

Finance, Revenue and Bonding Committee

JOINT FAVORABLE REPORT

Bill No.: SB-1246
AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE BIENNIAL
Title: BUDGET.
Vote Date: 4/24/2025
Vote Action: Joint Favorable Substitute
PH Date: 2/26/2025
File No.: 893

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

SPONSORS OF BILL:

Request of the Governor Pursuant to Joint Rule 9

REASONS FOR BILL:

Biannually, the Governor produces recommendations to the state legislature that include various applications and plans for the Connecticut state legislature to consider for the state's budget. This bill contains those recommendations.

PROPOSED SUB. LANGUAGE:

"For the 2025 through 2029 income years, a capital gains surcharge of 1.75% is imposed on any taxpayer whose Connecticut adjusted gross income is equal to or greater than: \$1 million for any single or married filing separate filer, \$1.6 million for any head of household filer, or \$2 million for any joint filer, with a one-time exclusion for the capital gain from the sale of a primary residence or the ownership interest of a business."

RESPONSE FROM ADMINISTRATION/AGENCY:

Beckham, Jeffrey, Secretary-Office of Policy Management

Secretary Beckham submits testimony in support of SB 1246 stating its importance in implementing the Governor's priorities, promoting fiscal stability, and providing targeted tax relief to residents within the state of Connecticut. Some of the main topics Secretary Beckham brings up in his testimony are the property tax credit, which will benefit a great number of individuals. He also lists the workers to benefit from occupational licensing fees as well as benefit from the bill's corporate tax reform, hospital user fees modifications, volatility cap adjustments, and other revenue changes.

O'Keefe, Daniel, Commissioner, Dept. of Economic & Community Development

The commissioner submits testimony in support of the bill. He proceeds to detail specific sections such as section 11, as this is very beneficial for biotech companies' refunds. He goes on to detail sections regarding Film Production Tax Credits, supporting that this would be quite beneficial as well for many companies in the state associated with the digital media industry.

Shea, Michael, Exec. Director, CT Airport Authority

The director submits testimony on SB 1246 to ask the committee to reject any possible amendments to the bill and extend the suspension of the state's aviation fuel user fee. He details the history with fuel user fees and expresses the importance these fees are to the Airport Authority's income/funding.

Joshua Caskey:

He writes in support of three sections of this bill. The state legislature needs to be forceful and decisive in writing legislation that will help build needed affordable housing. These incentives will not overcome some of the exclusionary zoning that is present in some towns in Connecticut. He also supports the Transportation Climate Initiative which would be a step in the right direction to reduce emissions which are contributing to pollution in Connecticut. In addition, he supports the fiscal guardrails that will make our state more effective in supporting our citizens who face daily struggles. Schools are underfunded and homeless shelters are at capacity, given Connecticut's surplus this is unconscionable.

Chris DiPentima, President, and CEO, CBIA:

Mr. DiPentima writes in support of this bill as the two-year budget that is adopted represents real opportunity to strengthen the state's momentum and expand the workforce, grow the economy, and improve our quality of life, though there are some concerns. The fiscal guardrails that were presented in the 2017 bipartisan budget reforms are working, they have provided long-term, sustainable foundation for building an opportunity economy. The state's economic fortunes are not only with maintaining the fiscal guardrails but also addressing the labor shortage in our state. There cannot be long-term sustained economic growth without job growth. They urge lawmakers to prioritize policy solutions to the high cost of living in Connecticut as it is driving cost of the labor shortage. They also support the bioscience research and tax credit reimbursement percentage increase and accelerating the proposed elimination of the capital base tax from January 1, 2028, to January 1, 2026. Also included in the budget is eliminating occupational licensing fees for high-demand trades. CBIA has supported this for years. They do have concerns how to fund these proposed mechanisms, especially when there are more effective solutions. They believe that the budget includes many incentives, however they do not want to see the fiscal guardrails weakened.

Jodie Gillon, President, and CEO, BioCT:

BioCT is in strong support of the provisions in SB1246 that increase the R&D tax credit exchange rate and accelerates the phase out of the Capital Base Tax. The Connecticut R&D tax credit will help create jobs in the technology sectors and in return increase the income tax dollars for Connecticut. These credits also support the ecosystem of companies in Connecticut that supply goods and services to research and development companies. The phase out of the Capital Base Tax has long been seen as unfair and uncompetitive to biotech corporations that are pre-revenue. Many states have repealed such taxes as it has imposed a negative taint and perception on the state, this makes him support the two-year acceleration removing the tax.

