

June 18, 2021

After passing the biennial budget¹ for fiscal years 2022 and 2023 the week prior, on June 17, 2021, the Connecticut General Assembly adopted the “implementer bill” that contains the policy provisions that put the budget into effect.² Included in the new state budget are revenue sources needed to fund government services, policy priorities, and all other state appropriations. This budget snapshot provides a nonpartisan look at the key policy proposals and revenue funding Connecticut’s budget for the next two fiscal years.

The General Assembly’s adopted budget is one of the final steps in the budget development process³

- The budget analyzed in this document is the budget passed by both chambers of the General Assembly. Next, the budget will be sent to Governor Ned Lamont who will sign it into law, veto it, veto specific line items, or let it go into effect without signing.

Key Revenue Policies⁴

- Includes approximately \$1.75 billion in federal American Rescue Plan funds across the biennium.
- Extends the 10 percent Corporation Tax Surcharge through the biennium, providing \$130 million over the next two fiscal years.
- Delays the phase-out of the Capital Base Tax until FY 2024 and extends the phase-out to FY 2028 — providing an additional \$50 million over the next two fiscal years.
- Increases the state earned income tax credit (EITC) from 23 percent to 30.5 percent of the federal credit effective beginning in tax year 2021. This increased tax credit results in a revenue loss of \$68 million over the biennium.
- Extends the limits on the eligibility for utilizing the property tax credit against personal income taxes for tax years 2021 and 2022. As under current law, this restricts the tax credit to those who are age 65 and older as well as to those who have dependents. The continuation of this policy generates \$53 million annually over the next two years.
- The adopted budget does not contain any estimated revenue impacts for the legalization of recreational cannabis because it is being considered in a separate bill. The legalization of recreational cannabis would provide additional revenue to the State through a state cannabis tax, municipal cannabis tax for municipalities, and sales tax revenue.⁵ However, potential revenue impacts from recreational cannabis remain uncertain. In addition, the timing of revenue collection may be outside of the biennium.

¹ H.B. 6689 as amended by LCO No. 10550: An Act Concerning the State Budget for the Biennium Ending June Thirtieth, 2023, and Making Appropriations Therefor, and Making Deficiency and Additional Appropriations for the Fiscal Year Ending June Thirtieth, 2021. Gen. Assembly. (Ct. 2021).

² S.B. 1202 as amended by LCO Nos. 10933, 11000, 11007, 11013: An Act Concerning Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023. Gen. Assembly. (Ct. 2021 Special Session).

³ A more detailed explanation of Connecticut’s state budget process can be found at <https://ctschoollfinance.org/reports/connecticuts-state-budget-process>.

⁴ Connecticut General Assembly, Office of Fiscal Analysis. (2021). *Fiscal Note for SB 1202, June 15, 2021*. Hartford, CT: Author. Retrieved from <https://cga.ct.gov/2021/FN/PDF/2021SB-01202-R00-FN.PDF>.

⁵ Connecticut General Assembly, Office of Fiscal Analysis. (2021). *Fiscal Note for SB 1201, June 15, 2021*. Hartford, CT: Author. Retrieved from <https://www.cga.ct.gov/2021/FN/PDF/2021SB-01201-R00-FN.PDF>.

Analysis of Selected State Revenues

Table 1 below contains key policy changes regarding revenue contained in the adopted budget. For comparative purposes, key policy changes from the governor's budget proposal and the Finance, Revenue and Bonding Committee's revenue proposal are also included. The sole revenue sources included in Table 1 are those **revenues projected to exceed \$100 million in revenue in FY 2022**, or **tax revenues with significant policy changes or public interest** for the sake of clarity.

