

# Connecticut Tax Incidence Study

2025



**CONNECTICUT**  
Revenue Services



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## 1. Glossary

The following section provides definitions and explanations for key terms and concepts used throughout this report:

- Bureau of Economic Analysis (BEA): US government agency that produces comprehensive economic accounts.
- Census Bureau American Community Survey (ACS): A survey conducted by the US Census Bureau that provides income (e.g., income by different income sources) and demographic (e.g., marital status) information for families in Connecticut.
- Census Bureau Statistics of US Businesses (SUSB): A data series from the Census Bureau that provides annual statistics for US business establishments with paid employees by geography, industry, and enterprise size.
- Census Bureau Survey of Income and Program Participation (SIPP): A Census Bureau survey that provides information on income and government program participation (e.g., housing subsidy).
- Computer-Assisted Mass Appraisal (CAMA): A parcel-level data containing property attribute and assessment values for CT parcels.
- Connecticut Adjusted Gross Income (CT AGI): Income based on adjusted gross income for federal tax purposes with certain modifications.
- Consumer Expenditure Survey (CEX): A survey compiled by the US Bureau of Labor Statistics that provides data on the spending habits, income levels, and demographic attributes of American consumers.
- Economic incidence: determines who bears the burden of a tax through changes in wages, capital income, or consumption.
- Effective tax rate (ETR): Tax divided by total family income, expressed as a percentage.
- Families or family units: Unit of analysis for the study. This is comprised of related family members that live together and would be part of the same tax

return if they were to file taxes. Married filing separately tax returns are consolidated into a single-family unit.

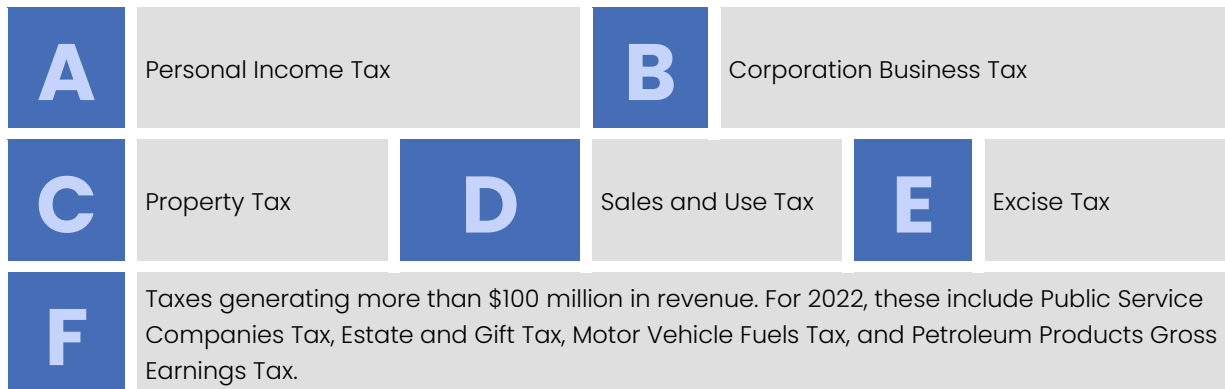
- Family income: Total cash income for a family. This is a broader income definition than CT AGI. In addition to CT AGI, this includes nontaxable income sources such as supplemental security income, welfare income, and the nontaxable portion of the social security income.
- Income decile: divides the data into 10 equal segments based on income. These deciles are formed by partitioning the total family income of Connecticut families with positive income into 10 equal groups. Negative or zero-income families are in a separate bracket than the 10 income deciles.
- Legal incidence: identifies who is legally responsible to remit the tax to the government.
- Population decile: divides the data into 10 equal segments based on populations. These deciles are formed by partitioning the total count of Connecticut families with positive income into 10 equal groups. Negative or zero-income families are in a separate bracket than the 10 population deciles.
- Tax year: All taxes, unless otherwise noted, follow Tax Years with filing period of January through December. For example, the Personal Income Tax for 2022 corresponds to Tax Year 2022, with filing period of January 1, 2022 through December 31, 2022. The tax year corresponds to the tax liability incurred within a given year and does not include delinquent collections from prior years.

## 2. Executive Summary

In compliance with the Connecticut General Statutes (Conn. Gen. Stat.) § 12-7c, as amended by Public Act 23-204, this study provides an analysis of the tax incidence of various Connecticut state and local taxes. This study significantly updates Connecticut’s previous incidence studies, and the changes are highlighted throughout the report.

The study considers both the legal and economic incidence of taxation in Connecticut. Legal or statutory incidence identifies who is liable for paying the tax to the government, while economic incidence determines who ultimately bears its cost through changes in the return to labor (wages), the return to capital income, or consumption. It is important to note that the legal incidence and the economic incidence often vary substantially. Individuals or businesses that have the legal responsibility for paying the tax may not bear the economic incidence of the tax. For example, while a business may be legally liable for the Corporate Business Tax based on its income, the business may shift the burden of the tax to consumers by raising prices, to employees by reducing wages, and to business owners through reduced after-tax profit which means these parties ultimately bear the economic burden of the tax.

The report focuses on the largest sources of revenue for tax year 2022, which include:



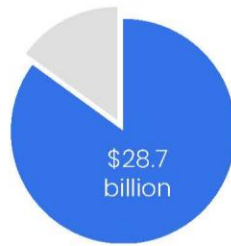
In addition to the analysis of the major sources of revenue, this report also includes the incidence of several significant tax expenditures in the Connecticut tax system. Tax expenditures are subsidies provided through the tax code, where the government chooses to forgo revenue to encourage certain activities or assistance to individuals or businesses. From the perspective of the government, tax expenditures are functionally the same as spending programs.