Gene Harrington, Biotechnology Innovation Organization (BIO): Mr. Harrington writes in support of this bill on behalf of BIO, especially Section 11. BIO thanks Governor Lamont for including the language in Section 11 increasing the cash exchange from 65% to 90%, this will make Connecticut more competitive with neighboring states Massachusetts and New York as their exchange rate is currently 90% to 100%. Due to Connecticut's strong education system the biotechnology sector is strong for growth in the Nutmeg State. By increasing the exchange rate biotechnology sector will foster economic growth and maintain Connecticut's leadership role. This will expand high-paying jobs in the state.

Hunter Keay, CFO, Avelo Airlines:

Mr. Keay writes in support of maintaining the Airline Jet Fuel Tax at zero. Avelo has become one of the largest airlines in the state measured by destinations served and number of non-stop customers, though they are still a start-up company, and finances are still fragile. Tweed New Haven airport was abandoned by larger airlines and Avelo has revitalized the airport serving the surrounding area. They have been able to add new international flights out of the state due to the tax credit. Taxes on airlines for fuel are passed on to customers or airlines cannot survive. Avelo has all intention of passing the savings of this fuel tax relief onto customers by having lower fares. He respectfully asks that the zero-tax rate on jet fuel be preserved.

Patrick O'Brien, Research and Policy Director, Connecticut Voices for Children:

Mr. O'Brien writes in support of Section 15 in this bill with two modifications. Increasing the Connecticut Property Tax Credit (CT PTC) and changing the adjusted gross income threshold for those receiving the credit will provide additional support for low- and middle-income families in Connecticut and make the tax system fairer. Allowing the CT PTC to be refundable would provide support for families of low-income who currently receive little or no tax credit. Allowing renters who pay motor vehicle taxes would ensure that all taxpayers receive relief. Also, establishing a state-wide property tax on high value residential property, having a capital gains surcharge on high-income and wealthy families, eliminating the \$2.5 million unitary liability cap, reducing the film production tax credit, extending the corporation business tax surcharge, and adjusting the volatility cap would generate needed income to make the tax system equitable.

Paul Pescatello, Senior Counsel and Executive Director, Connecticut Bioscience Growth Council:

Mr. Pescatello writes in support of SB1246, as it in four ways is a wise economic policy. The R&D is important to biotech innovation and the R&D tax credit is an effective economic tool. State governments recognize the value of research and development is through their tax code. Companies will set up their operations based on a State's R&D policy. The R&D tax credits are only earned after companies have spent money in Connecticut, the R&D Tax Credits enhance VC Investments and draw biotech's to the state, and this bill will make Connecticut more competitive with Massachusetts and New York.

Melissa Riley, Speech Language Pathologist (SLP):

Ms. Riley writes in support of this bill regarding the elimination of licensing fees for certain professions and requests that speech language pathologists be included. SLP's are part of a healthcare team and perform many functions that other parts of the healthcare team cannot perform. Many SLP's are in debt due to student loans and being underpaid, often taking

multiple jobs to make ends meet. Many leave the profession due to low pay, high stress, and many costs related to maintaining and licensure and training. Please remove the licensing fees for speech language pathologists.

Garrett Sheehan, President and CEO, Greater New Haven Chamber of Commerce: Mr. Sheehan writes in support of this bill. The decision that was made in the 2023 legislative session eliminating the tax on commercial jet fuel is paying real dividends and he urges that this policy is maintained. Tweed New Haven Airport has seen growth due to this and it has been shown as it has created new jobs, opened the door to business expansion, and made the area more accessible to visitors, investors, and residents. Before the commercial jet fuel tax was suspended Connecticut was among the highest in the nation. This made it harder to attract and retain air services. Due to the leadership of the legislature Connecticut is now on the map for airlines to expand. He urges that the elimination of the commercial jet fuel tax continue.

