,001 – 60,000	7.12
60,001 – 62,000	7.40
62,001 – 64,000	7.69
64,001 – 66,000	7.98
66,001 – 68,000	8.27
68,001 – 70,000	8.56
70,001 – 72,000	8.85
72,001 – 74,000	9.13
74,001 – 76,000	9.42
76,001 – 78,000	9.71
78,001 – 80,000	10.00
80,001 and over	17.50

1. Highway Use Tax Exemptions

a. Trucks operated by the US Government, the State of Connecticut or political subdivisions

Citation: CGS Sec. 12-493a(a)(1)

Description: Motor vehicles operated by the United States Government, the State of Connecticut, or any of its political subdivisions are excluded from the definition of "Carrier" subject to the Highway Use Tax.

History: PA 21-177

Fiscal Estimates: Indeterminate. There is insufficient data on the weights and vehicle miles traveled by these carriers. Additional data is expected following implementation in 2023.

Taxpayers Benefitting: All political subdivisions

Rationale: Conformity. States are not permitted to tax the federal government under the U.S. Constitution. Additionally, state government does not tax itself.

b. Trucks transporting dairy products to or from a dairy farm

Citation: CGS Sec. 12-493a(a)(4)

Description: Motor vehicles carrying or transporting milk or dairy product to or from a dairy farm that holds a license to ship milk are excluded from the definition of "Carrier" subject to the Highway Use Tax.

History: PA 21-177

Fiscal Estimates: Indeterminate. There is insufficient data on the weights and vehicle miles traveled by these carriers. Additional data is expected following implementation in 2023.

Taxpayers Benefitting: Indeterminate.

Rationale: Incentive.

MISCELLANEOUS TAXES

This section describes taxes and surcharges that are not covered elsewhere in this report. In some cases, the revenues collected from the sources explained below are earmarked for specific purposes such as funding environmental programs.

Occupational Tax

Rate & Basis – An annual tax of $565 is levied on any person who has been admitted as an attorney by the judges of the superior court and who is engaged in the practice of law, including the performance of judicial duties.

Citation: CGS Sec. 51-81b

History: Enacted by PA 72-223 and modified by subsequent public acts with numerous technical changes regarding administration of the tax. PA 89-251 increased the tax and the minimum income to be subject to the tax from $150 to $450. PA 09-3 JSS increased the tax from $450 to $565 effective October 1, 2009.[35] PA 13-112 increases, from $450 to $1,000, the maximum amount a Connecticut licensed attorney who does not practice law as his or her primary occupation can earn per year in legal fees or other compensation for legal services without being required to file a return and pay the tax.

Description of Exemptions: The exemption includes 1) judges and employees of the state; 2) any attorney who has retired from the practice of law; 3) any attorney serving on active duty with the U.S. Armed Forces for more than six months of a given year; 4) attorneys employed by the Probate Court; 5) employed by a political subdivision; and 6) any Connecticut licensed attorney who does not practice law as a primary occupation and earns $1,000 or less annually in compensation for legal services.

Fiscal Estimates: $8.3 million in FY 22 and FY 23.

Taxpayers Benefitting: Fewer than 12,000.

Rationale: Clarification.

Tourism Account Surcharge

Rate & Basis - A surcharge of $1.00 per rental/leasing day is levied on passenger motor vehicles rented or leased for fewer than 30 days. (CGS Sec. 12-665 to 12-668)

Citation: CGS Sec. 12-665

History: Enacted by PA 92-194.

Description of Exemption: The rental or leasing of a motor vehicle pursuant to a written agreement, which has a term of more than 30 days.

Fiscal Estimates: Indeterminate for FY 22 and FY 23.

Taxpayers Benefitting: Indeterminate.

Rationale: Clarification.

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[35] PA 09-8 SSS subsequently clarified that the increase in the tax was applicable to calendar years commencing on or after January 1, 2009.

PROPERTY TAX

Taxation of property predates most other forms of taxation in the United States because property taxes were levied before the US Constitution was written. Thus, exemptions to property taxes have had a lengthy and well-documented history. The nature and breadth of modern property tax exemptions vary widely from state to state, due at least in part to the fact that the Constitution is silent on what types of exemptions are specifically granted or prohibited.[36]

Property Tax exemption policy is primarily based on the nature of the owner of the property. The following discussion deals with the exemptions granted to different classes of property owners in the state of Connecticut.

