

## PART III. REVENUE

### Revenue Impact of Policy Changes

In Millions of Dollars

Enacting Authority	Policy	FY 20	FY 21	FY 22	FY 23	FY 24
<b>General Fund</b>						
<b>Personal Income Tax</b>						
	Adjust the (Personal Income Tax) Exemption Cap for Teachers' Pensions	8.0	8.0	-	-	-
Secs. 332, 334 of PA 19-117						
Secs. 347-348 of PA 19-117	Extend/Expand the Angel Investor Tax Credit Program	(5.0)	(5.0)	(5.0)	(5.0)	(5.0)
Sec. 384 of PA 19-117	Repeal the New Income Tax Credit for STEM Graduates	3.9	7.9	11.8	15.8	19.7
N/A	Adjust Withholding Projections	90.0	90.0	90.0	90.0	90.0
Secs. 333, 334 of PA 19-117	Reduce Personal Income Tax Credit for Pass Through Entity Taxes Paid	-	-	50.0	50.0	50.0
	<b>Subtotal</b>	<b>96.9</b>	<b>100.9</b>	<b>146.8</b>	<b>150.8</b>	<b>154.7</b>
<b>Sales and Use Tax</b>						
Secs. 317-318 of PA 19-117	Adjust the Diversion of the Motor Vehicle Sales Tax from the GF to the STF	58.2	113.4	-	-	-
Sec. 325 of PA 19-117	Expand the Sales Tax to Include Dry-Cleaning and Laundry Services	8.1	16.8	17.1	17.4	17.6
Secs. 325-326 of PA 19-117	Expand the Sales Tax to Include Interior Design Services	1.9	3.9	4.0	4.0	4.1
Sec. 325 of PA 19-117	Expand the Sales Tax to Include Parking	1.8	3.7	3.7	3.8	3.8
Secs. 323-324 of PA 19-117	Impose a 1% Prepared Foods Tax	48.3	65.8	67.4	69.0	70.7
Secs. 319-322 of PA 19-117	Increase the Sales Tax on Digital Downloads from 1.0% to 6.35%	27.5	37.1	37.7	38.2	38.8
Secs. 327-328 of PA 19-117	Lower the Threshold for Collection of Online Retail Sales Tax	1.5	2.0	2.0	2.0	2.0
Secs. 329-330 of PA 19-117	Mandate Occupancy Tax be Collected and Remitted by On-Line Platforms	1.5	2.0	2.0	2.0	2.0
PA 19-13	Recognize Decrease in Sales Tax Due to Raising the Age for Cigarette Restriction	(0.6)	(0.8)	(0.7)	(0.7)	(0.7)
Sec. 351 of PA 19-117	Recognize Increase in Sales Tax Due to E-Cigarettes Excise Tax	0.1	0.2	0.2	0.2	0.2
Various	Reflect STF Portion of Sales Tax Expansion	(3.6)	(5.5)	(5.5)	(5.5)	(5.5)

## Part III. Revenue

Enacting Authority	Policy	FY 20	FY 21	FY 22	FY 23	FY 24
Sec. 384 of PA 19-117	Repeal the Sales Tax Exemption for Safety Apparel	0.1	0.1	0.1	0.1	0.1
Sec. 331 of PA 19-117	Implement CSP to Enhance Sales Tax Collections of Online Sales	-	30.0	30.0	30.0	30.0
Secs. 352-353 of PA 19-117	Reflect Sales Tax Impact of Alcohol (Excise) Tax Changes	0.3	0.3	0.3	0.3	0.3
Secs. 329-330 of PA 19-117	Reflect Tourism Fund Portion of the Expanded Collection and Remittance of Occupancy Tax by On-Line Platforms	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
	<b>Subtotal</b>	<b>145.0</b>	<b>268.8</b>	<b>158.1</b>	<b>160.6</b>	<b>163.2</b>
<b>Corporation Tax</b>						
Secs. 341, 342, 343 of PA 19-117	Adjust the Corporate Surcharge	60.0	37.5	0.0	0.0	0.0
Sec. 340 of PA 19-117	Phase Out Capital Stock Tax	0.0	(5.7)	(15.2)	(29.2)	(46.2)
Sec. 349 of PA 19-117	Reduce Cap on R&D and URA Tax Credits to 50.01%	34.4	21.5	21.5	21.5	21.5
Sec. 376 of PA 19-117	Repeal 7/7 Program	-	8.0	20.0	30.0	40.0
Secs. 338-339 of PA 19-117	Repeal the Business Entity Tax of \$250	-	(44.0)	(11.0)	(44.0)	(11.0)
	<b>Subtotal</b>	<b>94.4</b>	<b>17.3</b>	<b>15.3</b>	<b>-21.7</b>	<b>4.3</b>
<b>Cigarette Tax</b>						
PA 19-13	Raise the Age to 21 for Cigarettes	(4.3)	(5.5)	(5.2)	(4.9)	(4.6)
Sec. 351 of PA 19-117	Tax E-Cigarettes Liquid at Wholesale	1.9	2.5	2.5	2.5	2.5
	<b>Subtotal</b>	<b>(2.4)</b>	<b>(3.0)</b>	<b>(2.7)</b>	<b>(2.4)</b>	<b>(2.1)</b>
<b>Real Estate Conveyance</b>						
Sec. 336 of PA 19-117	Exempt Properties with Crumbling Foundations from the Real Estate Conveyance Tax	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Sec. 337 of PA 19-117	Increase the Rate on Certain Residential Real Estate	-	6.3	6.3	6.3	6.3
	<b>Subtotal</b>	<b>(0.1)</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>	<b>6.2</b>
<b>Alcoholic Beverages</b>						
Secs. 352-353 of PA 19-117	Increase Excise Tax on Alcohol	3.8	5.0	5.0	5.0	5.0
Secs. 352-353 of PA 19-117	Reduce Alcohol Beverage Excise Taxes at Craft Breweries by 50%	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Secs. 352-353 of PA 19-117	Increase Excise Tax on Alcohol - Floor Tax	0.8	-	-	-	-
	<b>Subtotal</b>	<b>4.5</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>
<b>Admissions and Dues</b>						
Sec. 354 of PA 19-117	Adjust State Admissions Tax at Certain Venues	(0.8)	(1.6)	(1.6)	(1.6)	(1.6)
	<b>Subtotal</b>	<b>(0.8)</b>	<b>(1.6)</b>	<b>(1.6)</b>	<b>(1.6)</b>	<b>(1.6)</b>

Enacting Authority	Policy	FY 20	FY 21	FY 22	FY 23	FY 24
<b>Health Provider</b>						
Sec. 356 of PA 19-117	Maintain Hospital User Fee at FY 2019 Level of \$900 million	516.0	516.0	516.0	516.0	516.0
Sec. 357 of PA 19-117	Technical Fix to Intermediate Care Facilities (ICF) User Fee	0.1	0.1	0.1	0.1	0.1
	<b>Subtotal</b>	<b>516.1</b>	<b>516.1</b>	<b>516.1</b>	<b>516.1</b>	<b>516.1</b>
<b>Miscellaneous</b>						
Sec. 355 of PA 19-117	Surcharge of 10 Cents on Certain Bags	27.7	26.8	-	-	-
	<b>Subtotal</b>	<b>27.7</b>	<b>26.8</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Refunds of Taxes</b>						
Sec. 335 of PA 19-117	Maintain Eligibility Limits on Property Tax Credits	53.0	53.0	-	-	-
Secs. 333, 334 of PA 19-117	Reduce Personal Income Tax Credit for Pass Through Entity Taxes Paid	50.0	50.0	-	-	-
Sec. 335 of PA 19-117	Reflect Future Income Tax Credits Against the Residential Real Estate Rate Increase	-	-	-	(0.5)	(1.0)
	<b>Subtotal</b>	<b>103.0</b>	<b>103.0</b>	<b>-</b>	<b>(0.5)</b>	<b>(1.0)</b>
<b>Transfers-Special Revenue</b>						
Secs. 358-359 of PA 19-117	Reflect Enhanced OTB Enforcement Capacity	2.0	2.0	2.0	2.0	2.0
	<b>Subtotal</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>
<b>Licenses, Permits, Fees</b>						
PA 19-3, as amended by Secs. 152-154 of PA 19-117	Fees for Industrial Hemp Program	0.1	0.3	0.3	0.3	0.3
Sec. 148 of PA 19-117	Include Recommended Tests in Newborn Screening Panel	0.1	0.1	0.1	0.1	0.1
Secs. 344-346 of PA 19-117	Increase Annual Filing Fee for LLC's and LLP's	0.0	12.0	12.0	12.0	12.0
Sec. 361 of PA 19-117	Increase Vehicle Trade-in Fee	7.4	9.8	9.8	9.8	9.8
PA 19-13	Raise the Age to 21 for Cigarettes	0.8	1.2	1.2	1.2	1.2
Sec. 369 of PA 19-117	Shift Revenue from the Broker-Dealers and Investment Advisers Fee to the General Fund	5.2	5.2	-	-	-
Sec. 368 of PA 19-117	Increase Fees Per Report by OPM	0.0	50.0	50.0	50.0	50.0
Sec. 360 of PA 19-117	Increase Ridesharing Services from 25 Cents to 30 Cents	4.5	4.6	4.6	4.6	4.6
Secs. 191-206 of PA 19-117	Impose \$100 Licenses for Each Nail Techs, Estheticians, and Eyelash Techs	0.4	0.5	0.6	0.6	0.6
	<b>Subtotal</b>	<b>18.5</b>	<b>83.7</b>	<b>78.6</b>	<b>78.6</b>	<b>78.6</b>

Enacting Authority	Policy	FY 20	FY 21	FY 22	FY 23	FY 24
<b>Federal Grants</b>						
Sec. 1 of PA 19-117	Maintain Supplemental (Hospital) Payments at FY 2019 Level	215.4	214.0	214.0	214.0	214.0
Sec. 1 of PA 19-117	Net Appropriate for Care 4 Kids/Child Care Development Fund	(67.6)	(67.6)	(67.6)	(67.6)	(67.6)
Sec. 1 of PA 19-117	Reflect Increase in Revenue Attributable to Medicaid (Expenditure) Changes	(23.6)	(23.7)	(24.6)	(24.6)	(24.6)
	<b>Subtotal</b>	<b>124.2</b>	<b>122.7</b>	<b>121.8</b>	<b>121.8</b>	<b>121.8</b>
<b>Transfers from / (to) Other Funds</b>						
Sec. 53 of PA 19-117	Fund Higher Education Alternative Retirement Plan	35.0	32.8	43.4	43.4	43.4
Sec. 374 of PA 19-117	Suspend Amortization of Historical GAAP Deficit	-	75.7	(9.4)	(9.4)	(9.4)
Sec. 372 of PA 19-117	Transfer FY 2020 Revenue for Use in FY 2021	(85.0)	85.0	-	-	-
Secs. 350, 370 of PA 19-117	Provide Funds to PEGPETIA	(7.0)	-	(3.5)	(3.5)	(3.5)
Sec. 189 of PA 19-117	Transfer to the Philanthropic Match Account (Dalio)	(20.0)	-	-	-	-
Sec. 95 of PA 19-117	Transfer Excess Funds from the CHEAPR Account	1.2	5.5	5.5	5.5	5.5
Sec. 373 of PA 19-117	Fund Start-Up Costs for the Paid Family and Medical Leave Insurance Program	(5.1)	-	-	-	-
Sec. 1 of PA 19-117	Adjust Mashantucket Pequot and Mohegan Fund Revenues to Reflect Grants	6.6	6.6	6.6	6.6	6.6
	<b>Subtotal</b>	<b>(74.3)</b>	<b>205.6</b>	<b>42.6</b>	<b>42.6</b>	<b>42.6</b>
<b>Volatility Cap Adjustment</b>						
Secs. 347-348 of PA 19-117	Extend/Expand the Angel Investor Tax Credit Program	5.0	5.0	5.0	5.0	5.0
Secs. 333, 334 of PA 19-117	Reduce Personal Income Tax Credit for Pass Through Entity Taxes Paid	-	-	(50.0)	(50.0)	(50.0)
	<b>Subtotal</b>	<b>5.0</b>	<b>5.0</b>	<b>(45.5)</b>	<b>(45.5)</b>	<b>(45.5)</b>
	<b>Grand Total GF</b>	<b>1,059.7</b>	<b>1,458.4</b>	<b>1,043.1</b>	<b>1,012.4</b>	<b>1,044.7</b>
<b>Special Transportation Fund</b>						
<b>Sales and Use Tax</b>						
Secs. 317-318 of PA 19-117	Adjust the Diversion of the Motor Vehicle Sales Tax from the GF to the STF	(58.2)	(113.4)	-	-	-
Various	Reflect STF Portion of Sales Tax Expansion	3.6	5.5	5.5	5.5	5.5
	<b>Subtotal</b>	<b>(54.6)</b>	<b>(107.9)</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>