James E. Shmerling, DHA, FACHE, President and CEO, Connecticut Children's Medical Center (CCMC): Mr. Shmerling writes in support of SB1246 as it relates to CCMC. Currently CCMC is statutorily exempt from the State's hospital tax, but this bill would begin being taxed in FY2027. Though they are currently exempt, they believe that participation in the tax program would benefit the State and support CCMC's organization's financial sustainability by improving the Medicaid cost coverage. CCMC is the state's only independent children's health system, and they have a unique relationship with Medicaid, more than half of their patients rely on Medicaid. Medicaid payments are low and therefore they struggle with the financial impact. Working with legislatures on a solution to the Medicaid problem and one of the solutions is the State's hospital tax. CCMC is looking to remove the exemption in FY2027, they recognize that their participation will benefit the state, most states include their children's hospitals as tax paying entities.

NATURE AND SOURCES OF SUPPORT:

39 individuals submitted testimony in support of the bill specifically for the removal of licensed marriage and family therapist, and mental health professional fees.

NATURE AND SOURCES OF OPPOSITION:

Caroline Simmons, Mayor, Stamford, Connecticut:

Mayor Simmons wrote in opposition to the proposed reduction of the digital media tax credits and incentives. Believing the state falls behind in jobs in this sector and that reductions to such incentives would put the state of Connecticut at an even more disadvantage. She cites an Olsberg study for the Connecticut Office of Film, Television, and Digital media that identified that these incentives have resulted in thousands of jobs and economic benefits for the state. She goes on to conclude that the city of Stamford has benefited from these tax credits and has a "growing digital media ecosystem" and asks for the digital media tax credits and incentives intact to support this growing industry.

Rajan Mehta, EVP Chief Product, WWE:

In his testimony, Mr. Mehta states that the WWE has greatly benefited from the digital media tax credit as it's been able to help the company grow its media presence within the state of

Connecticut, helping from capital expenditures to being able to increase hiring. He believes that reducing the digital media tax credit would have a negative impact on the industry thus deterring other companies and such organizations from relocating to Connecticut.

Vincent G. Capece, Jr., President and CEO, Middlesex Health: Mr. Capece writes in opposition to this bill due to Sections 16 -18 which deals with the hospital tax. Sections 16-18 provides for an annual increase in the hospital tax and corresponding supplemental payments beginning July 1, 2026. The policies presented would cause irreparable harm to hospitals, patients, employers, and the insured. They believe there is a better way to address the issues surrounding Medicaid. The proposed changes to the hospital tax program would not address the Medicaid shortfall and create unpredictability and instability. The bill adopts a narrow aim to using hospitals to generate revenue to fund Medicaid and balance the state budget. By advancing this bill, the opportunity to make long-term, meaningful improvements to the Medicaid program will be lost.

Heather Cavanaugh, President and CEO, Stamford Chamber of Commerce: Ms. Cavanaugh writes in strong opposition to this bill that would diminish the state's film tax credit. Sections 3-8 would impede the great success and positive economic impact the film tax credit has brought to Stamford and the state. Connecticut has become known as a major production hub having incentives that are an industry standard. Stamford alone has NBCUniversal which includes NBC Sports and Stamford Studios, ITV America, and WWE. Though the reduction of the film tax credit is 5% it will have a significant impact when coupled with the high cost of doing business in Connecticut. Decreasing the tax credit to 25% will increase the competition with New Jersey who gives a film tax credit up to 35% and Rhode Island which has a 30% tax credit. The current tax credit has been a driving force behind Stamford's growth as a global production hub. The proposed cut will impact subcontractors, vendors, consumers who purchase products and services and local crew members. Stamford Chamber of Commerce urge rejection of SB1246 regarding the film tax credit.

Dan Keenan, Vice President, Government Affairs, Trinity Health of New England: Mr. Keenan writes in opposition to Sections 16-18 of this bill. The aim of this annual tax increase on hospitals starting on July 1, 2026, is to generate revenue to fund the state's share of the Medicaid services and help to balance the state budget. The changes proposed in this bill do not address the Medicaid shortfall or help to make the system more predictable or stable. To sustain healthcare delivery to our communities it is necessary to cover the cost. There were signs of recovery in 2023, however Connecticut hospitals still lost \$76 million. There are more impactful approaches to balance the state budget than using the hospital tax program. By advancing the tax program in SB1246, Connecticut could lose the opportunity to improve the Medicaid program.