## Key takeaways:

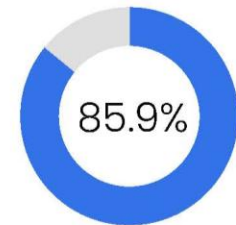



Total state and local tax liability for Connecticut in 2022 was **\$33.4 billion**, net of credits. The local tax includes property taxes which are administered by the 169 cities and towns of Connecticut rather than the State of Connecticut.

The analysis estimates that **\$4.7 billion** is exported to non-residents and the remaining **\$28.7 billion** is borne by Connecticut's residents.



The Personal Income Tax, Sales and Use Tax, and Real Property Tax contributed **85.9%** of state and local total tax.





The tax system overall was relatively regressive with a Suits Index of **-0.13**.<sup>1</sup>

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The post-credit **Personal Income Tax** and the **Estate and Gift Taxes** were the most progressive taxes in the state with Suits Index values of **0.20 and 1**, respectively.<sup>2</sup>

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**Excise Taxes**, **Petroleum Products Gross Earnings Tax**, and **Real Property Tax** were the most regressive taxes in the state with Suits Index values of **-0.45**, **-0.42**, and **-0.41**, respectively.

Among the several tax expenditures analyzed, the exemption from the Sales and Use Tax for sales of human food products, including purchases of items with Supplemental Nutrition Assistance Program (SNAP) benefits, had the overall largest tax benefit, totaling \$627 million in 2022. This tax exemption also provided the largest tax benefit (among tax expenditures analyzed) to the lowest population decile at \$46 in benefits per \$1,000 in family income.

<sup>1</sup> The Suits Index for the overall tax system, which is based on the income decile view, excludes the Estate and Gift Taxes due to data limitations. For more information regarding the Estate and Gift Taxes refer to Section 11.3.

<sup>2</sup> The Suits Index for the Estate and Gift Taxes is based on the population decile view due to data limitations.

### 3. Incidence methodology overview

The study focuses on the incidence of the 2022 tax system and analyzes the distribution of tax liabilities corresponding to calendar year 2022 (unless otherwise specified). The unit of analysis is families, also referred to as family units. This unit represents related people living together in the same house that would be paying taxes together if they filed Personal Income Taxes. More details for this definition are available in the *Important concepts* section.

The analysis apportions taxes to Connecticut families by first identifying the share of each tax that is initially paid directly by households and by businesses. For example, 100% of the Personal Income Tax is legally paid by households while the Sales and Use Tax is paid by households and businesses.<sup>3</sup>

For households, the portion of each tax that is attributed to non-residents (e.g., Personal Income Tax paid by non-residents or Sales Tax paid by tourists) is exported and subtracted from the household share, reducing the total tax Connecticut liability that is attributed to Connecticut families.<sup>4</sup>

For businesses, the economic incidence considers whether the business operates in local or national markets:

- **Local markets** are assumed to pass taxes forward to consumers through higher prices.
- **National markets** are assumed to pass taxes backward as lower wages for workers and lower profits for owners.

The legal form of organization is also identified and considered in the analysis as explained below. The economic incidence of the business component of each tax is modeled and, in general, each tax is apportioned to wages, consumption, or capital based on the market and legal form of organization. Some portion of each tax is exported based on assumptions regarding out-of-state resident consumption and equity holdings. The following sections provide a more detailed overview of the apportionment process. Specific economic

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<sup>3</sup> The Appendix provides details regarding how the family and business shares are estimated.

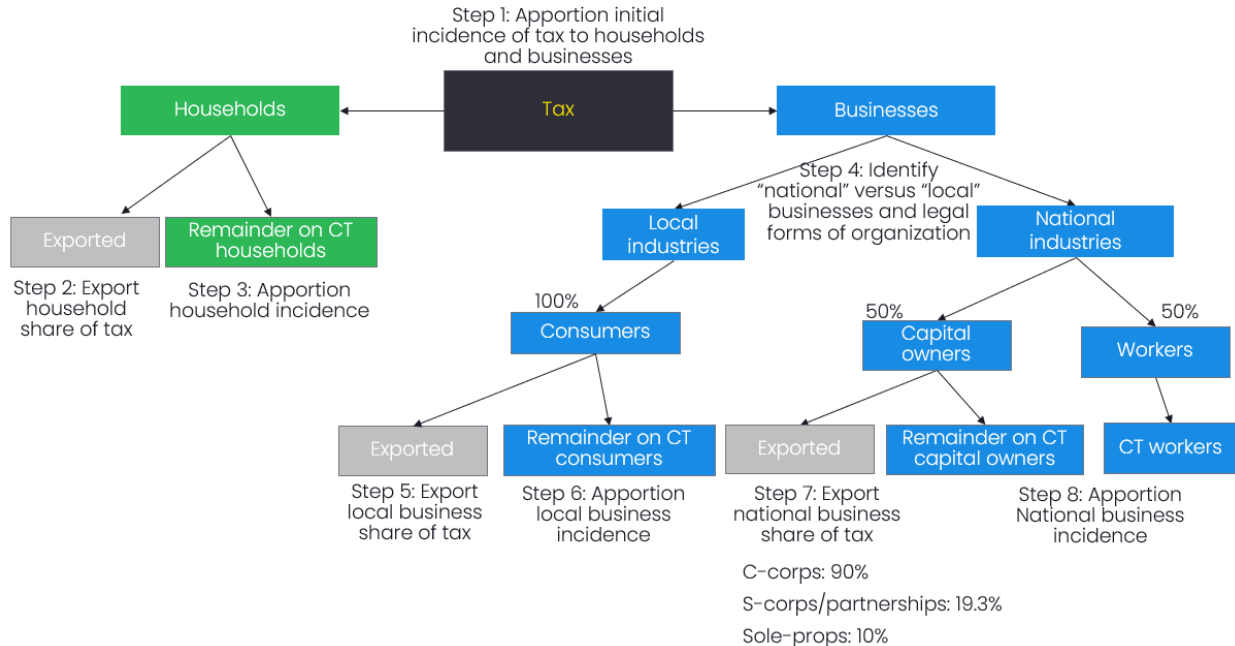
<sup>4</sup> Most Connecticut households invariably pay other states' taxes such as sales taxes paid in other states or income tax for those working across state lines. The analysis does not attempt to analyze the burden of other states' taxes on Connecticut families.