Enacting Authority	Policy	FY 20	FY 21	FY 22	FY 23	FY 24
<b>Licenses, Permits, Fees</b>						
PA 19-165 *	Motor Vehicle License Renewal	-	-	49.5	5.1	4.6
	<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>49.5</b>	<b>5.1</b>	<b>4.6</b>
<b>Transfers from / (to) Other Funds</b>						
Sec. 371 of PA 19-117	Transfer FY 2020 Revenue for Use in FY 2021	(30.0)	30.0	-	-	-
	<b>Subtotal</b>	<b>(30.0)</b>	<b>30.0</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Grand Total STF</b>	<b>(84.6)</b>	<b>(77.9)</b>	<b>55</b>	<b>10.6</b>	<b>10.1</b>
<b>Banking Fund</b>						
Sec. 369 of PA 19-117	Shift Revenue from the Broker-Dealers and Investment Advisers Fee to the General Fund	(5.2)	(5.2)	-	-	-
	<b>Grand Total BF</b>	<b>(5.2)</b>	<b>(5.2)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Tourism Fund</b>						
Secs. 329-330 of PA 19-117	Reflect Tourism Fund Portion of the Expanded Collection and Remittance of Occupancy Tax by On-Line Platforms	0.1	0.2	0.2	0.2	0.2
	<b>Grand Total TF</b>	<b>0.1</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
<b>Insurance Fund</b>						
Sec. 72 of PA 19-117	Allow the Insurance Department to Assess Approx. \$2.9m on Domestic Insurers or Health Care Centers Doing Health Insurance Business in the State to Support the Children's Health Initiatives Account in DPH	2.9	2.9	2.9	2.9	2.9
	<b>Grand Total IF</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>	<b>2.9</b>
<b>Mashantucket Pequot / Mohegan Fund</b>						
Sec. 1 of PA 19-117	Adjust Mashantucket Pequot / Mohegan Fund Revenues to Reflect Grants	(6.6)	(6.6)	(6.6)	(6.6)	(6.6)
	<b>Grand Total MPMF</b>	<b>(6.6)</b>	<b>(6.6)</b>	<b>(6.6)</b>	<b>(6.6)</b>	<b>(6.6)</b>
<b>GRAND TOTAL (ALL APPROPRIATED FUNDS)</b>		<b>966.3</b>	<b>1,372.0</b>	<b>1,094.6</b>	<b>1,019.5</b>	<b>1,051.3</b>

\* The revenue schedule as adopted by the Finance, Revenue and Bonding Committee does not include an adjustment for this policy.

## FY 20 Budget General Fund Revenue Schedule

In Millions of Dollars

	January Consensus FY 20	Governor Policies	Governor FY 20 Revenue	Consensus Update (April)	Legislative Policies	Legislative FY 20 Revenue
<b>Taxes</b>						
Withholding	6,625.1	68.9	6,694.0	183.5	101.9	6,910.5
Estimates and Finals	2,972.7	-	2,972.7	(205.2)	(5.0)	2,762.5
Sales and Use Tax	4,299.1	371.0	4,670.1	-	145.0	4,444.1
Corporation Tax	967.8	83.4	1,051.2	37.6	94.4	1,099.8
Pass-through Entity Tax	600.0	-	600.0	250.0	-	850.0
Public Service Companies Tax	237.7	5.6	243.3	-	-	237.7
Inheritance and Estate Tax	155.8	(42.6)	113.2	10.0	-	165.8
Insurance Companies Tax	226.9	-	226.9	(23.6)	-	203.3
Cigarette Tax	356.4	0.9	357.3	(9.3)	(2.4)	344.7
Real Estate Conveyance	217.5	7.7	225.2	-	(0.1)	217.4
Alcoholic Beverages	64.4	(0.1)	64.3	-	4.5	68.9
Admissions and Dues	42.7	0.2	42.9	-	(0.8)	41.9
Health Provider	534.0	515.1	1,049.1	-	516.1	1,050.1
Miscellaneous	20.7	30.2	50.9	-	27.7	48.4
<b>Total Taxes</b>	<b>17,320.8</b>	<b>1,040.3</b>	<b>18,361.1</b>	<b>243.0</b>	<b>881.3</b>	<b>18,445.1</b>
Refunds of Taxes	(1,412.3)	-	(1,412.3)	-	103.0	(1,309.3)
Earned Income Tax Credit	(97.3)	-	(97.3)	-	-	(97.3)
R&D Credit Exchange	(5.6)	-	(5.6)	0.5	-	(5.1)
<b>Taxes Less Refunds</b>	<b>15,805.6</b>	<b>1,040.3</b>	<b>16,845.9</b>	<b>243.5</b>	<b>984.3</b>	<b>17,033.4</b>
<b>Other Revenue</b>						
Transfers-Special Revenue	360.2	-	360.2	5.8	2.0	368.0
Indian Gaming Payments	223.7	-	223.7	2.3	-	226.0
Licenses, Permits, Fees	322.7	34.7	357.4	-	18.5	341.2
Sales of Commodities	30.2	-	30.2	-	-	30.2
Rents, Fines, Escheats	153.4	4.9	158.3	5.1	-	158.5
Investment Income	40.1	-	40.1	12.5	-	52.6
Miscellaneous	178.1	23.8	201.9	-	-	178.1
Refund of Payments	(68.4)	-	(68.4)	2.0	-	(66.4)
<b>Total Other Revenue</b>	<b>1,240.0</b>	<b>63.4</b>	<b>1,303.4</b>	<b>27.7</b>	<b>20.5</b>	<b>1,288.2</b>
<b>Other Sources</b>						
Federal Grants	1,338.9	126.0	1,464.9	62.9	124.2	1,526.0
Transfers From / (To) Other Funds	(130.8)	51.8	(79.0)	-	(74.3)	(205.1)
Transfer from Tobacco Fund	110.0	-	110.0	26.0	-	136.0
<b>Total Other Sources</b>	<b>1,318.1</b>	<b>177.8</b>	<b>1,495.9</b>	<b>88.9</b>	<b>49.9</b>	<b>1,456.9</b>
<b>Volatility Adjustment</b>	<b>(280.2)</b>	<b>-</b>	<b>(280.2)</b>	<b>(43.1)</b>	<b>5.0</b>	<b>(318.3)</b>
<b>Total General Fund</b>	<b>18,083.5</b>	<b>1,281.5</b>	<b>19,365.0</b>	<b>317.0</b>	<b>1,059.7</b>	<b>19,460.2</b>

**FY 21 Budget General Fund Revenue Schedule**

In Millions of Dollars

	January Consensus FY 21	Governor Policies	Governor FY 21 Revenue	Consensus Update (April)	Legislative Policies	Legislative FY 21 Revenue
<b>Taxes</b>						
Withholding	6,746.0	74.4	6,820.4	316.6	105.9	7,168.5
Estimates and Finals	3,051.8	-	3,051.8	(209.9)	(5.0)	2,836.9
Sales and Use Tax	4,319.6	652.6	4,972.2	-	268.8	4,588.4
Corporation Tax	1,025.3	23.0	1,048.3	39.9	17.3	1,082.5
Pass-through Entity Tax	600.0	-	600.0	250.0	-	850.0
Public Service Companies Tax	244.7	5.6	250.3	-	-	244.7
Inheritance and Estate Tax	134.2	(9.0)	125.2	12.1	-	146.3
Insurance Companies Tax	229.7	-	229.7	(23.9)	-	205.8
Cigarette Tax	338.8	4.2	343.0	(8.9)	(3.0)	326.9
Real Estate Conveyance	224.4	7.9	232.3	-	6.2	230.6
Alcoholic Beverages	64.8	(0.1)	64.7	-	4.9	69.7
Admissions and Dues	43.1	0.3	43.4	-	(1.6)	41.5
Health Provider	535.5	515.1	1,050.6	-	516.1	1,051.6
Miscellaneous	21.2	189.9	211.1	-	26.8	48.0
<b>Total Taxes</b>	<b>17,579.1</b>	<b>1,463.9</b>	<b>19,043.0</b>	<b>375.9</b>	<b>936.4</b>	<b>18,891.4</b>
Refunds of Taxes	(1,481.9)	-	(1,481.9)	-	103.0	(1,378.9)
Earned Income Tax Credit	(100.6)	-	(100.6)	-	-	(100.6)
R&D Credit Exchange	(5.7)	-	(5.7)	0.5	-	(5.2)
<b>Taxes Less Refunds</b>	<b>15,990.9</b>	<b>1,463.9</b>	<b>17,454.8</b>	<b>376.4</b>	<b>1,039.4</b>	<b>17,406.7</b>
<b>Other Revenue</b>						
Transfers-Special Revenue	368.2	-	368.2	6.4	2.0	376.6
Indian Gaming Payments	223.1	-	223.1	2.3	-	225.4
Licenses, Permits, Fees	300.6	34.9	335.5	-	83.7	384.3
Sales of Commodities	31.0	-	31.0	-	-	31.0
Rents, Fines, Escheats	155.7	6.6	162.3	5.2	-	160.9
Investment Income	40.7	-	40.7	12.2	-	52.9
Miscellaneous	181.7	49.2	230.9	-	-	181.7
Refund of Payments	(69.8)	-	(69.8)	2.1	-	(67.7)
<b>Total Other Revenue</b>	<b>1,231.2</b>	<b>90.7</b>	<b>1,321.9</b>	<b>28.2</b>	<b>85.7</b>	<b>1,345.1</b>
<b>Other Sources</b>						
Federal Grants	1,346.1	154.3	1,500.4	39.8	122.7	1,508.6
Transfers From / (To) Other Funds	(130.8)	51.5	(79.3)	-	205.6	74.8
Transfer from Tobacco Fund	108.6	-	108.6	5.9	-	114.5
<b>Total Other Sources</b>	<b>1,323.9</b>	<b>205.8</b>	<b>1,529.7</b>	<b>45.7</b>	<b>328.3</b>	<b>1,697.9</b>
<b>Volatility Adjustment</b>	<b>(269.1)</b>	<b>-</b>	<b>(269.1)</b>	<b>(37.4)</b>	<b>5.0</b>	<b>(301.5)</b>
<b>Total General Fund</b>	<b>18,276.9</b>	<b>1,760.4</b>	<b>20,037.3</b>	<b>412.9</b>	<b>1,458.4</b>	<b>20,148.2</b>

# Policies Details - General Fund

## Personal Income Tax-Withholding

### Adjust Withholding Projections

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	90,000,000	90,000,000	90,000,000	90,000,000

**Background:** Tax revenue growth in FY 19 is approximately 8.7% over the prior fiscal year. Consensus revenue estimates assume 4% growth in FY 20 and FY 21.

**Legislative:** Increase growth assumptions.

### Income Tax Exemption for Social Security Income

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
24,200,000	17,400,000	-	-	(24,200,000)	(17,400,000)

**Background:** Section 641 of PA 17-2 JSS, as amended by Section 18 of PA 17-4 JSS, increases the income thresholds for the 100% Social Security exemption (effective 1/1/19) under the income tax as follows: 1) from \$50,000 to \$75,000 for single/married people filing separately; and 2) from \$60,000 to \$100,000 for joint filers/heads of household. As under prior law, taxpayers with federal adjusted gross income (AGI) equal to or greater than these thresholds qualify for a 75% exemption.

**Governor:** Repeal the expanded Social Security exemption from the income tax retroactively to 1/1/19 by lowering the income thresholds for the 100% Social Security income exemption as follows: 1) from \$75,000 to \$50,000 for single/married people filing separately; and 2) from \$100,000 to \$60,000 for joint filers/heads of household. Taxpayers with AGIs equal to or greater than these thresholds qualify for a 75% exemption. Sections 3 and 4 of SB 877, "AAC Revenue Items to Implement the Governor's Budget," enact this provision.

**Legislative:** Maintain the exemption for social security income.

### Income Tax Exemption for Certain Pension and Annuity Income

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
32,800,000	41,100,000	-	-	(32,800,000)	(41,100,000)

**Background:** Section 641 of PA 17-2 JSS, as amended by Section 27 of PA 18-26, eliminates the income tax on pension and annuity income for taxpayers with federal adjusted gross income (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 is implemented in equal portions over seven Income Years: 2019 through 2025. Once fully implemented, the revenue loss is \$115 million based on current estimates.

**Governor:** Eliminate the income tax exemption on pension and annuity income retroactively to 1/1/19 for taxpayers with federal 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. Sections 3 and 4 of SB 877 enact this provision.