Federally-owned Property

CGS Sec. 12-81(1) grants an exemption for federally owned property. This is based on the rationale that only Congress has the power to authorize tax payments on federal property to lower level governments. Since Congress has not authorized such payments, the only circumstances under which federally-owned property is taxable by state and municipal governments is when such property is leased to a private business.[37]

State and Municipal Property

The rationale behind the exemption of state and municipal property (CGS. Sec. 12-81(2) and (4)) is that it would only transfer public funds within the state. This reasoning is strained with respect to state property, which imposes un-reimbursed costs on the municipalities. In recognition of this, Connecticut reimburses municipalities in a payment in lieu of taxes (PILOT) formula for state-owned property.

The "public purpose" clause is absent in the state exemption (CGS Sec. 12-81(2)) but present in the municipal exemption (CGS Sec. 12-81(4)). This difference has not been clarified by court cases. Courts have disallowed exemptions for property owned by a city in another town which is devoted to a non-public use[38], and for municipal property available for use by only a limited number of persons.[39]

Property Devoted to Scientific Educational, Literary, Historical or Charitable Purposes

Under CGS Sec. 12-81(7), the exemption applies to organizations devoted to these uses provided "any officer, member, or employee does not receive financial reward in excess of 'reasonable compensation for services'." This language is similar to the wording used by other states for statutes

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[36] Even the immunity of federally-owned property from taxation was not guaranteed; it was not until the Supreme Court ruled, in *McCulloch v. State*, 17 U.S. 316(1819), that taxation of federal property by states was an interference with the former's sovereignty.

[37] City of Detroit v. Murray Corp., 355 U.S. 489 (1958); United States and Borg-Warner Corpo. V. City of Detroit, 355 U.S. 466 (1958); United States v. Township of Muskegon, 355 U.S. 484 (1958); and American Motors Corp. V. City of Kenosha, 356 U.S. 21 (1958).

[38] *Town of West Hartford v. Board of Water Commissioners of Hartford*, 44 Conn. 360 (1877)

[39] *Laurel Beach Association v. Milford*, 148 Conn. 233, 169 A.2d. 748 (1961)

with analogous clauses. What tends to differ among states are the types of organizations that qualify for this exemption.

The rationale for this type of exemption is that such organizations perform functions that government would have to undertake in their absence, or that such functions are socially desirable, but are not within the scope of government activities. Instead of taxing such institutions and providing subsidies, the state grants a tax exemption.

To qualify for the exemption, an educational organization must clearly demonstrate that there is no opportunity for private gain from the existence or dissolution of its operations. Restrictive admission practices or high tuition are not sufficient reasons to deny exemption. However, the curriculum should consist of "systematic instruction and training for the young in preparation for the work of life." [40] Other court rulings have maintained this limitation of instructional latitude to correspond with instruction in government-supported schools within the state.

Qualification for an exemption for charitable purposes has been interpreted more liberally by the courts. A charitable purpose "no longer is restricted to mere relief of the destitute or the giving of alms, but comprehends activities ... which are intended to improve the physical, mental and moral condition of the recipients and make it less likely that they will become burdens on society and more likely that they will become useful citizens .... Charity embraces anything that tends to promote the well doing and the well-being of social man."[41] Only political activity and the opportunity for private gain appear to circumscribe tax exemptions for organizations devoted to charitable purposes.

College Property

Colleges and universities qualify for exemption under CGS Sec. 12-81(7). In addition, the "funds and estate" of seven private Connecticut colleges [42] "respectively invested and held for the use of such institutions, with the income thereof" are exempt from taxation under CGS Sec. 12-81(8) "Provided none of said corporations shall hold in this state real estate free from taxation affording an annual income of more than six thousand dollars Connecticut reimburses municipalities in a payment in lieu of taxes (PILOT) formula for college property.

The exempt status of these schools is also specified by the General Assembly in their charters. Since the state granted the exemptions in the charters of these institutions, it cannot revoke them without impairing its contract obligations. Exemptions of dormitories and dining halls[43] as well as temporary housing for married students[44] owned by Yale University have been upheld in two court challenges.

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[40] Masonic Building Associates v. Town of Stamford, 119 Conn. 53, 59, 174 A. 301, 303 (1934)
[41] Camp Isabella Freedman of Connecticut v. Town of Canaan, 147 Conn. 510, 514-15, 162 A. 2nd 700, 703 (1960).
[42] Berkeley Divinity School, Connecticut College for Women, Hartford Seminary Foundation, Sheffield School, Trinity College, Wesleyan University and Yale University (sic).
[43] *Yale University v. Town of New Haven*, 71 Conn. 316, 42 A. 87 (1899)
[44] *Yale University v. Town of New Haven*, 17 Conn. Supp. 166 (C/P/ 195-0)

The $6,000 limitation on income from real estate has been interpreted to apply only to relevant income-yielding property; other college-owned property does not lose its exempt status if this income limitation provision is violated. [45]

Cemetery Property

For reasons similar to charitable and educational property, cemetery property has been exempted from taxation (CGS Sec. 12-81(11)). Since no serious objection to this exemption has been raised, there have been no landmark court cases in this area. Cemetery property is frequently owned by religious organizations. Also, in New England, many municipalities own cemeteries. In such cases, the religious or municipal exemption would probably take precedence, which may explain the absence of challenges to this exemption.