incidence apportionment methodologies for each tax are provided in the Appendix.

*Economic Incidence Procedure*

The standard steps used for the economic incidence analyses are listed below and are illustrated in Figure 1.<sup>5</sup>

**Figure 1: Main Steps for Incidence Analysis**



*Step 1: Apportion initial incidence of the tax on households and businesses*

The first step is to estimate the share of a given tax that is paid by households and the share of the tax paid by businesses. This relative share will change considerably depending on the type of tax, with certain taxes being paid entirely by businesses or households.

*Step 2: Export shares of the tax - Households*

A portion of each tax paid by households is exported out of Connecticut. For example, based on data from Tourism Economics' report *Economic Impact of Visitors in Connecticut in 2023*, tourists paid an estimated 3.6% household share

<sup>5</sup> Details for the economic incidence procedure by tax vary slightly and are available in the Appendix.

of the Sales and Use Tax.<sup>6</sup> This 3.6% is removed from household portion of the Sales and Use Tax identified in Step 1. In the case of the Sales and Use Tax, the remaining household portion is directly apportioned to Connecticut residents. Failure to remove the exports would overstate the burden of Connecticut's taxes that are borne by Connecticut residents.

### *Step 3: Apportion incidence - Households*

Once the amount of tax attributed to households is calculated, it is apportioned to households at different income levels. The apportionment process depends on the specific tax. For example, in the case of the Sales and Use Tax, average taxable household expenditures are calculated by population and income deciles using data from the Consumer Expenditure Survey (CEX). These expenditures are used to allocate the consumer portion of Sales and Use Tax to households based on their population and income deciles.

### *Step 4: Identify "national" versus "local" businesses and composition of legal forms of organization by industry*

Data from the Census Bureau Statistics of US Businesses (SUSB) was used to calculate the relative shares of legal forms of organization for each industry, determined by total receipts. The data was normalized to only include private sector businesses, which include C-corporations, S-corporations, Partnerships, and Sole Proprietorships. The legal forms will be used to identify resident and non-resident ownership of capital which has implications for the economic incidence of various taxes.

For taxes allocated to Connecticut businesses, businesses are identified as operating in a local or national market.<sup>7</sup> Local markets are industries that face little competition from outside of the state. Examples include personal care services, utilities, or restaurants. These firms are assumed to transfer the entire cost of taxes forward to consumers through increased prices. The portion of the tax on local businesses that is assumed to be exported is explained in Step 5.

National industries such as professional services, manufacturing, and software development cannot easily raise prices to offset taxes because they compete

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<sup>6</sup> Tourism Economics. "Economic Impact of Visitors in Connecticut 2023." *Oxford Economics*, May 2024, <https://portal.ct.gov/-/media/decd/tourism/econimpactstudies/connecticut-tourism-economic-impact---2023.pdf>.

<sup>7</sup> See Appendix for more details on identifying locally and nationally competitive industries.

with businesses in other states that are not subject to the same tax. These businesses may pass the tax backwards as lower profits for the business or lower wages for employees. In cases of national industries, the incidence estimates assume that 50% of the business tax is allocated as decreased profit for owners and 50% as decreased wages for workers. Further details regarding the 50/50 division are provided in the Appendix.

#### *Step 5: Export shares of the tax – Local Businesses*

Since local businesses are assumed to pass the tax to consumers, a portion of the tax on consumers is exported through visitor spending. For example, based on data from Tourism Economics' report *Economic Impact of Visitors in Connecticut in 2023*, tourists account for an estimated 3.6% of the Sales and Use Tax. This exported share is removed from the local business portion before allocating the remaining amount to Connecticut consumers.

#### *Step 6: Apportion incidence – Local Businesses*

The remaining local business tax (after exporting) passed forward to consumers is then apportioned to Connecticut families by population and income deciles using purchasing patterns identified in the CEX.

#### *Step 7: Export shares of the tax – National Businesses*

The incidence estimates for national industry assume that 50% of the business tax is allocated as decreased returns to capital for owners and 50% as decreased wages for workers. For the 50% on capital, a portion of the tax on capital owners is assumed to be exported to non-residents who hold equity in businesses based on the legal form of organization. Ownership of businesses that pay tax in Connecticut range from partners in a law firm, to owners of a small business, to shareholders of a large corporation. It is important to recognize that while a business may operate in Connecticut, its owners could be dispersed throughout the country or the world. As such, a portion of the national business tax on capital owners is ultimately exported depending on the economic incidence of the tax and where the business owners are located, which is estimated based on the legal form of organization of the business.<sup>8</sup> The

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<sup>8</sup> Additional details are provided in the Appendix.

following assumptions are used to estimate the exported share of businesses' taxes on capital owners for national businesses.