**Legislative:** Maintain the exemption for pension and annuity income.

## Repeal the Income Tax Credit for STEM Graduates

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
3,900,000	7,900,000	3,900,000	7,900,000	-	-

**Background:** Section 648 of PA 17-2 JSS established a refundable Personal Income Tax credit for college graduates in science, technology, engineering, or math (STEM) fields. The annual credit amount is \$500, and qualifying graduates may claim it in each of the five successive taxable years after they graduate.

To qualify for the credit, an individual must:

1. be employed in the state;
2. have received, on or after January 1, 2019, a bachelor's, master's, or doctoral degree in a STEM field from an in-state or out-of-state higher education institution; and
3. live in Connecticut or move here within two years after graduating.

**Governor:** Eliminate the income tax credit for STEM graduates retroactively to 1/1/19. Section 67 of SB 877 enacts this provision.

**Legislative:** Same as Governor. Section 397 of PA 19-117 repeals the tax credit.

## Adjust the Teachers' Pension Exemption from the Income Tax

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
8,000,000	8,000,000	8,000,000	8,000,000	-	-

**Background:** There were approximately 36,300 retirees receiving pension benefits through the Teachers' Retirement System (TRS) in FY 17. The average benefit initiated during FY 17 was approximately \$52,100.

PA 14-47 exempted a portion of teachers' pension income from the state Personal Income Tax. It established an income tax exemption for teachers' pension income phased-in from 10% (income year 2015) to 25% (income year 2016) and up to 50% in income year 2017 and thereafter.

Section 641 of PA 17-2 JSS maintained the TRS income tax exemption at 25% for an additional two years (the 2017 and 2018 income years) and delayed the scheduled 50% exemption to income year 2019 and thereafter.

**Governor:** Permanently cap the TRS income tax exemption at 25%, thus eliminating the scheduled increase to 50% effective 1/1/19.

Sections 3 and 4 of SB 877 enact this provision.

**Legislative:** Temporarily cap the TRS income tax exemption at 25%. Delay scheduled increase until Income Year 2021. Sections 332 and 334 of PA 19-117 delay the scheduled increase.

## Estimates and Finals

### Extend/Expand the Angel Investor Tax Credit Program

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)

**Background:** The program provides a credit for a cash investment of not less than \$25,000 in the qualified securities of a Connecticut business by an angel investor. The credit is equal to 25% of such investor's cash investment provided the total tax credits allowed to any one investor shall not exceed \$250,000 and shall be claimed in the taxable year in which the cash investment was made.

An angel investor is an accredited investor, as defined by the Securities and Exchange Commission, or network of accredited investors who review new or proposed businesses for potential investment who may seek active involvement, such as consulting and mentoring, in a Connecticut business.

The angel investor must apply to Connecticut Innovations, Inc. to reserve a tax credit. The angel investor must choose from a list of Connecticut businesses that Connecticut Innovations Inc. has determined are qualified to receive cash investments eligible for the angel investor tax credit. Tax credits cannot be reserved for any investments made on or after July 1, 2019.

**Legislative:** Extend the angel investor tax credit program by five years, to July 1, 2024; increase (1) from \$3 million to \$5 million, the aggregate amount of angel investor credits CI may reserve each fiscal year and (2) from \$250,000 to \$500,000, the total amount of tax credits allowed to any angel investor. Authorize CI to prioritize certain unreserved credits for various businesses. Section 347 of PA 19-117 implements the policy.

**Additional Explanation:** *The angel investor tax credit negatively impacts the Estimated and Finals (E&F) portion of the Personal Income Tax, which together with the Pass-through Entity Tax (PET) is subject to the statutory "Volatility Cap." By law and bond covenant (through FY 23), the Volatility Cap limits the total amount of E&F and PET that may be included in the General Fund budget. Anything above the total amount that may be budgeted is set aside as a transfer to the Budget Reserve Fund i.e., a Volatility Cap Adjustment. Since the negative impact of extending and expanding the angel investor tax credit is less than the estimated Volatility Cap Adjustments during the 2020-2021 Biennium, it reduces the transfer to the Budget Reserve Fund instead of impacting the General Fund.*

## Sales and Use

### Impose a Prepared Food Tax

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	48,300,000	65,800,000	48,300,000	65,800,000

**Legislative:** Impose a tax on meals sold by eating establishments, caterers, or grocery stores; and liquors, soft drinks, sodas, and beverages ordinarily dispensed at, or in connection with, bars and soda fountains.

Sections 323-324 of PA 19-117 implement the policy, effective 10/1/19.

Revenue from the additional 1% rate on meals and beverages is retained entirely by the General Fund; it is not subject to either the Special Transportation Fund or Municipal Revenue Sharing Account revenue diversion (a portion of the 6.35% sales tax is diverted under current law and remains unchanged).

### Mandate Occupancy Tax be Collected and Remitted by Online Platforms

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	1,500,000	2,000,000	1,500,000	2,000,000

**Background:** According to published reports, Airbnb has been collecting sales tax and remitting it to the state since July 2016. Based on publicly available information, it is estimated that Airbnb makes up approximately 40% of this market in Connecticut.

**Legislative:** Mandate the collection and remittance of sales tax by online platforms by:

1. requiring any short-term rental facilitator (e.g. Airbnb) to obtain a sales tax permit to collect the room occupancy tax; and
2. designating short-term rental facilitators as retailers for the sales they facilitate for short-term rental operators on their platforms.

Sections 329 and 330 of PA 19-117 implement the policies.

### Lower the Threshold for Collection of Online Retail Sales Tax

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	1,500,000	2,000,000	1,500,000	2,000,000

**Background:** Under the 1992 *Quill vs. North Dakota* case, the U.S. Supreme Court ruled that retailers must have a substantial nexus (effectively a physical presence in a state) in order for a state to impose the collection of sales taxes. Under the 2018 *South Dakota vs. Wayfair* case, the U.S. Supreme Court ruled that states may require retailers with a “substantial” nexus but no physical presence to collect sales taxes.

The Connecticut nexus law, PA 18-152, requires sales tax collections from out-of-state retailers with \$250,000 in gross receipts and 200 retail sales and applies to goods only. The South Dakota nexus law, which the court cited in the *Wayfair* decision, differs slightly from the Connecticut law by requiring \$100,000 in gross receipts or 200 retail sales and applies both goods and services.

**Legislative:** Amend the state’s economic nexus law in order to expand the number of out-of-state retailers that would be required to collect the sales tax within the parameters set by the *Wayfair* decision.

The budget does so by (1) lowering the threshold to 200 transactions and \$100,000 in gross receipts during the 12-month period; (2) expanding it to apply to out-of-state retailers making retail sales of services, rather than just tangible personal property; and (3) eliminating the condition that such retailers be regularly or systematically soliciting sales in Connecticut.

Sections 327 and 328 of PA 19-117 implement the policies.

### Implement CSP to Enhance Sales Tax Collections of Online Sales

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	-	30,000,000	-	30,000,000

**Legislative:** Require the Commissioner of the Department of Revenue Services to:

- consult with the Streamlined Sales Tax Governing Board to develop a list of Certified Service Providers (CSPs);
- develop a plan to implement the use of such CSPs for collecting, reporting and remitting sales and use taxes (such plan may require that retailers use CSPs and must identify the costs to retailers for such services; and
- by February 5, 2020, submit the plan to the Finance Revenue and Bonding Committee along with a draft of proposed legislation to implement it.

Section 331 of PA 19-117 implements the policy.

### Increase the Sales Tax on Digital Goods from 1.0% to 6.35%

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
27,500,000	37,100,000	27,500,000	37,100,000	-	-

**Background:** Digital goods (e.g. digital downloads and digital streaming services) are currently taxed at the 1% computer and data processing sales tax rate.

**Governor:** Increase the sales tax on digital goods from 1% to 6.35%. Such digital goods include streaming services (e.g. Netflix, Spotify, iTunes), music, movie, eBooks downloads, and download of applications for phone or computer.

**Legislative:** Sections 319-322 of PA 19-117 implement the increased sales tax rate on digital goods.

### Expand the Sales Tax to include Interior Design Services

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
1,900,000	3,900,000	1,900,000	3,900,000	-	-

**Governor:** Apply the 6.35% sales tax rate to interior design services (personal consumption only; business to business transactions excluded). Such taxable services would include decorating consulting, interior design and decorating.

**Legislative:** Same as Governor. Sections 325 and 326 of PA 19-117 expand the tax to include interior design services.

### Expand the Sales Tax to include Dry-Cleaning and Laundry Services

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
8,600,000	17,300,000	8,100,000	16,800,000	(500,000)	(500,000)

**Governor:** Apply the 6.35% sales tax rate to dry-cleaning and laundry services, including coin-operated services. Such taxable services would include coin-operated laundries, laundromats, self-service cleaners, dry-cleaners, diaper cleaning services, drapery/fur/hat/leather/ pillow/etc. cleaning services, pressing services.

**Legislative:** Apply the 6.35% sales tax rate to dry-cleaning and laundry services, excluding coin-operated services. Section 325 of PA 19-117 implements the change.

### Expand the Sales Tax to include Parking

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
1,800,000	3,700,000	1,800,000	3,700,000	-	-

**Background:** PA 15-244, as amended by PA 15-5 JSS eliminated the exemption for the following parking services: 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 exempted non-metered motor vehicle parking in municipally-owned 76 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.

**Governor:** Apply the 6.35% sales tax rate to parking (personal consumption only; business to business transactions excluded). Such taxable services would include parking with 30 spots or less, seasonal parking (i.e. CT beaches for out-of-state), municipal lots, metered parking on public streets.

**Legislative:** Same as Governor. Sections 323 and 324 of PA 19-117 implement the change.

### Repeal the Sales Tax Exemption for Safety Apparel

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
100,000	100,000	100,000	100,000	-	-

**Background:** Safety apparel means any item of clothing or protective equipment worn by an employee for protection during the course of the employee's employment. PA 94-4 of the May Special Session created the exemption.

**Governor:** Repeal the sales tax exemption for safety apparel.

**Legislative:** Same as Governor. Section 384 of PA 19-117 implements the change.

### Adjust the Diversion of Motor Vehicle-Related Sales Tax from the GF to STF

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
91,000,000	175,800,000	58,200,000	113,400,000	(32,800,000)	(62,400,000)

**Background:** PA 17-2 JSS shift revenues from the sale of new and used motor vehicles by a dealer from the General Fund (GF) to the Special Transportation Fund (STF). The shift is scheduled to take place over a five year period in equal increments of 20%. In FY 21, the shift is 20% increasing to 40% in FY 22 up to 100% in FY 25 and thereafter.

PA 18-81 accelerated the shift as follows:

- FY 19 (8%);
- FY 20 (33%);
- FY 21 (56%);
- FY 22 (75%); and
- FY 23 and thereafter (100%).

**Governor:** Maintain the diversion of motor vehicle-related sales tax from the GF to STF at 8% indefinitely.

**Legislative:** Reduce the transfer rates to the STF during the 2020-2021 Biennium. Sections 317 and 318 of PA 19-117 implement the policy.

The new schedule of transfer rates to the STF are as follows:

- FY 20 (17%);
- FY 21 (25%);
- FY 22 (75%); and
- FY 23 and thereafter (100%).

### Reflect STF portion of Sales Tax Expansion

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(27,400,000)	(44,300,000)	(3,600,000)	(5,500,000)	23,800,000	38,800,000

**Background:** Under current law, 0.5 percentage points of the 6.35% sales tax rate transfers to the Special Transportation Fund.

**Governor:** Transfer the aggregated portion of the 0.5 percentage points from the 6.35% from the goods and services newly taxed under this proposal.

**Legislative:** Same as Governor. Since the Sales Tax expansion is less under PA 19-117, this adjustment is less than the Governor proposed.

### Tourism Fund Adjustment

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(1,800,000)	(1,800,000)	(100,000)	(200,000)	1,700,000	1,600,000

**Background:** As established under PA 17-2 JSS the Tourism Fund, an appropriated fund, is supported by 10% of room occupancy tax collections (or 1.5 percentage points of the 15% room occupancy tax rate).

**Governor:** Transfer to the Tourism Fund its share of the estimated revenue gain due to the proposed increase (from 15% to 17%) in the room occupancy tax rate.

**Legislative:** Do not increase the room occupancy tax rate. Transfer to the Tourism Fund its share of the estimated revenue gain due to the mandate that on-line platforms collect and remit the room occupancy tax.

### Recognize Decrease in Sales Tax Due to Increasing the Legal Tobacco Purchase Age to 21

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(800,000)	(800,000)	(600,000)	(800,000)	200,000	-

**Background:** The current legal age to purchase tobacco products is 18.

**Governor:** Recognize a decrease in Sales Tax revenue due to a reduction in taxable tobacco product purchases associated with increasing the legal age to purchase such products to 21. Sections 47-53 of SB 877 increase the legal tobacco products purchase age.

