

Corporation Business Tax Surcharge

By: Heather Poole, Principal Analyst
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Issue

Provide answers to several questions about the corporation business tax surcharge.

What is the corporation business tax surcharge?

Connecticut law requires certain corporation business taxpayers to pay an additional surcharge equal to a specified percentage of their tax liability before tax credits are applied. For the 2018 to 2022 income years, the surcharge is 10% of taxes owed ([CGS § 12-214 \(b\)\(8\)](#)), as amended by [PA 21-2, June Special Session](#), § 422). (The rate has varied over the years; see surcharge history below.) The surcharge currently applies to companies that have more than \$250 in corporation tax liability and either (1) have at least \$100 million in annual gross income in those years or (2) file combined or unitary returns.

How much revenue is generated from this surcharge?

Table 1 provides the revenue generated from the surcharge in the five most recent years for which data is available.

Table 1: Corporation Business Tax Surcharge Revenue

Income Year	Revenue (millions)
2018 ¹	76.7
2017	115.6
2016	112.7
2015	126.3
2014	85.7

Source: [DRS Annual Reports](#)

¹ Surcharge was 10% in 2018 and 20% in 2014-2017

What is the history of the surcharge and why was it passed?

The corporation business tax surcharge was initially enacted in 1989. At the time, the state faced a \$247 million deficit in the current year (FY 89) and a \$882 million deficit for the coming fiscal year. As part of its deficit mitigation package (PA 89-16), the legislature passed a 15% surcharge for income years starting January 1, 1989; it increased the surcharge to 20% in a subsequent act later in session (PA 89-251). According to Senate floor debate transcripts, when the surcharge was initially debated in the Senate, Senator O’Leary emphasized the state’s fiscal position and noted that the “business tax has not been generating the revenue we had expected.”

Since 1989, the surcharge has been modified, eliminated, and reinstated multiple times. Table 2 shows the surcharge rate, if any, in each income year since 1989 and the applicable corporation business tax rate.

Table 2: Corporation Business Tax Rate and Surcharge

Income Year	Tax Rate (%)	Surcharge (%)
1989	11.50	20
1990	11.50	20
1991	11.50	20
1992	11.50	10
1993	11.50	None
1994	11.50	None
1995	11.25	None
1996	10.75	None
1997	10.50	None
1998	9.50	None
1999	8.50	None
2000	7.50	None
2001	7.50	None
2002	7.50	None
2003	7.50	20
2004	7.50	25
2005	7.50	None
2006	7.50	20
2007	7.50	None
2008	7.50	None
2009	7.50	10
2010	7.50	10
2011	7.50	10

Income Year	Tax Rate (%)	Surcharge (%)
2012	7.50	20
2013	7.50	20
2014	7.50	20
2015	7.50	20
2016	7.50	20
2017	7.50	20
2018	7.50	10
2019	7.50	10
2020	7.50	10
2021	7.50	10
2022	7.50	10
2023 and thereafter	7.50	None

Sources: [CGS § 12-214 \(a\) & \(b\)](#), as amended by [PA 21-2, June Special Session](#), § 422; [OFA Tax Expenditure Report](#)

Why do insurance companies not pay the surcharge?

The surcharge applies to the corporation business tax, which insurance companies do not pay by law ([CGS § 12-214\(a\)\(2\)](#)). Insurance companies instead pay the insurance premiums tax (see OLR Report [2020-R-0166](#) for more information on this tax).

How many other states have a similar surcharge?

We identified one state that currently imposes a surcharge similar to Connecticut's and another that did so in the past decade. [New Jersey](#) imposes a temporary 2.5% surtax on corporations with a New Jersey allocated net income over \$1 million for the 2018 through 2023 tax periods. (It appears that New Jersey has imposed a temporary surtax at other points, including from [2006-2009](#).)

Michigan imposed a surtax on Michigan business taxpayers from 2008 to 2016, generally at a rate of 21.99% of a business's tax liability after allocation and apportionment but before applying tax credits.

We identified two other states that impose a surcharge on corporate taxpayers, but they dedicate the revenue to specific purposes rather than for general state expenditure. [New York](#) imposes a metropolitan transportation business surcharge on the portion of tax attributable to certain taxpayers' activity within the metropolitan commuter transportation district (i.e., New York City, Long Island, and other downstate counties) ([N.Y. Tax Law § 209-B](#)). The surcharge rate is set by New York State Department of Taxation and Finance and is [currently 30%](#). Revenue from the surcharge is used for public transportation expenses ([N.Y. Tax Law § 171-A](#)). [Wisconsin](#) imposes an economic development surcharge on corporations that have \$4 million or more in gross receipts. The tax is

imposed at a rate of 3% of a corporation's gross tax liability, and revenue from the tax is used to fund the Wisconsin Economic Development Corporation.

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