- C-corporations:** C-corporations are typically the largest businesses in terms of revenue and number of employees. In Connecticut, C-corporations had average receipts of over \$36.0 million in 2022.<sup>9</sup> C-corporations can be publicly traded, meaning the owners of many C-corporations are institutional or individual investors who may live anywhere in the world. Similar to other studies, the analysis assumes that non-residents own 90% of the equity of C-corporations.<sup>10</sup> So, in the case of C-corporations, taxes that are shifted to capital will largely be exported due to out of state ownership of equity.
- S-corporations and Partnerships:** S-corporations can have up to 100 shareholders, while Partnerships can fluctuate considerably in size. A small law firm or accounting office may operate with a handful of partners, but Partnerships can include global consulting or law firms. Average receipts of an S-corporation or Partnership in Connecticut in 2022 were \$4.1 million.<sup>11</sup> These can be small or large organizations with Connecticut or non-Connecticut ownership. Pass-Through Entities are mainly comprised of S-corporations and Partnerships. Based on the 2022 Personal Income Tax return data, 19.3% of total credits from the Pass-Through Entity Tax Credit were claimed by non-Connecticut residents. The analysis therefore assumes that 19.3% of S-corporations and Partnerships are owned by non-Connecticut residents. As with C-corporations, in the case of S-corporations and Partnerships, a portion of taxes that are shifted to capital will be exported to non-resident owners of equity.

<sup>9</sup> U.S. Census Bureau. "2022 SUSB Annual Data Tables by Establishment Industry." 4 Aug. 2025, <https://www.census.gov/data/tables/2022/econ/susb/2022-susb-annual.html>.

<sup>10</sup> The shares of ownership by non-Connecticut residents by legal form of organization are derived from the Minnesota Tax Incidence Study for C-corporations and Sole Proprietorships. For details, see Minnesota Department of Revenue. "2024 Minnesota Tax Incidence Study: An Analysis of Minnesota's Household and Business Taxes Using November 2023 Forecast." Revised Mar. 15, 2024, [https://www.revenue.state.mn.us/sites/default/files/2024-03/2024-tax-incidence-study-final-online-revision\\_0.pdf](https://www.revenue.state.mn.us/sites/default/files/2024-03/2024-tax-incidence-study-final-online-revision_0.pdf). Shares of S-corporations and Partnerships owned by out-of-state residents are estimated using Department of Revenue Services data on pass-through entities rather than following the Minnesota study's assumptions. Additional details are provided in the Appendix.

<sup>11</sup> Ibid.

- Sole Proprietorship:** Sole Proprietorships are typically the smallest businesses in terms of revenue. On average, Sole Proprietorship receipts in Connecticut were \$1.2 million in 2022.<sup>12</sup> Sole Proprietorships may be owned by residents and non-residents. For example, in some cases, small business owners from neighboring states may travel to Connecticut for work (consider the case of a tradesperson living on the border of Connecticut in Massachusetts taking jobs in either state). Unless directly identified by the data, 90% of Sole Proprietorships are assumed to be owned by Connecticut residents, meaning 10% of taxes shifted to capital is exported to non-state owners.

### *Step 8: Apportion incidence – National Businesses*

The portion of the national business tax that is passed backward to workers is apportioned to Connecticut families based on population and income decile shares of wage income from ACS data. The remaining national business tax (after exporting) on capital owners is apportioned to Connecticut families based on population and income decile shares of dividend income from ACS data.

### *Important concepts*

**Unit of analysis:** The unit of analysis for the report is referred to as a family. A family may consist of married taxpayers filing jointly, married filing separately, heads of household, or single taxpayers. In each case, the family may have child and non-child dependents.<sup>13,14</sup> Families are developed using data from Connecticut’s Income Tax returns and the U.S. Census, American Community Survey. This is different from prior studies that used only tax returns as the unit of analysis. The unit also differs from Census’ definition of a household, which may include multiple families (e.g., four non-related roommates living together). As such, the families and their corresponding economic and demographic information identified in this study will differ from published data summarizing tax returns or households in Connecticut. The family definition attempts to capture families that are part of the same tax return and includes the following scenarios:

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<sup>12</sup> Ibid.

<sup>13</sup> Children living with parents with incomes above the eligibility to be claimed as a dependent or those above the age of dependency without a disability are considered separate families.

<sup>14</sup> Federal tax return data were used to identify dependents.

- **Separate family units:** Parents and adult children who are not claimed as dependents on their parents' tax return are considered separate family units. For instance, if adult children file their own tax returns and are not claimed as dependents—regardless of whether they live with their parents—they are treated as separate family units.
- **Same family unit:** Conversely, adult children who are claimed as dependents on their parents' Connecticut tax return are regarded as part of the same family unit as their parents, even if they file their own tax returns.<sup>15</sup> For example, a college student who lives independently and files their own return but is still claimed as a dependent on their parents' return is considered part of the same family as their parents.
- **Non-filer Family:** The unit of analysis also includes families living together who do not file Personal Income Taxes, referred to as non-filers.

**Universe of analysis:** The families in this report represent the full population of Connecticut, which includes families who file income tax returns (“filers”), and families whose incomes are too low to require them to file a return (“non-filers”). For this analysis, unless otherwise stated, the tax burden distribution is conducted at the family unit level for the full Connecticut population.