Table 1: Selected General Fund Policy Changes Under Adopted Budget and Other Proposed Revenue Packages

Revenue Source	Governor's Proposed Budget ⁶	Finance, Revenue & Bonding Committee ⁷	General Assembly Adopted Budget ⁸
Taxes			
Personal Income Tax	<ul style="list-style-type: none"> Hold Teachers' Pension Exemption at 25% (+\$8M in FY 22, +\$8M in FY 23) Hold Pension and Annuity Exemption at 28% (+\$16M in FY 22, +\$33M in FY 23) Maintain property tax credit restrictions (+\$53M in FY 22, +\$53M in FY 23) 	<ul style="list-style-type: none"> Impose a 2% surcharge on capital gains (+\$262M in FY 23 and FY 24) Extend existing tax exemption for pensions/annuities to IRAs (-\$40.1M in FY 23, -\$38.7M in FY 24) Maintain property tax credit restrictions (+\$53M in FY 22, +\$53M in FY 23) 	<ul style="list-style-type: none"> Extend existing tax exemption for pensions/annuities to IRAs that are not Roth IRAs, beginning in the 2023 tax year (out year impacts) Maintain property tax credit restrictions (+\$53M in FY 22, +\$53M in FY 23)
Sales & Use	<ul style="list-style-type: none"> Delay transfers to the Municipal Revenue Sharing Account (+\$377M in FY 22, + \$387M in FY 23) Cannabis Legalization Sales Tax (+\$1.9M in FY 22, +\$12M in FY 23) 	<ul style="list-style-type: none"> Cannabis Legalization Sales Tax revenue deposited in proposed Equitable Investment Fund Exempt breast feeding supplies from the Sales Tax (-\$0.5M in FY22, -\$0.5M in FY 23) 	<ul style="list-style-type: none"> Allow film and digital media tax credits to be claimed against the Sales and Use Tax in the same manner as these credits can be claimed against the gross receipts tax on cable, satellite, and

⁶ State of Connecticut, Office of Policy and Management. (2021). *Connecticut FY 2022 – FY 2023 Biennium Governor's Budget*. Hartford, CT: Author. Retrieved from https://portal.ct.gov/-/media/OPM/Budget/2022_2023_Biennial_Budget/Bud_WebPage/GovBud_2022-23_Final_Web.pdf.

⁷ Connecticut General Assembly, Office of Fiscal Analysis. (2021). *Preliminary Fiscal Notes for Finance Committee Meeting on April 22, 2021*. Hartford, CT: Author. Retrieved from https://cga.ct.gov/ofa/Documents/year/PFNFIN/2021/PFNFIN-20210422_Preliminary%20Fiscal%20Notes%20for%20Finance%20Committee%20Meeting%20on%20April%202021.pdf.

⁸ S.B. 1202 as amended by LCO Nos. 10933, 11000, 11007, 11013: An Act Concerning Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023. Gen. Assembly. (Ct. 2021 Special Session).

Revenue Source	Governor's Proposed Budget ⁶	Finance, Revenue & Bonding Committee ⁷	General Assembly Adopted Budget ⁸
			<p>competitive video services (+\$2.2M in FY 22, +\$4.3M in FY 23)</p> <ul style="list-style-type: none"> Exempt breast feeding supplies from the Sales Tax (-\$0.5M in FY22, -\$0.5M in FY 23)
Corporation	<ul style="list-style-type: none"> Maintain 10% Tax Surcharge (+\$80M in FY 22, +\$50M in FY 23) Delay and extend the elimination of the Capital Base Tax (+\$21M in FY 22, +\$29M in FY 23) Limit carryforward of new R&D credits to 15 years (no revenue change) 	<ul style="list-style-type: none"> Maintain 10% Tax Surcharge (+\$80M in FY 22, +\$50M in FY 23) Restore R&D tax credit to 70% of liability (-\$31.4M in FY 23) 	<ul style="list-style-type: none"> Maintain 10% Tax Surcharge (+\$80M in FY 22, +\$50M in FY 23) Restore R&D tax credit to 70% of liability phased in over two years, and limit the number of years the credits can be carried-forward (-\$6.5M in FY 22, -\$17.2M in FY 23)
Pass-Through Entity Tax	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Public Service	<ul style="list-style-type: none"> Eliminate exemption for gas sold to a facility with 775 MW capacity (+\$3M in FY 22, +\$3M in FY 23) Cap tax credits to 50.01% of liability (+\$2M in FY 22, +\$2M in FY 23) 	<ul style="list-style-type: none"> Eliminate exemption for gas sold to a facility with 775 MW capacity (+\$3M in FY 22, +\$3M in FY 23) Cap tax credits to 50.01% of liability (no revenue change) 	<ul style="list-style-type: none"> No significant policy changes
Inheritance & Estate	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Insurance Companies	<ul style="list-style-type: none"> Captive insurers initiative (+\$8M in FY 22, +\$0.2M in FY 23) 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Cigarettes	<ul style="list-style-type: none"> Ban flavored vaping products 	<ul style="list-style-type: none"> Ban flavored vaping products 	<ul style="list-style-type: none"> Ban flavored vaping products

