

# OFFICE OF FISCAL ANALYSIS

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sHB-7166

AN ACT CONCERNING THE DEPARTMENT OF ECONOMIC AND  
COMMUNITY DEVELOPMENT'S RECOMMENDATIONS FOR  
REVISIONS TO CERTAIN TAX CREDIT STATUTES.

As Amended by House "A" (LCO 9916)

House Calendar No.: 579

## ***OFA Fiscal Note***

### ***State Impact:***

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Department of Revenue Services	GF - Potential Revenue Loss	0.3 million - 0.8 million	0.3 million - 0.8 million
Department of Economic & Community Development	Tourism - Revenue Gain	Potential	Potential
Resources of the General Fund	GF - Revenue Gain	Potential	Potential
Department of Economic & Community Development	GF - Cost	Potential	Potential

Note: GF=General Fund; Tourism=Tourism Fund

***Municipal Impact:*** None

### ***Explanation***

The bill makes various changes to the commerce statutes resulting in the following impacts described below.

**Sections 1 - 2** allow the parent company of a limited liability company (LLC) that meets specified employment and industry parameters to earn Research & Development (R&D) tax credits. To the extent the credits could be claimed, this results in a General Fund revenue loss of between \$0.3 million and \$0.8 million beginning in FY 26.

**Sections 3 - 4** make various clarifying, conforming, and administrative changes to the state's film and digital media production

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and film infrastructure development tax credits that do not result in any fiscal impact.

**Section 5** results in a revenue gain to the Tourism Fund by allowing the Department of Economic and Community Development (DECD) to establish and administer a program for the sale of Connecticut brand merchandise and advertising space for Connecticut businesses. The revenue gain will depend on volume of sales that DECD undertakes.

**Section 6** has no fiscal impact by modifying DECD's workforce incentive grant program, including eligibility, eligible uses of a grant, and grant amounts. This program has yet to be established by DECD.

**Section 7** has no fiscal impact by exempting tax credit programs administered by DECD and Connecticut Innovations from the types of financial assistance subject to nonrelocation agreement requirements. This change conforms with DECD's existing practice.

**Section 8** results in potential revenue gain to the state by allowing DECD to convey state property under the agency's control for use as a cultural or historical attraction or site. Any such gain will depend upon agreed upon sale, lease or exchange associated with each state property conveyance.

**Section 9** results in a potential cost to DECD by allowing the agency to provide financial assistance, lend staff or provide other in-kind contributions to certain nonprofits in the state.

**Sections 10 - 13** eliminate the digital animation production companies tax credit. There is no fiscal impact anticipated to this provision as there has been no demand for tax credits through the program.<sup>1</sup>

House "A" strikes the underlying bill and its associated impact and

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<sup>1</sup> Per the 2024 Dept of Economic and Community Development annual report, no new digital animation tax credits were issued in FY 24.

results in the impacts noted above.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

*The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*