**Income:** For this analysis, families are categorized by their family income level. Family income is defined as the total pretax cash income (including certain cash transfer programs from the government) and is generally broader than AGI. Using the broader definition of family income provides a more holistic view of the tax burden of Connecticut’s major revenue sources. An analysis based only on CT AGI would omit those not filing income taxes and neglect to attribute sales, excise, and property taxes paid by non-filers. The broader definition of income is also more appropriate as an “ability to pay” measure of income, against which tax burden is evaluated. To fully assess the burden of Connecticut’s tax system, this study broadens the income definition to include all residents and all measurable forms of income.

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<sup>15</sup> Ibid.

**Income and population deciles.** Economic incidence is presented by both population and income deciles. To assign deciles, the family units are first sorted from low family income to high family income. A population decile divides all family units in Connecticut into 10 groups based on their count, so that each decile represents 10% of the family units. An income decile divides families based on their income levels, so that each group contains 10% of the population's income.

**Families with negative or zero income.** The report lists taxpayers with pretax family income below or equal to \$0 separately.

- Taxpayers with negative income tend to have business losses, large capital losses, or other atypical tax situations, which may be transitory. These can be very wealthy taxpayers, who have very different tax burdens than low-income taxpayers with primarily wage and salary or pension income.
- Taxpayers with zero income could be wealthy individuals with break-even business income or out-of-state college students reporting zero income but relying on income from their parents. While many college student taxpayers were rolled into family units with positive income, out-of-state students are treated as individual taxpayers and as if they were residents due to the long-term nature of their stay in Connecticut.

To accurately assess low-income residents' tax burden, taxpayers with negative income and taxpayers with zero income are grouped separately and not included in deciles 1-10.

### *Suits Index Review*

This analysis also reports the Suits Index as a measure of the distribution of each tax. The Suits Index calculates a value that reflects progressivity or regressivity of a tax by analyzing how tax burdens are distributed among different income groups within a population. This evaluation is based on the construction of Lorenz curves, which graphically depict the cumulative income and tax payments of each income group. Unless otherwise mentioned, this report calculates the Suits Index based on income deciles rather than population deciles.

The Suits Index assigns values within a range of -1 to 1 to characterize the tax system's nature:

- A positive Suits Index value reflects progressivity in the tax, whereby the tax burden on high-income families is disproportionately higher than their share of income. A Suits Index value of 1 indicates that the high-income families bear the entire tax burden.
- A negative Suits Index value reflects regressivity in the tax, whereby the tax burden on low-income families is disproportionately higher than their share of income. A Suits Index Value of -1 indicates that the low-income families bear the entire tax burden.
- A Suits Index value of 0 reflects proportionality in the tax, whereby the tax burden on families is, on average, proportional to their respective shares of income. It is important to recognize that the Suits Index is a summary index that reflects the average distributional impact. Therefore, while a Suits Index value of 0 may indicate proportionality on average, it does not necessarily imply proportionality of tax burden across the income distribution.

## 4. Overall Results

Table 4-1 shows the 2022 tax liability and economic incidence for each tax. Of the \$33.4 billion total tax liability, \$23.9 billion is imposed on Connecticut residents, \$2.04 billion is imposed on nonresidents, and \$7.4 billion is imposed on businesses. After considering all tax shifting factors the final incidence suggests that Connecticut residents bore \$28.7 billion of the tax liability, while the remaining \$4.7 billion was exported out of Connecticut. This \$28.7 billion tax liability is further distributed to Connecticut families across different income deciles. This report estimates that the overall Suits Index is -0.13, indicating that the overall tax system is regressive. If the property taxes were excluded, the overall Suits Index would rise from -0.13 to 0.03.

Due to data limitations, the calculations in this study impute the incidence of taxes other than the income tax (i.e. consumption-based taxes) on all transactions entered in by individuals, including transactions for which the individual did not pay for the underlying goods or services. For example, the incidence of property tax is deemed to be on the tenant, even if the tenant's rent is fully or partially subsidized. Moreover, no corresponding income is imputed to account for most such subsidies - meaning that tax associated with the subsidized transaction is included in the numerator, but no income from such subsidy is included in the denominator. By excluding most subsidies and social assistance, substantial amounts of resources received by individuals in the lower income deciles are ignored in this study. Consequently, the study does not provide a complete measure of the overall resources available to such individuals. If the 1<sup>st</sup> income decile were excluded from the overall Suits Index calculation (not excluding property taxes), the Suits Index would rise from -0.13 to -0.09.