Revenue Source	Governor's Proposed Budget ⁶	Finance, Revenue & Bonding Committee ⁷	General Assembly Adopted Budget ⁸
	(-\$1.9M in FY 22, -\$2.5M in FY 23)	with no impact to budget	(-\$1.3M in FY 22, -\$2.5M in FY 23)
Real Estate Conveyance	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Health Provider Tax	<ul style="list-style-type: none"> Implement recommendation of ambulatory surgical centers tax study (-\$0.5M in FY 22 and FY 23) 	<ul style="list-style-type: none"> Adjust ambulatory surgical centers tax (-\$6.4M in FY 22 and FY 23) 	<ul style="list-style-type: none"> Reduce tax rates for Ambulatory Surgical Centers (out year impacts)
Admissions & Dues Tax	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> Eliminate admissions tax rate on certain venues (-\$17M in FY 22 and FY 23) 	<ul style="list-style-type: none"> Eliminate the 10% admissions tax on entertainment venues (-\$11M in FY 22 and FY 23)
Miscellaneous Tax	<ul style="list-style-type: none"> Cannabis Excise Tax (+\$3.2M in FY 22, +\$19M in FY 23) DRS Tax Amnesty Program (+\$40M in FY 22, -\$4M in FY 23) CREATES Revenue Initiative (+40M in FY 23) 	<ul style="list-style-type: none"> DRS Tax Amnesty Program (+\$40M in FY 22, -\$4M in FY 23) CREATES Revenue Initiative (+40M in FY 23) 	<ul style="list-style-type: none"> DRS Tax Amnesty Program (+\$40M in FY 22, -\$4M in FY 23)
Other Revenue			
Transfers-Special Revenue	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Indian Gaming Payments	<ul style="list-style-type: none"> Implement iGaming and sports betting (+\$2M in FY 22, +\$3M in FY 23) 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Licenses, Permits Fees	<ul style="list-style-type: none"> Safe drinking water assessment (+\$2M in FY 22, +2M in FY 23) Cannabis licensing (+\$5M in FY 22, +\$2M in FY 23) 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Rents, Fines, Escheats	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes

Revenue Source	Governor's Proposed Budget ⁶	Finance, Revenue & Bonding Committee ⁷	General Assembly Adopted Budget ⁸
Miscellaneous	<ul style="list-style-type: none"> Implement 2% convenience fee for credit/debit card use (+\$3M in FY 23) 	<ul style="list-style-type: none"> Implement 2% convenience fee for credit/debit card use (+\$3M in FY 23) 	<ul style="list-style-type: none"> Implement 2% convenience fee for credit/debit card use (+\$2.5M in FY 23)
Other Sources			
Federal Grants	<ul style="list-style-type: none"> Transfer from the American Rescue Plan (+\$775M in FY22, +\$975M in FY23) 	<ul style="list-style-type: none"> Transfer from the American Rescue Plan (+\$890M in FY22, \$995M in FY23) 	<ul style="list-style-type: none"> Transfer from the American Rescue Plan (+\$560M in FY22, \$1,195M in FY23)
Transfer from Tobacco Fund	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Transfers From/(To) Other Funds	<ul style="list-style-type: none"> Delay GAAP deficit payment (+\$85M in FY 22, +\$85M in FY 23) Transfer excess Regional Performance Incentive funds (+4M in FY 22 and 23) Transfer to the Tourism Fund (-\$3M in FY 22) 	<ul style="list-style-type: none"> Delay GAAP deficit payment (+\$85M in FY 22, +\$85M in FY 23) Transfer FY 21 GF surplus (-\$234M in FY 22, +\$117.5M in FY 23) Support the Tourism Fund (-\$9.8M in FY 22, -\$3.1M in FY 23) 	<ul style="list-style-type: none"> Delay GAAP deficit payment (+\$85M in FY 22, +\$85M in FY 23) Transfer from the General Fund to the Tourism Fund (-\$3.1M in FY 22) Transfer from the Municipal Revenue Sharing Account (MRSA) to support municipal transition (i.e., car tax) grants and expanded PILOT spending (+\$262.7M in FY 22, +\$276.3M in FY 23)
Transfers to Budget Reserve Fund - Volatility Adjustment	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Earned Income Tax Credit Refunds of Taxes		<ul style="list-style-type: none"> Shift existing EITC to the equitable investment fund (+\$104M in FY 23). 	<ul style="list-style-type: none"> Increases the state earned income tax credit (EITC) from 23 percent to 30.5 percent of the federal credit. (-\$34.1M in FY 22, -\$34.1M in FY 23)