Robert Reed, Government Relations Officer, Yale New Haven Health: Mr. Reed writes in opposition to Section 16-18 as proposed. This bill introduces an annual increase in the hospital tax and corresponding supplemental payments beginning July 1, 2026, this will increase the financial pressures on all non-profit hospitals, not just Yale New Haven. This tax burden could lead to difficult decisions regarding allocation of funds which might compromise the quality of patient care and essential services provided to the community. The proposed amendment would exacerbate the financial strain that is already challenging from Medicaid underpayments. This tax may cause cuts to important health services and programs. To manage increasing tax liabilities there could be hiring freezes that may hinder adequate

staffing needs. Tax increases may also hinder critical capital improvements. As a system Yale New Haven contributes to the local community in the way of employment and economic stability. There are ways to invest in Medicaid that align with Section 17 of Public Act 23-171. The intent maybe to support state revenue, however there are potential risks that could severely jeopardize the financial health of non-profit hospitals, and their capacity to provide high-quality healthcare.

Andrea Rynn, AVP, Public-Government Relations, NuVance Health: Ms. Rynn writes in opposition to Section 16-18 of this bill. The proposal in these Sections is not sustainable and could severely impact hospitals, patients, employers, and the insured. They believe there are better ways to utilize the hospital tax program to address Medicaid underpayment, strengthen the healthcare system and meet the goals of improved health, quality, and access of healthcare. They urge Connecticut to take a more holistic approach to generate income for Medicaid services and state budget balancing. Advancing the proposed hospital tax increase in SB1246 there are risks of missing the opportunity for long-term improvements in the Medicaid program.

Tracy Tremblay, Initiative Manager, Eastern CT Health Collaborative (EHC): Ms. Tremblay writes in opposition to SB1246 Sections 16-18 which amends the hospital tax and supplemental payment provision allowing an annual increase beginning July 1, 2026. The policies presented are unsound and do not strengthen hospitals and communities or address affordability. They believe there is a better way than the hospital tax program to address Medicaid underpayment, and to invest in community health and healthcare delivery systems. By advancing the hospital tax program in SB1246 the opportunity to make long-term meaningful improvements will be lost. EHC welcomes the opportunity to engage further on a comprehensive solution that will support the healthcare needs of residents and advance affordability for all.

Michael Veillette, Chief Financial Officer, Stamford Health: Mr. Veillette writes in opposition to hospital tax sections of SB1246. Under the Governor's revenue bill, the state leaves substantial federal dollars on the table and fails to make the necessary investment to Medicaid payments to hospitals to increase access to care, improve health equity and help lower commercial insurance rates. The federal Medicaid match dollars related to supplemental payments are not shared with hospitals to reduce the gap between what Medicaid pays and what the actual cost is to hospitals to provide services to Medicaid beneficiaries. SB1246 would also change the base year for the upcoming biennium, and beyond which will have a disparate impact on Connecticut's hospitals. They recommend the base year's impact be understood before it is approved.

Bob Dio, Co-Founder, Connecticut Film and TV Alliance:

For a few years now, Bob Dio explains how he's been an advocate for filmmakers within the state of Connecticut and proposed increases to the film tax credit. He goes on to state that by decreasing the tax credit rather than increasing it, it would further deter film production and thus increase tax revenue from the wages of workers in numerous fields.

Edward Cohen, Director, Connecticut Film and TV Alliance:

Mr. Cohen lists numerous incentives the film tax credit gives as well as sample outcomes from the tax credit as well for the state of Connecticut, he believes this is a great solution to resolve many states financial issues.

Sophie Morganstern, Associate Producer, The Hartford Film Company,

Sophie explains how after graduating from Brown University, she came back to Connecticut and has learned much while working in the film industry within the state. She believes that the state can be very competitive within this industry, but a decrease in the film tax credit could be a deterrent from this.