**Table 4-1: Summary of Tax Liability and Economic Incidence by Tax, 2022 (\$ Millions)**

Tax Type	Total	As imposed			Final incidence		Suits Index
		CT Households	Non-residents	Business	CT	Exported	
<b>Personal Income Tax (post- EITC &amp; Property Tax credit)</b>	\$11,988.5	\$10,910.6	\$1,077.8	\$0.0	\$10,910.6	\$1,077.8	0.20
<b>Corporation Business Tax (post-credits)</b>	\$1,236.5	\$0.0	\$0.0	\$1,236.5	\$123.6	\$1,112.8	0.03
<b>Sales and Use Tax &amp; Room Occupancy Tax</b>	\$6,000.7	\$3,113.7	\$203.3	\$2,683.7	\$5,176.2	\$824.5	-0.22
Sales and Use Tax	\$5,853.1	\$3,096.0	\$116.9	\$2,640.2	\$5,127.7	\$725.4	-0.22
Room Occupancy Tax	\$147.6	\$17.7	\$86.4	\$43.5	\$48.5	\$99.2	-0.02
<b>Property Taxes</b>	\$12,533.0	\$8,712.9	\$709.1	\$3,111.0	\$11,000.7	\$1,532.3	
Real Property Tax	\$10,796.1	\$8,011.9	\$709.1	\$2,075.0	\$9,488.2	\$1,307.8	-0.41
Personal Property Tax	\$849.9	\$0.0	\$0.0	\$849.9	\$668.8	\$181.2	-0.16
Motor Vehicle Tax	\$887.0	\$701.0	\$0.0	\$186.0	\$843.8	\$43.2	-0.32
<b>Public Service Companies Tax</b>	\$396.7	\$219.0	\$0.0	\$177.6	\$359.4	\$37.2	-0.41
<b>Motor Vehicle Fuels Tax</b>	\$203.9	\$58.3	\$2.2	\$143.4	\$172.1	\$31.9	-0.24
<b>Petroleum Products Gross Earnings Tax</b>	\$419.1	\$318.4	\$11.3	\$89.4	\$388.9	\$30.2	-0.42
<b>Excise Taxes</b>	\$392.1	\$358.1	\$34.0	\$0.0	\$358.1	\$34.0	-0.45
<b>Estate &amp; Gift Taxes</b>	\$183.6	\$180.3	\$3.2	\$0.0	\$180.3	\$3.2	1.00*
<b>Total (post-credits)</b>	<b>\$33,354.1</b>	<b>\$23,871.5</b>	<b>\$2,041.0</b>	<b>\$7,441.6</b>	<b>\$28,670.1</b>	<b>\$4,684.0</b>	<b>-0.13</b>
<b>Total (post-credits) excl. property taxes</b>	<b>\$20,821.1</b>	<b>\$15,158.6</b>	<b>\$1,331.9</b>	<b>\$4,330.6</b>	<b>\$17,669.3</b>	<b>\$3,151.8</b>	<b>0.03</b>
<b>Addendum</b>							
Personal Income Tax (pre-credits)	\$12,131.9	\$11,065.8	\$1,066.1	\$0.0	\$11,189.1	\$1,066.1	0.18
Personal Income Tax (post- all credits)	\$8,766.9	\$7,926.7	\$840.2	\$0.0	\$7,926.7	\$840.2	0.09

Source: Department of Revenue Services, Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, and Survey of Consumer Finances.

Notes: Columns or rows may not add to total due to rounding.

1. The "Total" row includes the PIT post-EITC and Property Tax credit values (and is not the post-all credits or the pre-credits values) from the Personal Income Tax.
2. The pre-credit Personal Income Tax final incidence value for Connecticut residents uses tax return data as of September 2025 and corresponds to line 6 of the 2022 CT-1040 tax form, defined as "Income tax from tax tables or Tax Calculation Schedule. This value may differ from the "Total" pre-credit Personal Income Tax value displayed, which corresponds to the gross Personal Income Tax liability before applying the Pass-Through Entity Tax credit, Property Tax Credit, credits for taxes paid to other jurisdictions, and the Earned Income Tax Credit from tables published by the Department of Revenue Services.
3. The Suits Index for the Estate and Gift Taxes use population deciles instead of income deciles, due to data limitations.
4. The Suits Indexes reported in the table are calculated using deciles 1 through 10.

Table 4-2 shows the \$28.7 billion tax borne by Connecticut residents by tax and by population decile. Families in the top population decile bore \$12.5 billion (44%) of the total tax burden. The overall effective tax rate (ETR) is 13.40% and the distribution was regressive, with each progressive decile paying a smaller amount of tax as a share of income.

The lowest population decile had the highest ETR of 40.08%. An important consideration is that the ETRs for the lowest population decile are likely overstated. A portion of these taxpayers had income from additional sources not captured in this study. These additional income sources could be parent support, academic stipends, and non-cash government benefits such as Supplemental Nutrition Assistance Program (SNAP). This study only captures cash income from government benefits such as supplemental security income. As such, non-cash government benefits such as SNAP are not captured in this study. Inclusion of the additional income sources would alter the income distribution and would result in lower ETRs for these taxpayers.

**Table 4-2: Economic Incidence of Total Taxes Borne by Connecticut Residents by Population Decile, 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	<\$0	-\$2,534.3	\$5,171	\$298,597,126	1.0%	*
1	190,048	\$6,122	\$6,000	\$1,163.5	\$2,454	\$466,365,589	1.6%	40.08%
2	190,048	\$14,916	\$15,000	\$2,834.8	\$3,855	\$732,589,906	2.6%	25.84%
3	190,047	\$23,563	\$23,000	\$4,478.1	\$5,392	\$1,024,663,143	3.6%	22.88%
4	190,047	\$33,556	\$34,000	\$6,377.3	\$6,756	\$1,283,872,296	4.5%	20.13%
5	190,047	\$45,259	\$45,000	\$8,601.3	\$8,124	\$1,543,854,004	5.4%	17.95%
6	190,047	\$59,944	\$60,000	\$11,392.1	\$9,523	\$1,809,867,128	6.3%	15.89%
7	190,047	\$78,186	\$78,000	\$14,859.1	\$11,669	\$2,217,736,908	7.7%	14.93%
8	190,047	\$105,517	\$105,000	\$20,053.2	\$14,834	\$2,819,126,661	9.8%	14.06%
9	190,047	\$155,577	\$153,000	\$29,566.9	\$21,097	\$4,009,512,478	14.0%	13.56%
10	190,047	\$616,316	\$302,000	\$117,129.0	\$65,583	\$12,463,909,294	43.5%	10.64%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$14,641</b>	<b>\$28,670,094,532</b>	<b>100.0%</b>	<b>13.40%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332.0	\$99,479	\$9,452,869,215	33.0%	10.02%
Top 1%	19,005	\$3,097,333	\$1,470,000	\$58,864.8	\$296,687	\$5,638,539,072	19.7%	9.58%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$48,285.2	\$474,289	\$4,507,173,101	15.7%	9.33%