**Legislative:** Same as Governor. PA 19-13 enacts the change in legal age to purchase tobacco products.

### Recognize Increase in Sales Tax Due to E-Cigarettes Wholesale Excise Tax

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
400,000	600,000	100,000	200,000	(300,000)	(400,000)

**Governor:** Establish a 75% tax on the wholesale price of a product containing e-cigarette liquid. Section 46 of SB 877 enacts this policy.

**Legislative:** Impose a tax on e-cigarette products at a rate of (1) 40 cents per milliliter for pre-filled e-cigarette products and (2) 10% of the wholesale price for all other e-cigarette products, including paraphernalia. Section 351 of PA 19-117 implements the change.

### Reflect Sales Tax Impact of Alcohol Tax Changes

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	300,000	300,000	300,000	300,000

**Legislative:** Reflect the sales tax impact of increasing the excise tax of certain alcoholic beverages by 10%.

### Sales Tax Free Week Exemption

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
4,900,000	5,000,000	-	-	(4,900,000)	(5,000,000)

**Background:** CGS Sec. 12-407e provides 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. PA 00-170 originally established the exemption at \$300. PA 15-244 limited the exemption to \$100.

**Governor:** Eliminate the sales tax free week exemption.

**Legislative:** Maintain the sales tax free week exemption.

### Sales Tax on Legal Services

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
35,300,000	71,700,000	-	-	(35,300,000)	(71,700,000)

**Governor:** Apply the 6.35% sales tax rate to legal services (personal consumption only; business to business transactions excluded). Such taxable services would include: wills, estates, trusts, divorces, custody, personal injury, legal/medical malpractice, employment discrimination, notaries, patents, immigration, breach of contract.

**Legislative:** Continue to exclude legal services from the sales tax.

### Sales Tax on Accounting Services

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
5,000,000	10,200,000	-	-	(5,000,000)	(10,200,000)

**Governor:** Apply the 6.35% sales tax rate to accounting services (personal consumption only; business to business transactions excluded). Such taxable services would include tax preparation.

**Legislative:** Continue to exclude accounting services from the sales tax.

### Sales Tax on Architectural Services

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
5,700,000	11,600,000	-	-	(5,700,000)	(11,600,000)

**Governor:** Apply the 6.35% sales tax rate to architectural services (personal consumption only; business to business transactions excluded). Such taxable services would include home design and landscaping design.

**Legislative:** Continue to exclude architectural services from the sales tax.

### Sales Tax on Engineering Services

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
21,100,000	42,700,000	-	-	(21,100,000)	(42,700,000)

**Governor:** Apply the 6.35% sales tax rate to engineering services (personal consumption only; business to business transactions excluded). Such taxable services would include engineering design, construction, and environmental services.

**Legislative:** Continue to exclude engineering services from the sales tax.

### Sales Tax on Real Estate Activities and Agents/Brokers

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
33,800,000	68,600,000	-	-	(33,800,000)	(68,600,000)

**Governor:** Apply the 6.35% sales tax rate to real estate activities and agents/brokers services (personal consumption only; business to business transactions excluded). Such taxable services would include real estate commissions, property managers, appraisers, escrow agencies, listing services, and management services.

**Legislative:** Continue to exclude real estate activities and agents/brokers from the sales tax.

### Sales Tax on Veterinary Services

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
9,100,000	18,600,000	-	-	(9,100,000)	(18,600,000)

**Governor:** Apply the 6.35% sales tax rate to veterinary services (personal consumption only; business to business transactions excluded). Such taxable services would include animal hospitals, vaccinations, laboratory testing, vet services.

**Legislative:** Continue to exclude veterinary services from the sales tax.

### Sales Tax on Barber Shops and Beauty Salons

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
20,800,000	42,200,000	-	-	(20,800,000)	(42,200,000)

**Background:** Under current law, the sales tax applies to certain personal care services such as nail salons, day spas, ear piercing, massage parlors, tattoo parlors, tanning salons, steam and Turkish baths.

**Governor:** Apply the 6.35% sales tax rate to barber shops and beauty salons. Such taxable services would include barbers, hair stylists, beautician services, parlors, makeup salons, facial salons, cosmetology shops.

**Legislative:** Continue to exclude barber shops and beauty salons from the sales tax.

### Sales Tax Exemption for Massage Therapists and Electology Services

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
500,000	1,000,000	-	-	(500,000)	(1,000,000)

**Background:** The exemption for massage therapists and electrology services has been in effect since 1992.

**Governor:** Apply the 6.35% sales tax rate to massage therapists and electrology services.

**Legislative:** Maintain the sales tax exemption.

### Sales Tax on Sports / Recreation Instruction & Industries

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
3,000,000	5,900,000	-	-	(3,000,000)	(5,900,000)

**Governor:** Apply the 6.35% sales tax rate to sports/recreation instruction and other amusement/recreation industries.

Sports and Recreation instruction includes: camps and schools engaged in athletic instruction (cheerleading, riding, gymnastics, sports (e.g., baseball, basketball, football, golf) instruction, martial arts, swimming) coin-operated laundries, laundromats, self-service cleaners, dry-cleaners, diaper cleaning services, drapery/fur/hat/leather/pillow/etc. cleaning services, pressing services.

Other Amusement and Recreation industries include: golf courses and country clubs, skiing facilities, marinas, bowling, billiards, fitness and recreational sports, mini golf, go carts, rowing clubs, paintball, shooting ranges, hunting clubs, soccer clubs.

**Legislative:** Continue to exclude sports / recreation instruction and industries from the sales tax.

### Sales Tax on Horse Boarding and Training

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
300,000	500,000	-	-	(300,000)	(500,000)

**Governor:** Apply the 6.35% sales tax rate to horse boarding and training. Such taxable services would include animal grooming and boarding. Farmers (e.g. cattle, goats, hogs, poultry, sheep) would remain exempt.

**Legislative:** Continue to exclude horse boarding and training from the sales tax.

### Sales Tax on Travel Arrangement and Scenic Transportation

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
600,000	1,200,000	-	-	(600,000)	(1,200,000)

**Governor:** Apply the 6.35% sales tax rate to travel arrangement and scenic transportation services (personal consumption only; business to business transactions excluded). Such taxable services would include intrastate scenic and sightseeing transportation (ferries, historic trains, etc.), travel agency services, arranging and assembly of tours.

**Legislative:** Continue to exclude travel arrangement and scenic transportation from the sales tax.

## Sales Tax on Services for Buildings and Dwellings

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
7,900,000	16,000,000	-	-	(7,900,000)	(16,000,000)

**Background:** Current law applies the sales tax to services for commercial buildings and dwellings.

**Governor:** Apply the 6.35% sales tax rate services to residential buildings and dwellings. Such taxable services would include extermination/pest control, janitorial, landscaping, cleaning of: carpet/upholstery, chimney, power washing, drains, driveway, ducts, gutter, windows, and swimming pools.

**Legislative:** Continue to exclude services for buildings and dwellings from the sales tax.

## Sales Tax on Waste Collection

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
500,000	1,100,000	-	-	(500,000)	(1,100,000)

**Background:** Current law applies the sales tax to services for commercial waste collection.

**Governor:** Apply the 6.35% sales tax rate services to residential waste collection. Such taxable services would include collecting or hauling of waste and recyclables, and transfer stations.

**Legislative:** Continue to exclude waste collection from the sales tax.

## Sales Tax Exemption on Renovation and Repair of Residential Property

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
15,600,000	31,700,000	-	-	(15,600,000)	(31,700,000)

**Background:** PA 99-173 phased out the sales tax on certain renovation and repair services and the exemption went into full effect in 2001.

**Governor:** Apply the 6.35% sales tax rate services to renovation and repair of residential property. Such taxable services would include paving, painting, staining, wallpapering, roofing, siding, sheet metal.

**Legislative:** Maintain the sales tax exemption for renovation and repair of residential property.

## Sales Tax Exemption for the Maintenance of Vessels

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
1,900,000	3,900,000	-	-	(1,900,000)	(3,900,000)

**Background:** 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.

**Governor:** Repeal the sales tax exemption for the maintenance of vessels and the exemption for vessels docked for 60 days or fewer in this state.

**Legislative:** Maintain the sales tax exemption for the maintenance of vessels.

## Sales Tax Exemption for Winter Storage of Vessels

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
800,000	1,100,000	-	-	(800,000)	(1,100,000)

**Background:** Winter boat storage refers to 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. PA 93-74 created the exemption which went into effect in 1994. 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.

**Governor:** Repeal the sales tax exemption for the winter storage of vessels.

**Legislative:** Maintain the sales tax exemption for the winter storage of vessels.

### Sales Tax Rate on Vessels

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
2,300,000	2,300,000	-	-	(2,300,000)	(2,300,000)

**Background:** PA 18-81 reduced, from 6.35% to 2.99%, the sales and use tax on vessels, vessel motors, and trailers used for transporting vessels, effective July 1, 2018.

**Governor:** Increase the sales tax rate on vessels, vessel motors, and trailers used for transporting vessels back to 6.35% rate.

**Legislative:** Maintain the sales tax on boats at the reduced rate of 2.99%.

### Room Occupancy Tax Rate

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
17,600,000	18,100,000	-	-	(17,600,000)	(18,100,000)

**Governor:** Increase the Room Occupancy Tax from 15% to 17%.

**Legislative:** Maintain the Room Occupancy Tax at 15%.

### Sales Tax Exemption for Motor Vehicle Trade-Ins

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
60,400,000	61,600,000	-	-	(60,400,000)	(61,600,000)

**Background:** The sales tax exemption for motor vehicle trade-ins went into effect before 1961. Massachusetts, Rhode Island, and New York have exemptions for trade-in vehicles.

**Governor:** Repeal the sales tax exemption for motor vehicle trade-ins, including motor vehicles, farm tractors, snowmobiles, vessels, aircrafts, and construction equipment or machinery.

**Legislative:** Maintain the sales tax exemption for motor vehicle trade-ins. Section 361 of PA 19-117 implements this change.

### Sales Tax Exemption for Non-Prescription Drugs

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
14,900,000	30,500,000	-	-	(14,900,000)	(30,500,000)

**Background:** PA 11-6 eliminated the exemption for non-prescription drugs beginning in 2011. PA 14-47 re-implemented the exemption effective April 1, 2015.

**Governor:** Repeal the sales tax exemption for non-prescription drugs.

**Legislative:** Maintain the sales tax exemption for non-prescription drugs.

### Sales Tax Exemption for Text Books - College & Professional Schools

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
300,000	500,000	-	-	(300,000)	(500,000)

**Background:** PA 00-170 created the exemption for college and professional text books. PA 05-251 extended the exemption to occupational school textbooks purchased by students.

**Governor:** Repeal the sales tax exemption for text books - college and professional schools.

**Legislative:** Maintain the sales tax exemption for text books purchased by students at colleges and professional schools.

### Sales Tax Exemption for Newspapers and Magazines

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
6,500,000	13,200,000	-	-	(6,500,000)	(13,200,000)

**Background:** PA 03-2 imposed the sales tax on newspapers. PA 03-1 JSS reinstated the exemption for newspapers. Magazine subscriptions have been exempt since the imposition of the tax.

**Governor:** Repeal the sales tax exemption for newspapers and magazines.

**Legislative:** Maintain the sales tax exemption for newspapers and magazines.

### Sales Tax Exemption for CT Credit Unions

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
300,000	500,000	-	-	(300,000)	(500,000)

**Background:** 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.

PA 14-217 created the exemption for Connecticut credit unions effective July 1, 2016.

**Governor:** Repeal the sales tax exemption for Connecticut credit unions.

**Legislative:** Maintain the sales tax exemption for Connecticut credit unions.

### Sales Tax Exemption for Campground Rentals

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
400,000	800,000	-	-	(400,000)	(800,000)

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

**Governor:** Repeal the sales tax exemption for campground rentals.

**Legislative:** Maintain the sales tax exemption for campground rentals.

### Sales Tax Exemption for Bicycle Helmets

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
100,000	200,000	-	-	(100,000)	(200,000)

**Background:** PA 99-173 created the exemption for bicycle helmets.

**Governor:** Repeal the sales tax exemption for bicycle helmets.

**Legislative:** Maintain the sales tax exemption for bicycle helmets.

### Sales Tax Exemption for Child Car Seats

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
100,000	200,000	-	-	(100,000)	(200,000)

**Background:** PA 00-170 created the exemption for child car seats.

**Governor:** Repeal the sales tax exemption for child car seats.

**Legislative:** Maintain the sales tax exemption for child car seats.

### Sales Tax Exemption for Vegetable Seeds

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	100,000	-	-	-	(100,000)

**Background:** PA 97-316 created the exemption.

**Governor:** Repeal the sales tax exemption for vegetable seeds.

**Legislative:** Maintain the sales tax exemption for vegetable seeds.

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## Corporations

### Phase Out the Capital Stock Tax by 2024

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	-	(5,700,000)	-	(5,700,000)

**Background:** A C-corporation carrying on or doing business in Connecticut is subject to the Corporation Business Tax. Most corporations in Connecticut must file returns and pay corporation business tax although some corporations are exempt. Corporations must calculate their tax under two alternate methods (Net Income v. Capital Base) and remit the higher tax. If a corporation owes less than \$250 under both methods, then it pays the minimum tax of \$250.