Religious Property

CGS Sec. 12-81(12) exempts personal property of religious organizations. In CGS Sec. 12-81(13), "houses of religious worship, the land on which they stand, their pews, furniture and equipment" are exempted. Also, "real property and equipment" of "any religious organization and exclusively used as a school, a Connecticut non-profit camp or recreational facility for religious purposes, a parish house, an orphan asylum, a home for children, a thrift shop, the proceeds of which are used for charitable purposes, a reformatory or an infirmary" are exempted in CGS Sec. 12-81(14). Finally, "dwelling houses and the land on which they stand" used by "officiating clergymen" are exempted in CGS Sec. 12-81(15).

Exemption of property used for religious purposes has a longer history than other exemptions. Before the Constitution was written, there was no doctrine of separation of church and state, but because churches were generally considered as related to government, they were exempted as public agencies. The exemption practice simply continued after the Constitution was written. Statutes specifically exempting religious property were generally not enacted until the nineteenth century.[46]

The First Amendment of the Constitution -- which states that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof" -- can be interpreted as either encouraging or prohibiting the taxation of churches. A Supreme Court decision upholding property tax exemption for churches[47] relied principally on arguments other than the establishment and free exercise clauses in the First Amendment. Yet, the wording and near-unanimity of that decision imply that any state, which repealed its exemption of church property, is likely to have its action reversed.

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[45] *Yale v. New Haven* (1899)

[46] Connecticut's exemption originated in the Statute of Charitable Uses, adopted in 1684 and revised in 1702, which exempted property "for the maintenance of ministries of the Gospel." The wording has changed over time: in 1822 "churches" were exempted by the statute, but other religious, organizations were not mentioned; in 1851, properties of benevolent organizations were also included. In 1925, the wording was altered so that "houses of religious worship" were exempted.

[47] *Walz V. Tax Commissioner of the City of New York*, 397 U.S. 664 (1970)

In Connecticut, relatively few court-mandated restrictions have been placed on property used for religious purposes. A Masonic Temple was denied a religious exemption because, among other reasons, it "meets in secret", as a membership "dependent in part at least on social considerations" and its property was not "devoted to the practice of religious worship as it is customarily carried on in this state."[48] Recreational facilities of religious organizations were denied exemptions before they were specifically included in CGS Sec. 12-81(14) in 1955.

Hospital and Sanatoriums

The state exempts hospitals and sanatoriums (CGS Sec. 12-81(16)) provided that "no officer, member or employee thereof" receives "any pecuniary profit except reasonable compensation for services." Where an institution had become financially successful, the court ruled that under the statute**,** success alone (meaning that the institution was using sound financial management) did not transform the institution's purpose from one devoted exclusively charitable purposes. [49]

This exemption is analogous to that of educational, scientific and other such property. The rationale is the same: hospitals and sanatoriums provide services that would otherwise have to be provided by government. In many states, hospitals are operated by state or municipal government to a greater extent than in Connecticut. For example, New York City possesses an extensive municipal hospital system. Connecticut reimburses municipalities in a payment in lieu of taxes (PILOT) formula for hospital property.

Other Governmental and Benevolent Exemptions

A number of exemptions similar to those outlined above are included in CGS Sec. 12-81. They are more specific in nature and in many cases, exempt an organization that would otherwise have qualified for the governmental or educational/charitable exemptions. Because the rationales for these have already been discussed, the items are only listed in the footnote below.[50]

Other Exempt and Non-Taxed Properties

In classifying property that is not subject to taxation, a distinction can be made between exempt and non-taxed property. Exempt property is not taxed under the existing ownership, but would be taxed under other ownership. The use to which the property is put or the nature of the owner gives exempt status to the property. Non-taxed property is not taxed regardless of ownership. For example, most personal property not taxed in Connecticut retains this, status regardless of ownership. Much property that is not taxed, but does not appear on any exempt grand list can more accurately be called non-taxed.

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[48] *Masonic Building Association of Stamford, Connecticut, Inc. v. Town of Stamford,* 119 Conn. 53, 60, 61, 174 A. 301, 304.