**Source:** Department of Revenue Services, Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, and Survey of Consumer Finances.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. Taxes in this analysis include the Personal Income Tax (post EITC and Property Tax credits), Corporation Business Tax (post-credit), Sales and Use and Room Occupancy Taxes, Real Property Tax, Personal Property Tax, Motor Vehicle Tax, Public Service Companies Tax, Motor Vehicle Fuels Tax, Petroleum Products Gross Earnings Tax, Excise Taxes, and Estate and Gift Taxes. The analysis does not include Pass-Through Entity Tax, Insurance Premiums Tax, and Real Estate Conveyance Tax.
4. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, the total tax liability of the included taxes, including the exported portion, equaled \$33.4 billion.
5. ETRs are not shown for families with negative income as they are not directly interpretable.

Table 4-3 shows the total tax burden by income decile. Due to data limitations and taxpayer confidentiality considerations, Estate and Gift Taxes are not included in total tax by income decile. Therefore, the total tax shown by income deciles differs from the total tax shown by population deciles. The bottom two income deciles bear 27.6% of the tax burden.

**Table 4-3: Economic Incidence of Total Taxes Borne by Connecticut Residents by Income Decile, 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	<\$0	-\$2,534.3	\$5,003	\$288,859,044	1.0%	*
1	914,523	\$23,669	\$23,000	\$21,645.5	\$5,003	\$4,574,958,927	16.1%	21.14%
2	340,097	\$63,645	\$63,000	\$21,645.5	\$9,685	\$3,293,782,430	11.6%	15.22%
3	225,578	\$95,956	\$95,000	\$21,645.5	\$13,410	\$3,024,916,545	10.6%	13.97%
4	158,773	\$136,330	\$135,000	\$21,645.5	\$18,290	\$2,903,887,843	10.2%	13.42%
5	113,327	\$191,000	\$189,000	\$21,645.4	\$24,451	\$2,770,926,421	9.7%	12.80%
6	76,667	\$282,331	\$276,000	\$21,645.5	\$33,452	\$2,564,699,015	9.0%	11.85%
7	44,722	\$483,994	\$464,000	\$21,645.2	\$56,577	\$2,530,253,879	8.9%	11.69%
8	20,244	\$1,069,163	\$970,000	\$21,644.1	\$119,119	\$2,411,441,863	8.5%	11.14%
9	5,731	\$3,775,631	\$3,100,000	\$21,638.1	\$379,271	\$2,173,600,534	7.6%	10.05%
10	810	\$26,734,355	†	\$21,654.8	\$2,410,415	\$1,952,436,493	6.9%	9.02%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$14,549</b>	<b>\$28,489,762,995</b>	<b>100.0%</b>	<b>13.32%</b>

**Source:** Department of Revenue Services, Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis, and Survey of Consumer Finances.

**Notes:**

- Columns or rows may not add to total due to rounding.
  - Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  - Taxes in this analysis include the Personal Income Tax (post EITC and Property Tax credits), Corporation Business Tax (post-credit), Sales and Use and Room Occupancy Taxes, Real Property Tax, Personal Property Tax, Motor Vehicle Tax, Public Service Companies Tax, Motor Vehicle Fuels Tax, Petroleum Products Gross Earnings Tax, Excise Taxes, and Estate and Gift Taxes. The analysis does not include Pass-Through Entity Tax, Insurance Premiums Tax, and Real Estate Conveyance Tax.
  - Total taxes for income decile and population decile differ because Estate and Gift Taxes are excluded from income decile calculations due to data and confidentiality limits.
  - The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, the total tax liability of the included taxes, including the exported portion, equaled \$33.4 billion (including Estate and Gift Taxes).
  - ETRs are not shown for families with negative income as they are not directly interpretable.
- †: Data suppressed to enable confidentiality.

## 5. Personal Income Tax

### *General overview*

In 2022, the gross tax liability from Personal Income Tax before accounting for credits was \$12.1 billion; after accounting for credits, the total tax liability was \$8.6 billion.<sup>16</sup> The Personal Income Tax is levied on the income of resident individuals, certain nonresidents, and part-year resident individuals. The Personal Income Tax rates vary based on filing status, including single and married individuals filing separately, married filing jointly and qualifying surviving spouses, and heads of households.

The Personal Income Tax is structured with several tax brackets and a marginal rate structure with tax rates increasing with income levels. In 2022, there were seven brackets ranging from 3.0% to a top marginal rate of 6.99%, as summarized in Table 5-1. While not considered in this report, Connecticut's tax brackets and rates changed in 2024, with reductions in the bottom two rates.<sup>17</sup>

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<sup>16</sup> These figures are from the Department of Revenue Services' published tables and may differ from the tax return data provided by Department of Revenue Services in September 2025. The gross Personal Income Tax liability before applying credits is calculated by adding credits for taxes paid to other jurisdictions and Property Tax credit to the Connecticut income tax (e.g., line 14 for residents in the tax form).