A capital base tax, or “capital stock tax,” is a tax on a business's net worth or capital holdings typically levied as a percentage of its net assets. The capital base is taxed at the rate of 3.1 mills (\$0.0031) per dollar. Under the capital base method, a corporation is limited to a maximum tax of \$1 million. Financial service companies are excluded from the capital base method, but are subject to the minimum tax.

**Legislative:** Per Section 340 of PA 19-117, phase out the capital base method under the Corporation Business Tax with a complete elimination by the 2024 income year. Applicable rates are listed below.

- 2020 (current law) = 3.1 mills per dollar of capital base
- 2021 = 2.6 mills
- 2022 = 2.1 mills
- 2023 = 1.1 mills
- 2024 = zero mills

## Adjust the Corporation Business Tax Surcharge

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
60,000,000	37,500,000	60,000,000	37,500,000	-	-

**Background:** Sections 76 and 79 of PA 11-6 established a temporary 20% Corporation Business Tax surcharge for income years 2012 and 2013. The temporary 20% surcharge was continued through income year 2017 but scheduled to phase out by income year 2019, with a reduction to 10% in income year 2018 and then to 0% in income year 2019.

**Governor:** Establish a permanent corporate tax surcharge of 10% effective 1/1/19. Companies with less than \$100 million in annual gross revenues or whose tax liability does not exceed the \$250 minimum tax are exempt. Section 5 of SB 877 enacts this provision.

**Legislative:** Extend the 10% corporation business tax surcharge for two additional years, to the 2019 and 2020 income years, 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) are taxable members of a combined group that files a combined unitary return, regardless of their annual gross income amount. Sections 341-343 of PA 19-117 implement the policy.

## Repeal the Business Entity Tax

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(11,000,000)	(44,000,000)	-	(44,000,000)	11,000,000	-

**Background:** CGS Sec. 12-284b(b) requires any business registered as one of the following: 1) limited liability company; 2) limited liability partnership; 3) limited partnership; or 4) S corporation to pay a tax of \$250 every other year. PA 11-1 OSS made the tax payable every other year (previously it had been payable every year).

**Governor:** Repeal the \$250 biennial Business Entity Tax effective 1/1/19. Sections 7 and 8 of SB 877 enact this provision.

**Legislative:** Repeal the \$250 biennial Business Entity Tax effective 1/1/20. Sections 338 and 339 of PA 19-117 implement the policy.

## Reduce the Limit on R&D and URA Tax Credits from 70% to 50.01% of Liability

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
34,400,000	21,500,000	34,400,000	21,500,000	-	-

**Background:** Under the Corporation Business Tax, PA 02-1 MSS limited the total value of credits allowed in any income year to 70% of pre-credit tax liability for the 2002 through 2014 income years. 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 back to the 70% level in 5% increments over the 2016 through 2019 income years with respect to the Research and Development and Urban and Industrial Site Reinvestment tax credits only (PA 15-1 DSS).

**Governor:** Reduce the limit on the total value of Research and Development and Urban and Industrial Site Reinvestment tax credits that an entity may claim under the Corporation Business Tax from 70% to 50.01% of its pre-credit liability effective with the 2019 income year. Section 41 of SB 877 enacts this provision.

**Legislative:** Same as Governor. Section 349 of PA 19-117 implements the policy.

## Repeal the 7/7 Brownfield Tax Credit Program

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	8,000,000	-	8,000,000	-	-

**Background:** Sections 168-169 of PA 17-2 JSS established a Brownfield and Underutilized Property Redevelopment Program that authorizes a package of state and local tax incentives to property owners after they remediate, redevelop, and use property that was contaminated, abandoned, or underutilized. Property owners must apply to

the Department Economic and Community Development for the incentives and provide certain information, including a commitment to hire students to work at the redeveloped property.

During the first seven years after an owner redevelops an approved property, the owner qualifies for (1) corporation, business, or personal income tax credits against the income attributed to business operations at the redeveloped property and (2) a sales and use tax exemption applicable to items purchased for use at the property. Also during this period, the owner may have the redeveloped property's tax assessment frozen for five years at its predevelopment assessed value.

**Governor:** Repeal the 7/7 Brownfield and Underutilized Property Redevelopment Program effective 1/1/19. Sections 66 and 67 of SB 877 enact this provision.

**Legislative:** Same as Governor. Sections 376 and 397 of PA 19-117 implement the policy.

## Public Service Corporations

### Adjust Tax Exemption for Gas Sold to Electricity Production Facilities with 775 MW Total Capacity

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
3,600,000	3,600,000	-	-	(3,600,000)	(3,600,000)

**Background:** CGS Sec. 12-264(a) provides a Public Service Companies Tax exemption 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.

**Governor:** Eliminate the Public Service Companies Tax exemption for gas sold 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. Section 45 of SB 877 enacts this provision.

**Legislative:** Maintain the tax exemption.

### Adjust Tax Credits Taken Against the Public Service Companies Tax

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
2,000,000	2,000,000	-	-	(2,000,000)	(2,000,000)

**Background:** Under the Corporation Business Tax, PA 02-1 MSS limited the total value of credits allowed in any income year to 70% of pre-credit tax liability for the 2002 through 2014 income years. 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 back to the 70% level in 5% increments over the 2016 through 2019 income years with respect to the Research and Development and Urban and Industrial Site Reinvestment tax credits only (PA 15-1 DSS).

Under the Insurance Premiums Tax, 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 (PA 11-6, PA 11-61, and PA 11-1 (OSS)).

**Use of tax credits against the Public Service Companies Tax is limited only by pre-credit tax liability.** (There is no cap on the utilization of tax credits against the Public Service Companies Tax, as there is with the Corporation Business Tax and Insurance Premiums Tax.)

**Governor:** Limit the total value of tax credits that an entity may claim under the Public Service Companies Tax to 50.01% of its pre-credit quarterly liability. Sections 42 and 43 of SB 877 enact these provisions.

**Legislative:** Do not limit the use of tax credits against the Public Service Companies Tax.

## Inheritance and Estate

### Adjust the Gift Tax

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(9,000,000)	(9,000,000)	-	-	9,000,000	9,000,000

**Background:** For Connecticut taxable gifts, a donor must pay Connecticut gift tax if the aggregate amount of Connecticut taxable gifts made between January 1, 2005 and December 31, 2018, exceeds \$2.6 million. This aggregate amount increases to \$3.6 million during 2019.

“Connecticut taxable gifts” are defined as taxable gifts as determined for federal gift tax purposes. These include gifts of Connecticut real property, gifts of tangible personal property situated within Connecticut, or gifts of intangible personal property made by Connecticut residents.

Taxpayers are required to file a Connecticut Estate and Gift Tax return to report all Connecticut taxable gifts, even if no Connecticut gift tax is due.

The maximum amount of gift tax paid by donors who made taxable gifts between January 1, 2016 and December 31, 2018 is \$20 million. The payment cap is reduced by the amount of any gift taxes paid on taxable gifts made on or after January 1, 2016. The payment cap is lowered to \$15 million in 2019.

**Governor:** Repeal the Gift Tax effective 1/1/19. Establish a look-back period of three years from date of death for gifts given in contemplation of death (effectively making such gifts taxable). Sections 9-12 of SB 877 enact this provision.

**Legislative:** Maintain the Gift Tax.

### Adjust Estate Tax Filing Deadline

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(33,600,000)	-	-	-	33,600,000	-

**Background:** PA 09-3 JSS reduced the time an executor has to file an Estate Tax return by making the filing deadline six, rather than nine, months after the date of death, starting with deaths on or after July 1, 2009.

**Governor:** Extend the Estate Tax filing deadline to nine months after the date of death to match the federal deadline effective 1/1/19. Section 13 of SB 877 enacts this provision.

**Legislative:** Maintain the Estate Tax filing deadline.

## Alcoholic Beverages

### Increase Excise Tax on Alcohol

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	3,800,000	5,000,000	3,800,000	5,000,000

**Background:** A tax is imposed on all distributors of alcoholic beverages on the sale of alcoholic beverages within Connecticut. Distributors must report the total number of gallons of each alcoholic beverage sold during the month, the opening and closing inventories and the amount of tax due. Sales of alcoholic beverages are also subject to the Sales and Use Tax.

**Legislative:** Increase by 10% the excise taxes of the following alcoholic beverages: 1) still wines; 2) small wineries; 3) sparkling wines; 4) distilled liquor; 5) liquor cooler; and 6) alcohol. (Beer is excluded from the rate increase.)

Section 352 of PA 19-117 implements these policies.

## Increase Excise Tax on Alcohol - Floor Tax

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	800,000	-	800,000	-

**Legislative:** Reflect the (current inventory) impact of increasing the excise tax on certain alcoholic beverages. Section 353 of PA 19-117 implements the policy.

## Reduce Certain Alcoholic Beverages Excise Tax Rates by 50%

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(100,000)	(100,000)	(100,000)	(100,000)	-	-

**Background:** Per CGS Sec. 12-435, sales of malt beverages which are consumed on the premises of an establishment covered by a manufacturer's permit are exempt from the Alcoholic Beverages Tax.

**Governor:** Reduce by 50% the Alcoholic Beverages Tax rates applicable to beer sold for off-site consumption at establishments covered by a manufacturer's permit. Section 54 of SB 877 enacts this provision.

**Legislative:** Same as Governor. Section 352 of PA 19-117 implements the policy.

## Cigarettes

### Impose a Tax on E-Cigarette Products

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
6,700,000	9,700,000	1,900,000	2,500,000	(4,800,000)	(7,200,000)

**Governor:** Establish a 75% tax on the wholesale price of a product containing e-cigarette liquid. Section 46 of SB 877 enacts this policy.

**Legislative:** Impose a tax on e-cigarette products at a rate of (1) 40 cents per milliliter for pre-filled e-cigarette products and (2) 10% of the wholesale price for all other e-cigarette products, including paraphernalia. Section 351 of PA 19-117 implements the policy.

### Increase the Legal Tobacco Purchase Age to 21

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(5,800,000)	(5,500,000)	(4,300,000)	(5,500,000)	1,500,000	-

**Background:** The current legal age to purchase tobacco products is 18.

**Governor:** Increase the legal age to purchase tobacco products, including e-cigarettes, to 21. Sections 47-53 of SB 877 enact this provision.

**Legislative:** Same as Governor. PA 19-13 enacts this change to the legal age to purchase tobacco products.

## Real Estate Conveyance

### Exempt Certain Properties with Crumbling Foundations from the Real Estate Conveyance Tax

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	(100,000)	(100,000)	(100,000)	(100,000)

**Legislative:** Exempt from the real estate conveyance tax transfers of certain principal residences with concrete foundations that have deteriorated due to the presence of pyrrhotite.

To be eligible, the transferor must have obtained a written evaluation from a licensed professional engineer indicating that the foundation was made with defective concrete. The exemption applies to the first transfer of the residence after the written evaluation is obtained and is not available to a transferor who received financial assistance to repair or replace the foundation from the Crumbling Foundations Assistance Fund.

Section 336 of PA 19-117 implements the policy.

### Increase the Tax Rate on Certain Residential Real Estate Conveyances

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
7,700,000	7,900,000	-	6,300,000	(7,700,000)	(1,600,000)

**Background:** The current Real Estate Conveyance Tax rates are as follows:

- 0.75% on Unimproved Land;
- 1.25% on Nonresidential Property other than Unimproved Land;
- **0.75% on the portion of a Residential Dwelling at \$800,000 or less purchase price;**
- **1.25% on the portion of a Residential Dwelling at \$800,001 or more purchase price;**
- 0.75% on a Residential Property other than a Residential Dwelling; and
- 0.75% on a Delinquent Mortgage.

**Governor:** Increase the 1.25% rate to 1.5% for residential property only. Section 39 of SB 877 enacts this provision.

**Legislative:** Add a marginal rate to sales of residential dwellings, effective July 1, 2020:

1. 0.75% of the first \$800,000 of the sales price;
2. 1.25% of any portion of the sales price that exceeds \$800,000 up to \$2.5 million; and
3. 2.25% of any portion of the sales price that exceeds \$2.5 million.