[49] *Institute of Living V. Hartford Board of Tax Review*, 13 Conn. Supp. 372 (1945)

[50] They consist of: CGS Sec. 12-81(5), property held by trustees for public purposes; (6), property of volunteer fire companies; (9), personal property loaned educational institutions; (10), property owned or horticultural societies; (18), property of veterans' organizations; (27), grand army posts; (29), the Red Cross; (45), Connecticut National Guard; (48), airport improvements; and (49), nonprofit camps or recreational facilities charitable purposes.

Some business-owned properties possess exempt status. For example, provisions are made for special treatment of the property of common carrier motorbus companies and railroad companies. For the former, buses used for carrying passengers are exempt; if the carrier is a Connecticut bus company, fifty percent of property taxes on the assessed value of its real estate and relevant personal property used directly in the conduct of its motor bus business is waived. All property of railroads, if used exclusively for railroad purposes, is exempt from taxation.

The statutes allow towns to abate property taxes for certain types of property and require them to abate the taxes for other types. Some of these abatements are intended to stimulate business activity, such as redeveloping abandoned industrial sites; others have narrower aims, such as preserving historic properties, but may have economic development spin-offs.

Exemptions to Individuals

Partial exemptions for property occupied as dwelling places are granted to the blind, veterans, disabled veterans, elderly and specified relatives. Also exempted are a limited amount of property of United States army instructors (CGS Sec. 12-81(28)) and one motor vehicle of a serviceman "if ... garaged outside the state" (CGS Sec. 12-81(53)).

Exemptions for the blind and veterans have a long history in Connecticut. Exemption provisions for the blind first appeared in the Connecticut General Statutes in 1867 and a veterans, exemption first appeared in 1887. Relief for elderly homeowners was initiated in 1965 with a tax freeze program. In 1973, circuit breaker legislation was added as an option for elderly taxpayers. The freeze program option for new participants was eliminated in 1980. The last significant revision of the circuit breaker program was in 1985.

These exemptions have different rationales behind them. When the veterans' and servicemen exemptions were originally enacted they represented payment in recognition of services rendered to one's country. The rationale for the various expansions of local options was expediency with some attempt at perceived equity by imposing certain income limits. The exemption for the blind attempts to recognize the handicap such people possess in earning a living and owning a house. The elderly exemption attempts to ease the property tax burden on a class of people who generally must live on a reduced income when they retire, but do not find their property taxes reduced commensurately.

Most non-business tangible and intangible personal property is not taxed. Some categories are specifically exempted by law among CGS Sec. 12-81(30)-(35), (43) and (47)[51]; others are not mentioned. The major reason that non-business personal property is not taxed is that the difficulties in identifying and taxing such property are deemed to outweigh the possible revenue.

Much of this personal property was taxable in earlier times. In 1851, the general rule was adopted that all property not exempted by statute would be taxed. After this declaration, exemptions proliferated, particularly on personal property. The property tax on boats (CGS Sec. 12-81(64)) was

[51] They are: CGS Sec. 12-81(30), Fuel and Provisions; (31), Household Furniture; (32), Private Libraries; (33), musical Instruments; (34), Watches and Jewelry; (35), Wearing Apparel; (43) Cash; (47), Carriages, Wagons, and Bicycles.

eliminated in 1981. The property tax on aircraft (CGS Sec. 12-71(f)) was eliminated in 1993, effective with the 1992 Grand List, and replaced with an annual fee.

A final non-taxed category consists of streets and waterways. They represent the difference between what is called the total gross area and total net area of a municipality. Streets are truly public domain; thus, the "value" of streets is normally considered to be reflected in the value of facing property. Water areas represent (unless filled in) non-developable property. Neither, therefore, is subject to appraisal or assessment.

The following tables provide statewide aggregate information on various property tax exemptions. The tables indicate the effect on the grand list, whether the exemptions are mandatory or discretionary and whether the state reimburses the municipality and for exemptions affecting individuals.

