

OFFICE OF FISCAL ANALYSIS

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HB-5438

AN ACT ESTABLISHING A CREDIT AGAINST THE CORPORATION BUSINESS TAX AND PERSONAL INCOME TAX FOR NONRESIDENTIAL BUILDING IMPROVEMENTS MADE TO REDUCE THE SPREAD OF COVID-19.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 \$	FY 24 \$
Department of Revenue Services	GF - Revenue Loss	Potential Significant	Potential Significant
Department of Revenue Services	GF - Cost	Up to \$100,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a time-limited personal income or corporation business tax credit for nonresidential building improvements to reduce the spread of COVID-19, results in: 1) a potentially significant General Fund revenue loss in FY 23 and FY 24, and 2) a one-time cost to the Department of Revenue Services of up to \$100,000 in FY 23 only for updates to the online Taxpayer Service Center and internal CTax integrated tax administration system.

It is unknown how many qualifying projects would be eligible for the credit; while there is a cap on the amount of the credit available for individual projects, there is no aggregate program cap. The actual revenue loss would be equal to the number of eligible projects

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multiplied by the applicable credit amount.¹

The Out Years

The annualized ongoing fiscal impact identified above would continue through no later than FY 30.²

¹ The credit amount is 75% of qualifying expenditures up to \$100,000 per location for work locations less than 30,000 square feet and 50% of qualifying expenditures up to \$250,000 per location for work locations of 30,000 square feet or more.

² The bill allows the credit to be taken in the year in which it is allowed or to be carried forward for the seven immediately succeeding years until it has been fully claimed.