Section 337 of PA 19-117 adds the third marginal tax rate.

Connecticut residents may in the future offset the cost of the new marginal rate through a new tax credit applicable to the Personal Income Tax, which is described below.

Applicable to tax years beginning on or after January 1, 2021, allow taxpayers who paid conveyance tax at the new 2.25% rate to calculate their property tax credit against the income tax based on the amount they paid in conveyance tax.

- Such taxpayers may calculate their credit in such manner for a period of 3 years, beginning in the third tax year after the year in which the taxpayer paid the conveyance tax;
- The credit in each year equals 33.3% of the amount of conveyance tax the taxpayer paid at the 2.25% rate; and
- Taxpayers who calculate their credit in this manner are not eligible for a tax credit calculated based on the property tax they paid.

Section 335 of PA 19-117 establishes the tax credit.

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## Admissions and Dues

### Reduce State Admissions Tax at Certain Venues

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	(800,000)	(1,600,000)	(800,000)	(1,600,000)

**Legislative:** Reduce the admissions tax rate on certain venues 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. The lower rates apply to the following venues:

1. the XL Center in Hartford;
2. Dillon Stadium in Hartford;
3. athletic events presented by a member team of the Atlantic League of Professional Baseball at the New Britain Stadium;
4. Webster Bank Arena in Bridgeport;
5. Harbor Yard Amphitheater in Bridgeport;
6. Dodd Stadium in Norwich;
7. Oakdale Theatre in Wallingford; and
8. events, other than interscholastic athletic events, at Rentschler Field in East Hartford (interscholastic athletic events at Rentschler Field are exempt under existing law).

Additionally, reduce the admissions tax rate on events at Dunkin' Donuts Park in Hartford, from 10% to 5%, beginning July 1, 2019, **and fully exempt such events from the tax beginning July 1, 2020.**

Section 354 of PA 19-117 implements the policy.

### Adjust Admissions Tax Rate on Motion Pictures

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
200,000	300,000	-	-	(200,000)	(300,000)

**Background:** Under current law admissions charges to motion picture shows are subject to an Admissions Tax of 6% but are exempt from the Sales and Use Tax.

**Governor:** Increase the Admissions Tax rate on motion picture shows to 6.35%. Section 57 of SB 877 enacts this provision.

**Legislative:** Maintain the Admissions Tax rate of 6% for motion pictures.

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## Miscellaneous Taxes

### Impose a 10-cent Fee on Single-Use Plastic Bags Provided at Point of Sale

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
30,200,000	26,800,000	27,700,000	26,800,000	(2,500,000)	-

**Governor:** Establish a fee of 10 cents per bag for all single-use plastic bags provided at point of sale. The following are exempt: compostable plastic bags, newspaper bags, laundry or dry-cleaner bags, and bags provided to contain meat, seafood, loose produce, or other unwrapped food items. Section 60 of SB 877 enacts this provision.

**Legislative:** From August 1, 2019, to June 30, 2021, require each store to charge a 10-cent fee for each single-use checkout bag provided to a customer at the point of sale. The fee is not subject to sales tax. Effective July 1, 2021, single-use plastic bags provided at point of sale are banned. Section 355 of PA 19-117 implements the policy.

## Tax on Sugar-Sweetened Beverages

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	163,100,000	-	-	-	(163,100,000)

**Background:** Currently seven cities have a sugary beverages tax; no U.S. state has enacted a tax as of the printing of this report.

**Governor:** Enact a 1.5¢ per ounce tax on sugar-sweetened beverages. This includes sodas, fruit drinks, sports drinks, ready-to-drink tea and coffee, enhanced water, and energy drinks. The policy excludes diet drinks, freshly served coffee, and powders (fruit drink powder mixes).

**Legislative:** Do not impose a tax on sugar-sweetened beverages.

## Health Provider

### Maintain Hospital Tax at the FY 19 level of \$900 million

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
516,000,000	516,000,000	516,000,000	516,000,000	-	-

**Background:** PA 17-2 JSS, the FY 18-19 biennial budget, increased the hospital tax from \$556 million to \$900 million in FY 18 and FY 19, resulting in a revenue increase of \$343.9 million in each year of the biennium compared to FY 17 levels. In addition, the FY 18 - FY 19 biennial budget decreased the hospital tax starting in FY 20, and for each year thereafter, from \$900 million \$384 million.

**Governor:** Maintain the hospital tax at \$900 million starting in FY 20 and for each year thereafter.

**Legislative:** Same as Governor

### Consider Recommendations of Ambulatory Surgical Center Tax Study

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(1,000,000)	(1,000,000)	-	-	1,000,000	1,000,000

**Background:** The Ambulatory Surgical Centers (ASC) Tax is imposed on the gross receipts of each ambulatory surgical center for each calendar quarter commencing on or after October 1, 2015. Gross receipts do not include net patient revenue of a hospital that is subject to the Hospitals Tax. The tax rate is 6% except for the first \$1 million in gross receipts, which is exempt from taxation.

In accordance with PA 16-3 of the May Special Session, the Office of Policy and Management conducted a study of the impact of the gross receipts tax on ambulatory surgical centers in consultation with the Department of Revenue Services. Included in this report, which was submitted February 1, 2017, the Secretary of the Office of Policy and Management recommended the following changes to the ambulatory surgical centers tax: 1) remove the current \$1 million exemption; 2) limit the tax to receipts from facility fees (as defined by federal regulations); and 3) disallow the use of URA tax credits against the tax (subsequent legislation has since disallowed the use of tax credits against the ASC tax).

**Governor:** In order to ensure the state complies with all Centers for Medicare and Medicaid Services (CMS) guidelines for the taxation of health providers: (1) eliminate the current \$1 million exemption; and (2) limit the tax to receipts from facility fees as outlined in the OPM study.

**Legislative:** Maintain current law.

## Adjust Intermediate Care Facilities User Fee Rate

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
100,000	100,000	100,000	100,000	-	-

**Background:** Prior to FY 18, the intermediate care facilities user fee was \$27.76 per day. The Health Provider Tax revisions passed under PA 17-2 JSS, the FY 18-19 biennial budget, lowered the tax rate on intermediate care facilities to \$27.26 per day effective in FY 18.

**Governor:** Restore the \$27.76 rate.

**Legislative:** Same as Governor. Section 357 of PA 19-117 implements the policy.

## Refunds of Taxes

### Maintain Limits on Property Tax Credits

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	53,000,000	53,000,000	53,000,000	53,000,000

**Background:** PA 17-2 JSS, the FY 18-19 biennial budget, temporarily (2017 and 2018 income years) limited eligibility for the \$200 property tax credit to people who (1) are age 65 or older before the end of the applicable income year or (2) validly claim at least one dependent on their federal income tax return for that year. Section 644 of PA 17-2 JSS enacts this provision.

**Legislative:** Maintain limited eligibility through the FY 20-FY 21 biennium. Section 335 of PA 19-117 implements the policy.

### Reduce Pass-through Entity Tax (PET) Credit

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	50,000,000	50,000,000	50,000,000	50,000,000

**Background:** PA 18-49:

- Establishes the PET, requiring entities to pay tax on their own income at the entity level for taxable years beginning on or after January 1, 2018.
- Partners in pass-through entities that are subject to this tax are entitled to a corresponding credit of 93.01% against their own (personal income) tax liability.

**Legislative:** Reduce the value (from 93.01% to 87.5%) of the credit for pass-through entity taxes paid, effective January 1, 2019. Sections 333 - 334 of PA 19-117 implement this policy.

## Transfer Special Revenue

### Reflect Enhanced Off-Track Betting (OTB) Enforcement

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	2,000,000	2,000,000	2,000,000	2,000,000

**Background:** Sportech is the exclusive OTB operator in Connecticut. As of March 2018, Sportech operated 16 betting parlors in the State; Sportech was granted authority to expand its footprint to 24 parlors in 2017. In addition, Sportech operates an online wagering platform.

There is a general prohibition against gambling unless it is expressly authorized; any unlicensed people/businesses conducting OTB or accepting OTB wagers/ advance deposits are acting illegally. Unlicensed out-of-state operators have continued to accept OTB wagers from Connecticut. The Connecticut Office of the Attorney General (OAG) and Department of Consumer Protection (DCP) sent 28 cease and desist letters to these operators in May 2014. These letters improved compliance but apparently some out-of-state operators persist. In February 2017, the CT OAG sent a letter to the Oregon OAG, the foreign jurisdiction which otherwise facilitates these operators.

**Legislative:** Explicitly prohibit any unauthorized person or business from: 1) conducting OTB; or 2) accepting OTB wagers or advance deposit wagers (i.e., an OTB wager on racing events using a telephone or other electronic means) in Connecticut. Make violations a Connecticut Unfair Trade Practices Act (CUTPA) enforceable by the DCP and OAG. Also, subject violators to the penalties for professional gambling and transmitting gambling information, both of which are class A misdemeanors.

Sections 358 and 359 of PA 19-117 implement this policy.

## Licenses, Permits and Fees

### Shift Revenue from Broker-Dealers and Investment Advisers Fees to the General Fund

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	5,200,000	5,200,000	5,200,000	5,200,000

**Background:** Sections 668-670 of PA 17-2 JSS, the FY 18-FY 19 biennial budget, permanently increased (by \$25) fees due upon application or renewal for broker-dealers, investment advisers, and their agents, who transact business in Connecticut. The FY 18-FY 19 budget also temporarily shifted (via a transfer) these revenues to the General Fund.

**Legislative:** Maintain (through the 2020-2021 Biennium) the temporary shift in fee revenues to the General Fund. Section 369 of PA 19-117 implements the policy.

### Increase Motor Vehicle Trade-in Fee

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	7,400,000	9,800,000	7,400,000	9,800,000

**Background:** PA 17-2 JSS, the FY 18-FY 19 biennial budget, imposed a \$35 trade-in fee for motor vehicles. Specifically, it requires the DMV commissioner to charge new and used car dealers \$35 for each used motor vehicle they accept as a trade-in when selling a new or used vehicle. The fee must be deposited in the General Fund. Section 667 of PA 17-2 JSS enacts this policy, effective December 1, 2017 and applicable to transactions occurring on or after that date.

**Legislative:** Increase the trade-in fee to \$100, effective October 1, 2019. Section 361 of PA 19-117 implements the fee increase.

### Increase Fees per Report by OPM

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	-	50,000,000	-	50,000,000

**Legislative:** Require the Secretary of the Office of Policy and Management to review the existing fees collected by each department and report recommendations for fee increases to the Finance, Revenue and Bonding committee by February 2019. The total amount of the fee increases must be at least \$50 million. Section 368 of PA 19-117 implements this requirement.

### Increase Fee on Ridesharing Services

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	4,500,000	4,600,000	4,500,000	4,600,000

**Background:** PA 17-2 JSS, the FY 18-FY 19 biennial budget, required Transportation Network Companies (TNC) such as Uber and Lyft to pay a 25-cent fee on each ride originating in Connecticut and requires that such fee revenue be deposited in the General Fund.

**Legislative:** Increase the fee on each ride originating in Connecticut from 25 cents to 30 cents, effective July 1, 2019. Section 360 of PA 19-117 implements the fee increase.

### Impose \$100 Licenses for Nail Technicians, Estheticians, and Eyelash Technicians

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	400,000	500,000	400,000	500,000

**Legislative:** Require individuals to obtain a Department of Public Health (DPH) license or temporary permit as (1) an esthetician and eyelash technician on and after July 1, 2020, and for applications on or after January 1, 2020; (2) a nail technician on and after January 1, 2021, and for applications on and after October 1, 2020; or (3) a combination license. Sections 191-206 of PA 19-117 make these changes.

### Increase the Legal Tobacco Purchase Age to 21

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	800,000	1,200,000	800,000	1,200,000

**Background:** The current legal age to purchase tobacco products is 18.

**Governor:** Increase the legal age to purchase tobacco products, including e-cigarettes, to 21. Sections 47-53 of SB 877 enact this provision.

**Legislative:** Same as Governor. PA 19-13 enacts this change to the legal age to purchase tobacco products.

### Increase Annual Filing Fee for LLCs and LLPs

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
16,000,000	16,000,000	-	12,000,000	(16,000,000)	(4,000,000)

**Background:** CGS. Sec. 34-38n requires a Limited Partnership to pay a fee of \$20 to the Secretary of State for filing an annual report. CGS Sec. 34-243u requires a Limited Liability Company to pay a fee of \$20 to the Secretary of State for filing an annual report. CGS Sec. 34-413 requires a Limited Liability Partnership to pay a fee of \$20 to the Secretary of State for filing an annual report.