Statewide Property Tax Grand List Reductions- Non-Taxed Properties

Grand List	CGS Section	FY 21/Grand List 2019	State Reimbursed	% Gross Grand List
Property of the United States	12-81(1)	1,542,588,820	No	0.34%
State Property	12-81(2), (45),(66)	11,523,821,051	Partial [1]	2.52%
Municipal Property	12-81(4)	22,880,915,270	No	5.00%
Public Purpose Property by Will or Trust	12-81(5)	138,049,050	No	0.03%
Beach Property	12-81(67)	307,662,200	No	0.07%
Municipal Airports	12-81(4), 12-74	184,953,240	No	0.04%
Municipal Water Supply Land	Dec-76	306,711,964	No	0.07%
Municipal Port Authority	Jul-91	1,629,950	No	0.00%
Volunteer Fire Company Property	12-81(6)	226,021,635	No	0.05%
Property Used for Scientific, Educational, Literary, Historical or Charitable Purposes	12-81(7)	6,378,318,987	No	1.39%
Property Leased to Charitable, Religious, or Non-Profit Organizations (Local Option)	12-81(58)	28,446,500	No	0.01%
Nursing, Rest and Residential Care owned by a Federally exempt organization	12-81(75)	21,264,180	No	0.00%
Private Colleges' Property	12-81(8), 12-20a	6,215,147,231	Partial [2]	1.36%
Hospital and Sanitariums	12-81(16), 12-20a	5,731,562,258	Partial [2]	1.25%

Grand List	CGS Section	FY 21/Grand List 2019	State Reimbursed	% Gross Grand List
Health Care Facility-HMO Property	38a-188	31,920,420	No	0.01%
American National Red Cross Property	12-81(29)	17,640,710	No	0.00%
Property Held for Cemetery Use	12-81(11)	561,591,988	No	0.12%
Property of Religious Organizations	12-81(12),(13),(14),(15),	4,882,353,797	No	1.07%
Nonprofit Camps/Recreational Facilities	12-81(49)	594,196,367	No	0.13%
Agricultural and Horticultural Society Property	12-81(10)	79,645,081	No	0.02%
CT Resource Recovery Authority property	22a-270a	229,113,609	Partial [3]	0.05%
CT Innovations Inc.	32-46	Not Reported	No	n/a
CT Housing Authority Property	8-265b	127,087,610	No	0.03%
Metropolitan Transportation Authority property	12-81(69)	Not Reported	No	n/a
CT Water Authority	Jul-58	Not Reported	No	n/a
Veterans Organizations Property	12-81(18),(27)	57,935,010	No	0.01%
Prepaid Legal Services Property	38a-240	Not Reported	No	n/a
Public Service Companies Property (Railroad)	12-255	120,532,192	No	0.03%
TOTAL		**62,189,109,120**		13.60%

[1]CGS 12-19a-c requires the state to reimburse municipalities at a rate of 45% for most state-owned property. Prison property, and the portion of the UConn Health Center used to provide medical care to prisoners, is reimbursed at 100%. Land owned by the Connecticut Valley Hospital is reimbursed at 65%. PA 21-3 established a method of prorating these grants, in the event that appropriations are insufficient to fully fund, that guarantees higher reimbursement rates for towns with less property wealth. The FY 22 and FY 23 budget funds this grant, with the new proration method, via a combination of General Fund appropriations and the Municipal Revenue Sharing Account.

[2]CGS 12-20a-b requires the state to reimburse municipalities at a rate of 77% of taxes that would have been paid for private college and hospital property. PA 21-3 established a method of prorating these grants, in the event that appropriations are insufficient to fully fund, that guarantees higher reimbursement rates for towns with less property wealth. The FY 22 and FY 23 budget funds this grant, with the new proration method, via a combination of General Fund appropriations and the Municipal Revenue Sharing Account.

[3]CGS 22a-270a allows for certain property leased by the Materials Innovation and Recycling Authority (MIRA) to be exempt from property taxes if there is an agreement between MIRA or the lessee and the municipality to make a payment in lieu of taxes.

Statewide Property Tax Grand List Reductions - Taxed Properties Receiving Partial Exemptions

Grand List	FY 21/Grand List 2019	Number of Taxpayers
Non-Reimbursed Veterans	471,827,077	124,980
Reimbursed Ad Vets-Income	77,090,753	11,464
Non Reimbursed Ad Vets-Non Income	143,369,543	97,288
100% Disabled Non Reimbursed	20,341,408	2,760
100% Disabled Reimbursed	13,423,981	12,567
Blind	5,940,733	1,803
Economic & Developmental Non Reimbursed	1,347,193,454	899
Economic & Developmental Reimbursed	322,732,655	1,379
Farm & Mechanics	89,734,111	5,070
Solar Energy & Pollution Control	363,852,370	2,586
Personal Property of Tax Exempt Organizations	683,687,780	5,886
Individuals	83,473,192	4,385
Miscellaneous	202,465,856	6,618
Phase-In Residential Properties	909,900	80
Residential Fixed Assessments	11,998,731	11
Commercial Vehicles-Non Reimbursed	182,783,661	2,692
Manufacturing & Biotechnology Machinery and Equipment- Non Reimbursed	5,037,095,348	4,211
TOTAL	**9,057,920,553**	**284,679**