Table 2 below contains proposed key policy changes in the General Assembly's adopted budget that impact revenue for the state's Special Transportation Fund. For comparative purposes, key policy changes from the governor's budget proposal and Finance, Revenue and Bonding Committee's revenue package are also included. The revenue sources included in the below table are those **revenues projected to exceed \$100 million in revenue in FY 2022**, or **tax revenues with significant policy changes or public interest** for the sake of clarity.

Table 2: Selected Special Transportation Fund Policy Changes Under Proposed Revenue Packages

Revenue Source	Governor's Proposed Budget ⁹	Finance, Revenue & Bonding Committee ¹⁰	General Assembly Adopted Budget ¹¹
Taxes			
Motor Fuels Tax	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Oil Companies Tax	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Sales & Use Tax	<ul style="list-style-type: none"> Cannabis Legalization Sales Tax (+\$200K in FY 22, +\$1.0M in FY 23) 	<ul style="list-style-type: none"> Same as Governor: Cannabis Legalization Sales Tax (+\$200K in FY 22, +\$1.0M in FY 23) 	<ul style="list-style-type: none"> Cannabis legalization is being considered separately from the adopted budget
Sales Tax - DMV	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Highway Use Tax	<ul style="list-style-type: none"> Tax per mile for heavy weight vehicles with rate assessed by truck weight, effective January 1, 2023 (+\$45M in FY 23) 	<ul style="list-style-type: none"> Same as Governor: Tax per mile for heavy weight vehicles with rate assessed by truck weight, effective January 1, 2023 (+\$45M in FY 23) 	<ul style="list-style-type: none"> Tax per mile for heavy weight vehicles contained in separate bill (H.B. 6688) with rate assessed by truck weight and number of axles, effective January 1, 2023 (+\$45M in FY 23).¹²
Other Sources			
Motor Vehicle Receipts	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes

⁹ State of Connecticut, Office of Policy and Management. (2021). *Connecticut FY 2022 – FY 2023 Biennium Governor's Budget*. Hartford, CT: Author. Retrieved from https://portal.ct.gov/-/media/OPM/Budget/2022_2023_Biennial_Budget/Bud_WebPage/GovBud_2022-23_Final_Web.pdf.

¹⁰ Connecticut General Assembly, Office of Fiscal Analysis. (2021). *Preliminary Fiscal Notes for Finance Committee Meeting on April 22, 2021*. Hartford, CT: Author. Retrieved from https://cga.ct.gov/ofa/Documents/year/PFNFIN/2021PFNFIN-20210422_Preliminary%20Fiscal%20Notes%20for%20Finance%20Committee%20Meeting%20on%20April%202022.%202021.pdf.

¹¹ S.B. 1202 as amended by LCO Nos. 10933, 11000, 11007, 11013: An Act Concerning Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023. Gen. Assembly. (Ct. 2021 Special Session).

¹² Connecticut General Assembly, Office of Fiscal Analysis. (2021). *Fiscal Note for H.B. 6688, June 7, 2021*. Hartford, CT: Author. Retrieved from <https://www.cga.ct.gov/2021/FN/PDF/2021HB-06688-R00-FN.PDF>.

Revenue Source	Governor's Proposed Budget ⁹	Finance, Revenue & Bonding Committee ¹⁰	General Assembly Adopted Budget ¹¹
Licenses, Permits, Fees	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes 	<ul style="list-style-type: none"> No significant policy changes
Less refunds of Payments	<ul style="list-style-type: none"> Impose 2% convenience fee for credit/debit cards 	<ul style="list-style-type: none"> Impose 2% convenience fee for credit/debit cards 	<ul style="list-style-type: none"> Impose 2% convenience fee for credit/debit cards