**Governor:** Increase the annual filing fee from \$20 to \$100 beginning in FY 20. Sections 61-63 of SB 877 enact this provision.

**Legislative:** Increase the annual filing fee from \$20 to \$80 beginning in FY 21. Sections 344-346 of PA 19-117 enact this provision.

## Include recommended tests in Newborn Screening Panel

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
100,000	100,000	100,000	100,000	-	-

**Background:** CGS Sec. 19a-55 requires that all newborns delivered in Connecticut are screened for selected genetic and metabolic disorders. Every baby born in the state receives a newborn screening blood-spot test. This is done by taking a few drops of blood from the baby's heel one to three days after birth. The blood is sent to the Dr. Katherine A. Kelley State Public Health Laboratory where it is tested for over 60 health problems, including: Amino Acid Disorders, Fatty Acid Oxidation Disorders, Organic Acid Disorders, Endocrine Disorders, Peroxisomal Disorders, Hemoglobin Disorders, Hemoglobin Traits, Immune Disorders, Biotinidase Deficiency and Disorders of Galactose Metabolism.

Section 346 of PA 15-5 JSS increased the fee per infant screened, starting in FY 16, from \$56 to \$98. In 2017 the fee was increased from \$98 to \$110 in the Governor's Executive Order Budget.

**Governor:** Funding of \$98,000 in FY 20 and \$100,646 in FY 21 is provided to the Department of Public Health to expand newborn screening panels to include three nationally recommended disorders: Pompe Disease, Mucopolysaccharidosis type I (MPS 1), and Spinal Muscular Atrophy. Section 1 of the Governor's Public Health Implementer authorizes this change. Costs will be fully recovered by the additional revenue created from increasing the fee per baby screened by three dollars, from \$110 to \$113.

**Legislative:** Same as Governor. Section 148 of PA 19-117 implements the policy.

## Establish Fees for Industrial Hemp Program Administered by the Department of Agriculture

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
100,000	300,000	100,000	300,000	-	-

**Background:** The 2018 federal Farm Bill legalized industrial hemp, allowing states to submit a plan allowing for primary regulatory authority over the production of hemp.

**Governor:** Section 14 of SB 872, An Act Implementing the Governor's Budget Recommendations for General Government: 1) allows the Department of Agriculture (DoAg) to adopt and enforce regulations for industrial hemp, 2) requires licensure fees for anyone cultivating, processing, handling, marketing, researching, or processing hemp, 3) establishes civil penalties for violations, and 4) allows DoAg to operate an agricultural hemp pilot program. These provisions are anticipated to generate \$100,000 in FY 20 and \$300,000 in FY 21.

SB 872 also provides funding within DoAg and the Agricultural Experiment Station (AES) to develop and regulate the industrial hemp program. Within DoAg, funding of \$136,125 in FY 20 and \$144,293 in FY 21 and two positions (one Agricultural Marketing Inspection Representative and one Fiscal Administrative Assistant) is provided for the industrial hemp program. Additionally, funding of \$45,055 in FY 20 and \$47,758 in FY 21 is provided within AES to hire one lab technician to conduct testing on hemp to ensure compliance with the bill.

**Legislative:** PA 19-3, as amended by Sections 152-154 of PA 19-117, implements the program.

## Adjust Community Investment Act Program Revenues

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
18,500,000	18,500,000	-	-	(18,500,000)	(18,500,000)

**Background:** The Community Investment Act (CIA) generates its revenue from a \$40 fee on all municipal land transactions, of which the state retains \$36 and municipalities retain \$4.

**Governor:** Move the revenues and expenditures of the non-appropriated CIA into the General Fund, thus depositing \$81.5 million in annual revenue in the General Fund. Sections 6, 9, and 18 of SB 872, "AA Implementing the Governor's Recommendations for General Government," enact this provision.

**Legislative:** Maintain the revenues separately from the General Fund.

## Rentals, Fines and Escheats

### Adjust Wine and Liquor Bottle Deposits

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
4,400,000	6,000,000	-	-	(4,400,000)	(6,000,000)

**Background:** The five cent per bottle deposit fee for certain beverage containers (beer and other malt beverages, soda water, and carbonated soft drinks) has been the same since the law (PA 78-16) was adopted and became effective (January 1, 1980).

**Governor:** Establish a deposit fee of 25 cents per bottle of wine and liquor. Sections 55 and 56 of SB 877 enact this provision.

**Legislative:** Do not establish a deposit fee of 25 cents on wine and liquor bottles.

### Adjust Deposit on 50 Milliliter Liquor Bottles

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
500,000	600,000	-	-	(500,000)	(600,000)

**Background:** The five cent per bottle deposit fee for certain beverage containers (beer and other malt beverages, soda water, and carbonated soft drinks) has been the same since the law (PA 78-16) was adopted and became effective (January 1, 1980).

**Governor:** Establish a deposit fee of 5 cents per 50 milliliter bottle of liquor. Sections 55 and 56 of SB 877 enact this provision.

**Legislative:** Do not impose a deposit on 50 milliliter liquor bottles.

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## Miscellaneous

### Municipal Contributions to the Teachers' Retirement System

**Background:** The Teachers' Retirement System (TRS) is the state's defined benefit plan for approximately 50,000 active and 37,000 retired teachers. TRS is currently funded using an actuarial reserve funding methodology, whereby the normal cost and past service liability are calculated in order to determine the state's annual required contribution (ARC). TRS is not collectively bargained but rather provided through statute (CGS 10-183b).

The June 30, 2108 Actuarial Valuation (Revised as of June 18, 2019) set the annual required contribution (ARC) for the TRS of \$1,208.8 million in FY 20 and \$1,249.8 million in FY 21. Payment of the full contribution is required by both statute (CGS 10-183z) and the bond covenant for the pension obligation bonds, issued pursuant to PA 07-186. The 2018 Valuation was revised in accordance with sections 82 - 90 of PA 19-117 which creates the Teachers' Retirement Fund - Special Capital Reserve Fund and makes changes to the TRS actuarial funding methodology and benefit design.

**Governor:** Require most municipalities to pay a phased-in contribution for at least one-quarter (25%) of the normal cost paid on its behalf by the state. This is anticipated to result in General Fund revenue of \$23.8 million in FY 20 and \$49.2 million in FY 21. The full 25% of normal cost contribution is required in FY 22, the third year of the phase-in, and is an estimated \$71 million. Municipalities with teacher salaries above the statewide median are required to pay a share equal to each percentage point they are above the median. Contributions by distressed municipalities are limited to five percent of their associated normal cost. HB 7150, "An Act Implementing the Governor's Budget Recommendations Concerning Education", implements this change and requires municipalities to annually transmit the required amount to the Teachers' Retirement Board on or before December 31 each year.

**Legislative:** Do not require municipal contributions.

## Federal Grants

### Maintain Medicaid Hospital Supplemental Payments at FY 19 Level

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
215,400,000	214,000,000	215,400,000	214,000,000	-	-

**Background:** PA 18-81 (Sec. 55) provided \$166.5 million in Medicaid hospital supplemental payments to 26 Connecticut acute care hospitals in FY 20. Under current law, FY 20 payments reflected a reduction of \$326.8 million in Medicaid supplemental payments compared to the FY 19 level of \$493.3 million resulting in a corresponding reduction in associated estimated federal grant revenue of \$219.6 million in FY 20 compared to \$328.8 million in FY 19.

**Legislative:** Same as Governor.

### Net Appropriate for Care 4 Kids/Child Care Development Fund

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(67,600,000)	(53,300,000)	(67,600,000)	(67,600,000)	-	(14,300,000)

**Governor:** Reduce appropriations for Care4Kids by \$67,982,218 in FY 20 and \$53,626,128 in FY 21 to reflect only the state share of program funding in the General Fund line item. A similar adjustment is made to Federal Grants revenue to reflect reallocating federal Child Care Development Funds (CCDF), which support Care4Kids, to a separate federal account.

*While this change does not impact the overall funding for Care4Kids, it is a change from current practice to reflect only the state share of program funding in the budget.*

**Legislative:** Same as Governor.

As established by section 257 of PA 19-117, OEC is required to submit quarterly reports to the Committees on Appropriations and Education detailing the federal CCDF allocation, expenditures to date, estimated expenditures through the end of the fiscal year, and anticipated use of any balance of funds. In addition, OEC will detail overall Care4Kids program data (supported by both state and federal funds) including actual and estimated monthly caseload and associated costs by priority group.

### Reflect increase in revenue attributable to Medicaid-related expenditures

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(21,800,000)	(6,400,000)	(23,600,000)	(23,700,000)	(1,800,000)	(17,300,000)

**Governor:** Adjust federal (matching) grant revenue estimates according to various changes in appropriations.

**Legislative:** Same as Governor. The federal grant adjustments reflect appropriations in PA 19-117.

## Transfers From/To Other Funds

### Suspend Amortization of Historical GAAP Deficit

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	-	75,700,000	-	75,700,000

**Background:** The historical Generally Accepted Accounting Principles (GAAP) deficit is \$727.1 million and must be extinguished by FY 28 according to a 2013 bond covenant.

**Legislative:** Suspend the FY 21 amortization of the historical GAAP deficit per Section 374 of PA 19-117. This increases the annual amortization amounts remaining to approximately \$86.3 million.

## Transfer FY 20 Revenue for use in FY 21

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	(85,000,000)	85,000,000	(85,000,000)	85,000,000

**Legislative:** Transfer \$85 million from the projected FY 20 surplus to FY 21. Section 372 of PA 19-117 implements this policy.

## Provide Funds for PEGPETIA

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	(7,000,000)	-	(7,000,000)	-

**Background:** In accordance with CGS 16-331cc, the Public Educational and Governmental Programming and Education Technology Investment Account (PEGPETIA) provides grants to support public, educational, and governmental (i.e. community access) programming and education technology initiatives. The account is administered by the Public Utilities Regulatory Authority.

Historically, PEGPETIA was funded by a 0.25% tax on the gross earnings of cable-TV, satellite-TV, and certified competitive video (e.g., AT&T U-Verse) service providers. The 0.25% PEGPETIA surtax was in addition to the 5.0% tax (per CGS 12-258) on the gross earnings of cable-TV, satellite-TV, and certified competitive video service providers which is deposited into the General Fund and not designated for any specific purpose.

Beginning in FY 18, PA 17-2 JSS (the FY 18-FY 19 biennial budget) requires \$3.5 million to be transferred to the General Fund each year from the PEGPETIA.

**Legislative:** Transfer \$7 million to the PEGPETIA from the General Fund in FY 20. Beginning in FY 22, eliminate the requirement that \$3.5 million be transferred to the General Fund each year from the PEGPETIA. Sections 350 and 370 of PA 19-117 implement the policies.

## Transfer to the Philanthropic Match Account

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	(20,000,000)	-	(20,000,000)	-

**Background:** In April 2019, the Dalio Foundation publicly announced a \$100 million donation over the next five years to support public education and workforce development. According to press releases, this donation is to be matched by \$100 million over five years from each of state government and other philanthropic agencies or private sources, for a total funding target of \$300 million through FY 24.

**Legislative:** Transfer \$20 million in General Fund revenues in FY 20 to a new off-budget state account known as the "Philanthropic Match account."

Sections 183-189 of PA 19-117:

- establish the Philanthropic Match account and its funding, and
- create a corporation called "The Partnership for Connecticut, Inc." (i.e., The Partnership), which is to be partly funded by the new account.

The act requires that The Partnership's FY 20 funding includes \$20 million from a specified philanthropic enterprise and, upon confirmation of this contribution, \$20 million from the General Fund via the Philanthropic Match account. The philanthropic enterprise and the State are directed to attempt to secure in FY 20 an additional \$20 million for The Partnership from other private sector sources. The act also allows the State in FYs 21-24 to provide \$20 million annually to The Partnership via the match account, provided the philanthropic enterprise first transfers the same amount to The Partnership. The Partnership is required to support public education, workforce development, microfinance, and social entrepreneurship.

### Fund Start-Up Costs for the Paid Family and Medical Leave Insurance program

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	(5,100,000)	-	(5,100,000)	-

**Background:** PA 19-25 (1) creates the Family and Medical Leave Insurance (FMLI) program to provide wage replacement benefits to certain employees taking leave under the state's Family and Medical Leave Act (FMLA) and (2) establishes the Paid Family and Medical Leave Insurance Authority as a quasi-public agency to develop and administer the FMLI program.

**Legislative:** Fund start-up costs for the Paid Family and Medical Leave Insurance Program. Section 373 of PA 19-117 transfers FY 20 revenues from the General Fund to the newly established (off-budget) Family and Medical Leave Insurance Trust Fund.