Heather Elliott-Famularo, Digital Media and Design Department Head, University of Connecticut:

Heather states that by reducing the film production tax credit, it will have a negative impact on the state's film and digital media industry. She further explained how there are currently 357 undergraduates in UCONN's program in Storrs and Stamford of which 79% are Connecticut residents. Further, by reducing the film tax credit, this could make it more difficult for UCONN's digital media and design department to help locate opportunities and jobs within the state for their students, on top of that, Heather goes on to share how the film industry is an enriching field that helps enrich the cultural landscape of Connecticut, which will be negatively impacted if this were to pass.

Jeff Capeci, First Selectman, Newtown:

Mr. Capeci expresses concern with the proposed reduction of Connecticut's film production tax credit, that any change threatens local film activity and the many businesses that benefit from it including restaurants, transportation, and other services. Thus, cutting the incentive would push productions to other states.

Vincent Wrenn:

Mr. Wrenn believes that by reducing even by 5% will give the state of New York a competitive edge over Connecticut. He explains how he met with many filmmakers and shares how they believe in creating a film community and making a living in their home state and all have a passion for this field. That this could encourage growth by not only keeping the tax incentive at 30% but adding additional incentives like a middle-class tax incentive for working men and women.

GENERAL COMMENTS

Andy Markowski, State Director, National Federation of Independent Business (NFIB):

Mr. Markowski writes in support of Sections 23-52 but opposes Section 12. Sections 23-52 would eliminate initial and ongoing occupational licensing fees for various health, construction, and other skilled professionals. NFIB applauds the Governor and Committee for acknowledging the cost of occupational licensing can have on individuals, small businesses and workforce development and retention. They oppose Section 12 of the bill, responsible retention of Connecticut's functioning fiscal guardrails, particularly the volatile revenue sources are key to preventing future tax increases.

Bruce Stovall, Vice President for Public Policy, Oak Hill-Easter Seals, CT:

Mr. Stovall requests that the fiscal guardrails be updated to meet the urgent needs of nonprofits. Vital nonprofits like theirs need increases in FY2026 and FY2027 to provide a safety net for people in need as the current safety net in Connecticut is crumbling and there is a crisis. Inflation since 2007 has increased by 45% yet, funding has not kept the pace. Staffing continues to be an issue; it is a merry-go-round with no happy ending in sight.

Paying down debt and meeting the needs of our residents can be achieved by a forward-thinking approach. It is fiscally responsible to adequately fund essential services. A final budget that provides increased funding for nonprofits would allow them to start addressing some of the immediate needs. Please make reasonable adjustments to the fiscal guardrails to ensure the non-profit system remains intact.

Sean Williams, Vice President of State and Local Government Affairs, Airlines for America (A4A):

Mr. Williams writes in support of legislation regarding keeping the commercial jet fuel tax at zero. According to the Wall Street Journal article (Why Airlines Are Racing into Connecticut?) on February 11, 2025, "Connecticut is becoming one of the hottest aviation markets in the U.S." A4A and their members appreciate the leadership role the Committee played in the 2023 legislative session where they eliminated the commercial jet fuel tax. Connecticut puts itself in a strong position to possibly attract new service by eliminating the jet fuel tax to zero. Airline's biggest cost is fuel and tax burdens exacerbate this cost. Commercial service airports are funded by its users without the need for a jet fuel tax. A4A does understand the concern that the lack of the jet fuel tax could cause harm to the five general aviation airports which currently are operating in a deficit. The unencumbered line-item transfer from the STF in this biennium would be a reasonable alternative to a commercial jet fuel tax.

173 Individuals submitted testimony requesting the elimination of licensing fees for Speech-Language Pathologists (SLPs)

74 Individuals submitted testimony in opposition to the Film Tax Credit section of the bill.

The following individuals submitted testimony requesting an update to the fiscal guardrails to fund nonprofit organizations.

- Sue Caplet, Reliance Health, Norwich
- Gian-Carl Casa, President/CEO, CT Community Nonprofit Alliance
- Beth Connor, CBO, The Connection
- Denise Daviau, CEO, Lumibility
- Stefanie Delgado, SCADD
- Carrie Dyer, CEO, Reliance Health
- Joshua Steele Kelly, CEO, TVCCA
- Chris McNaboe, CEO, Horizons
- Laura Mello
- Carol Platt Liebau, President, Yankee Institute

**Reported by: Geva Tinker, Pamela Bianca,
Bonnie Gray, Aston Foley, Samuel Clark**

Date: 5/15/25