### Transfer Excess Funds from the CHEAPR Account

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	1,200,000	5,500,000	1,200,000	5,500,000

**Background:** The Connecticut Hydrogen and Electric Automobile Purchase Rebate (CHEAPR) offers incentives of up to \$5,000 for Connecticut residents who purchase or lease a new eligible battery electric, plug-in hybrid electric or fuel cell electric vehicle.

**Legislative:** The CHEAPR program creates a \$5 fee on various vehicle registrations which is anticipated to generate approximately \$8 million annually. The first \$3 million will be deposited into the Connecticut Hydrogen and Electric Automobile Purchase account and the remainder will be deposited into the General Fund.

### Gross Fund Higher Education Alternate Retirement Plan

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
43,700,000	43,400,000	35,000,000	32,800,000	(8,700,000)	(10,600,000)

**Background:** CGS 5-155a authorizes eligible unclassified employees of the constituent units of higher education to participate in an **alternate retirement program (ARP)**, a defined contribution plan.

Pursuant to the SEBAC 2017 Agreement the state's contribution to ARP is 7.25% of salary and employees contribute 5.75%. In FY 20, these contribution rates are modified by 1/4% to 7% and 6% respectively. For employees hired on or after July 31, 2017, the state contribution is 6.5% and the employee default contribution is 6.5%.

The state's ARP contribution is paid for from various funding sources and is based on where the employee's salary is charged. Currently, recoveries from other funding sources, predominately tuition funds of higher education institutions are deposited into the ARP appropriation within the General Fund (GF) for non-GF supported employees as an expenditure offset. In recent years the recoveries have exceeded GF expenditures.

**Governor:** The Governor recommends gross appropriating the ARP account whereby all recoveries will be deposited into the GF as revenue and the GF appropriation will reflect the state's contribution for those employees whose salaries are supported by the GF (including those employees funded out of the higher education block grants).

**Legislative:** Same as Governor.

## Adjust Mashantucket Pequot / Mohegan Fund Grants

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
8,100,000	8,100,000	6,600,000	6,600,000	(1,500,000)	(1,500,000)

**Background:** CGS 3-55i-k requires a portion of slot machine revenue received by the state from Native American gaming casinos to be transferred from the General Fund to the Mashantucket Pequot and Mohegan Fund (Pequot Fund) for distribution to all 169 municipalities. The statute requires that the transfer be equal to the amount appropriated for grants to towns. Grants are distributed based on 1) College & Hospital and State Property PILOT payments, 2) population, 3) equalized net grand list per capita, 4) per capita income, and 5) status as a distressed municipality. Additional funding is distributed to 1) all towns in the Southeastern Connecticut Council of Governments, and 2) distressed municipalities in the Northeastern Connecticut Council of Governments.

PA 17-2, the FY 18 and FY 19 budget, specified the distribution of \$57.8 million in funding in FY 18 and \$49.9 million in FY 19.

**Governor:** Reduce by \$8,100,000 the transfer from the General Fund to the Pequot Fund in both FY 20 and FY 21 to reflect funding of Pequot grants to municipalities at FY 19 levels.

**Legislative:** Using FY 19 levels as the basis, add funding of \$1,530,000 in FY 20 and FY 21 for grants to towns as follows: 1) \$500,000 each to Norwich, Montville, and Ledyard, and 2) \$30,000 to Stonington.

## Volatility Cap Adjustment

### Extend/Expand the Angel Investor Tax Credit Program

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	-	5,000,000	5,000,000	5,000,000	5,000,000

**Background:** The Program provides a credit for a cash investment of not less than \$25,000 in the qualified securities of a Connecticut business by an angel investor. The credit is equal to 25% of such investor's cash investment provided the total tax credits allowed to any one investor shall not exceed \$250,000 and shall be claimed in the taxable year in which the cash investment was made.

An angel investor is an accredited investor, as defined by the Securities and Exchange Commission, or network of accredited investors who review new or proposed businesses for potential investment who may seek active involvement, such as consulting and mentoring, in a Connecticut business.

The angel investor must apply to Connecticut Innovations, Inc. to reserve a tax credit. The angel investor must choose from a list of Connecticut businesses that Connecticut Innovations Inc. has determined are qualified to receive cash investments eligible for the angel investor tax credit. Tax credits cannot be reserved for any investments made on or after July 1, 2019.

**Legislative:** Extend the angel investor tax credit program by five years, to July 1, 2024; increase (1) from \$3 million to \$5 million, the aggregate amount of angel investor credits CI may reserve each fiscal year and (2) from \$250,000 to \$500,000, the total amount of tax credits allowed to any angel investor. Authorize CI to prioritize certain unreserved credits for various businesses. Section 347 of PA 19-117 implements the policy.

**Additional Explanation:** *The angel investor tax credit negatively impacts the Estimated and Finals (E&F) portion of the Personal Income Tax, which together with the Pass-through Entity Tax (PET) is subject to the statutory "Volatility Cap." By law and bond covenant (through FY 23), the Volatility Cap limits the total amount of E&F and PET that may be included in the General Fund budget. Anything above the total amount that may be budgeted is set aside as a transfer to the Budget Reserve Fund i.e., a Volatility Cap Adjustment. Since the negative impact of extending and expanding the angel investor tax credit is less than the estimated Volatility Cap Adjustments during the 2020-2021 Biennium, it reduces the transfer to the Budget Reserve Fund instead of impacting the General Fund.*

**FY 20 Budget Special Transportation Fund Revenue Schedule**  
In Millions of Dollars

	January Consensus FY 20	Governor Policies	Governor FY 20 Revenue	Consensus Update (April)	Legislative Policies	Legislative FY 20 Revenue
<b>Taxes</b>						
Motor Fuels Tax	505.2	-	505.2	2.0	-	507.2
Oil Companies Tax	328.1	-	328.1	(5.2)	-	322.9
Sales and Use Tax	468.9	(63.6)	405.3	-	(54.6)	414.3
Sales Tax - DMV	85.7	-	85.7	-	-	85.7
Refunds of Taxes	(14.3)	-	(14.3)	-	-	(14.3)
<b>Total Taxes</b>	<b>1,373.6</b>	<b>(63.6)</b>	<b>1,310.0</b>	<b>(3.2)</b>	<b>(54.6)</b>	<b>1,315.8</b>
<b>Other Sources</b>						
Motor Vehicle Receipts	254.4	-	254.4	-	-	254.4
Licenses, Permits, Fees	145.5	-	145.5	-	-	145.5
Interest Income	33.0	-	33.0	3.1	-	36.1
Federal Grants	12.1	-	12.1	-	-	12.1
Transfers From / (To) Other Funds	(5.5)	(20.0)	(25.5)	-	(30.0)	(35.5)
Refunds of Payments	(5.0)	-	(5.0)	-	-	(5.0)
<b>Total Other Sources</b>	<b>434.5</b>	<b>(20.0)</b>	<b>414.5</b>	<b>3.1</b>	<b>(30.0)</b>	<b>407.6</b>
<b>Total Special Transportation Fund</b>	<b>1,808.1</b>	<b>(83.6)</b>	<b>1,724.5</b>	<b>(0.1)</b>	<b>(84.6)</b>	<b>1,723.4</b>

**FY 21 Budget Special Transportation Fund Revenue Schedule**  
In Millions of Dollars

	January Consensus FY 21	Governor Policies	Governor FY 21 Revenue	Consensus Update (April)	Legislative Policies	Legislative FY 21 Revenue
<b>Taxes</b>	1,471.7	(131.5)	1,340.2	(3.3)	(107.9)	1,360.5
Motor Fuels Tax	503.1	-	503.1	2.0	-	505.1
Oil Companies Tax	335.5	-	335.5	(5.3)	-	330.2
Sales and Use Tax	562.0	(131.5)	430.5	-	(107.9)	454.1
Sales Tax - DMV	86.1	-	86.1	-	-	86.1
Refunds of Taxes	(15.0)	-	(15.0)	-	-	(15.0)
<b>Total Taxes</b>	<b>2,943.4</b>	<b>(263.0)</b>	<b>2,680.4</b>	<b>(6.6)</b>	<b>(215.8)</b>	<b>2,721.0</b>
<b>Other Sources</b>						
Motor Vehicle Receipts	256.4	25.7	282.1	-	-	256.4
Licenses, Permits, Fees	146.6	-	146.6	-	-	146.6
Interest Income	33.7	-	33.7	3.0	-	36.7
Federal Grants	11.8	-	11.8	-	-	11.8
Transfers From / (To) Other Funds	(5.5)	20.0	14.5	-	30.0	24.5
Refunds of Payments	(5.2)	-	(5.2)	-	-	(5.2)
<b>Total Other Sources</b>	<b>437.8</b>	<b>45.7</b>	<b>483.5</b>	<b>3.0</b>	<b>30.0</b>	<b>470.8</b>
<b>Total Special Transportation Fund</b>	<b>1,909.5</b>	<b>(85.8)</b>	<b>1,823.7</b>	<b>(0.3)</b>	<b>(77.9)</b>	<b>1,831.3</b>

# Policies Details - Special Transportation Fund

## Sales Tax - STF

### Adjust the Diversion of Motor Vehicle-Related Sales Tax from the GF to STF

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(91,000,000)	(175,800,000)	(58,200,000)	(113,400,000)	32,800,000	62,400,000

**Background:** PA 17-2 JSS shift revenues from the sale of new and used motor vehicles by a dealer from the General Fund (GF) to the Special Transportation Fund (STF). The shift is scheduled to take place over a five year period in equal increments of 20%. In FY 21, the shift is 20% increasing to 40% in FY 22 up to 100% in FY 25 and thereafter.

PA 18-81 accelerated the shift as follows:

- FY 19 (8%);
- FY 20 (33%);
- FY 21 (56%);
- FY 22 (75%); and
- FY 23 and thereafter (100%).

**Governor:** Maintain the diversion of motor vehicle-related sales tax from the GF to STF at 8% indefinitely.

**Legislative:** Reduce the transfer rates to the STF during the 2020-2021 Biennium. Sections 317-318 of PA 19-117 implement the policy.

The new schedule of transfer rates to the STF are as follows:

- FY 20 (17%);
- FY 21 (25%);
- FY 22 (75%); and
- FY 23 and thereafter (100%).

### Reflect STF portion of Sales Tax Expansion

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
27,400,000	44,300,000	3,600,000	5,500,000	(23,800,000)	(38,800,000)

**Background:** Under current law, 0.5 percentage points of the 6.35% sales tax rate transfers to the Special Transportation Fund.

**Governor:** Transfer the aggregated portion of the 0.5 percentage points from the 6.35% from the goods and services newly taxed under this proposal.

**Legislative:** Same as Governor. Since the Sales Tax expansion is less under PA 19-117, this adjustment is less than the Governor proposed.

## Motor Vehicle Receipts

### Increase operator license renewal from 6 years to 8 years

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	3,300,000	-	-	-	(3,300,000)

**Background:** Currently the Department of Motor Vehicles offers a six year license which costs \$72. By increases the duration of the license from six years to eight years, the cost of the license would \$96.

**Governor:** Increase the duration of motor vehicle licenses from six years to eight years which increases revenue by \$3.3 million in FY 21.

**Legislative:** Same as Governor. PA 19-165 implements the policy. However, the revenue schedule as adopted by the Finance, Revenue and Bonding Committee does not include this policy in its underlying assumptions.

**Increase operator registration renewal from 2 years to 3 years**

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
-	22,400,000	-	-	-	(22,400,000)

**Background:** Currently the Department of Motor Vehicles offers a one year registration for seniors 65 and over and a 2 year registration for all other citizens. Included in this registration is a \$5 per year fee for the Passport to Parks program. There is estimated to be approximately 1.7 million registrations per year.

**Governor:** Increase the duration of motor vehicle registrations from two years to three years which increases revenue by \$22.4 million in FY 21.

**Legislative:** Same as Governor. PA 19-165 implements the policy. However, the revenue schedule as adopted by the Finance, Revenue and Bonding Committee does not include this policy in its underlying assumptions.

**Transfers From/To Other Funds**

**Transfer FY 2020 revenue for use in FY 2021**

Governor FY 20	Governor FY 21	Legislative FY 20	Legislative FY 21	Difference FY 20	Difference FY 21
(20,000,000)	20,000,000	(30,000,000)	30,000,000	(10,000,000)	10,000,000

**Background:** The Special Transportation Fund (STF) has an estimated, cumulative balance of approximately \$313 million at the close of FY 19, which is an improvement of \$63.1 million over the FY 18 year-end balance.

**Governor:** Transfer \$20 million of the projected STF operating surplus from FY 20 to FY 21.

**Legislative:** Transfer \$30 million of the projected STF operating surplus from FY 20 to FY 21. Section 371 of PA 19-117 implements the policy.