<sup>17</sup> Pinho, Rute. "Connecticut Income Tax Rates and Brackets Since 1991." Connecticut General Assembly, Office of Legislative Research, 16 June 2025, <https://www.cga.ct.gov/2025/rpt/pdf/2025-R-0080.pdf>

**Table 5-1: Personal Income Tax schedule, 2022**

Filing Status	Income Bracket	Marginal Tax Rate
<b>Single or Married Filing Separately</b>	Up to \$10,000	3.0%
	\$10,001 – \$50,000	5.0%
	\$50,001 – \$100,000	5.5%
	\$100,001 – \$200,000	6.0%
	\$200,001 – \$250,000	6.5%
	\$250,001 – \$500,000	6.9%
	Over \$500,000	6.99%
<b>Married Filing Jointly/ Qualifying Surviving Spouse</b>	Up to \$20,000	3.0%
	\$20,001 – \$100,000	5.0%
	\$100,001 – \$200,000	5.5%
	\$200,001 – \$400,000	6.0%
	\$400,001 – \$500,000	6.5%
	\$500,001 – \$1,000,000	6.9%
	Over \$1,000,000	6.99%
<b>Head of Household</b>	Up to \$16,000	3.0%
	\$16,001 – \$80,000	5.0%
	\$80,001 – \$160,000	5.5%
	\$160,001 – \$320,000	6.0%
	\$320,001 – \$400,000	6.5%
	\$400,001 – \$800,000	6.9%
	Over \$800,000	6.99%

Source: Form CT-1040, 2022

### Legal incidence

The Personal Income Tax is assessed on Connecticut taxable income, which is Connecticut Adjusted Gross Income (AGI) less applicable personal exemptions. In 2022, personal exemptions ranged from \$0 to \$24,000, depending on filing status and income level. Connecticut AGI is relatively similar to federal AGI, with various modifications. These include, but are not limited to the following additions:<sup>18</sup>

1. Interest on non-Connecticut state and local government obligations
2. Taxable lump-sum distributions from certain qualified plans
3. 100% of federal bonus depreciation deduction (section 168[k])
4. 80% of federal asset expense deduction (section 179)

Connecticut also subtracts certain items that are included in federal AGI, these include, but are not limited to the following subtractions:<sup>19</sup>

1. Exempt Social Security Income

<sup>18</sup> Pinho, Rute. "Connecticut Adjusted Gross Income." Connecticut General Assembly, Office of Legislative Research, 12 Jan. 2022, <https://www.cga.ct.gov/2022/rpt/pdf/2022-R-0015.pdf>

<sup>19</sup> Ibid.

2. Interest in federal obligations
3. Military retirement pays
4. State and local income tax refunds

Several credits that can be applied against the Personal Income Tax liability are considered in this analysis. These include:

1. Credits for taxes paid to other jurisdictions: a nonrefundable credit for taxpayers who have paid income tax to another qualifying US jurisdiction.
2. Property Tax Credit: nonrefundable credit for property taxes a taxpayer paid to a Connecticut political subdivision (e.g., city, town, or fire district) on a primary residence, privately owned or leased motor vehicle, or both. The maximum credit is \$300 and has strict income limitations.
3. Connecticut Earned Income Tax Credit (EITC): a refundable state income tax credit for low- to moderate-income working individuals and families. In 2022, the credit for the Connecticut state EITC is 30.5% of the value of the federal EITC.
4. Pass-Through Entity Tax Credit: a refundable credit for taxpayers paying the Pass-Through Entity Tax.

Including residents, nonresident, and part-year resident returns, there were 1.98 million Personal Income Tax returns filed in 2022. While total gross Personal Income Tax in 2022 totaled \$12.1 billion, post-credit Personal Income Tax liability totaled \$8.6 billion.

### *Economic incidence*

Unlike most other taxes, the economic incidence is assumed to be the same as the legal incidence for the Personal Income Tax; filers for the Personal Income Tax bear the full economic burden of the Personal Income Tax post-credits.<sup>20</sup> For the economic incidence, the analysis reports the post-credit Personal Income Tax liability reflecting only the EITC and Property Tax Credit, excluding any credits used to offset taxes previously paid to other jurisdictions or the Pass-through Entity Tax . Across resident, nonresident, and part-year resident returns, the

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<sup>20</sup> Personal Income Tax is generally composed of taxes on wages, capital gains, and other business income. This analysis uses the total Personal Income Tax paid without disaggregating these components and does not assume any shifting of the tax burden beyond the taxpayer.

post-EITC and Property Tax Credit Personal Income Tax liability totaled \$11.8 billion in 2022.

Some of Connecticut's Personal Income Tax is paid by part-year residents and nonresidents with Connecticut-sourced income. However, approximately 91% of post-credit taxes in 2022 were paid by full-year residents. Table 5-2 shows the distribution of the full-year resident Personal Income Tax sorted by population deciles. For each population decile, the total income tax amount, respective share of total tax, and ETRs are displayed, before and after accounting for the EITC and Property Tax Credit.

The “share of tax burden” columns show that most of the income tax liability is concentrated among the highest population deciles. Specifically, the top population decile alone accounted for 66.9% of the total pre-credit income tax and 68.6% of the total post-credit income tax paid by Connecticut residents. The combined top three deciles (i.e., 30% of Connecticut families with incomes of \$90,000 and over) accounted for over 88% of both pre-credit and post-credit income taxes.

On the other end of the distribution, the bottom three deciles, which include families with incomes up to \$28,000, collectively accounted for 0.2% of the pre-credit income tax. After applying tax credits, these deciles have negative income taxes, meaning the value of credits exceeded their total income tax liability. This is mainly driven by EITC refunds.

The overall ETRs of the pre-credit and post-credit Personal Income Tax are 5.23% and 5.10%, respectively. The ETR generally increases with each population decile, reflecting progressivity of the Personal Income Tax. The lowest three population deciles have post-credit ETRs between -2.84% and -0.74% while the top three deciles have post-credit ETRs between 4.35% and 6.39%.

**Table 5-2: Economic Incidence of the Personal Income Tax Borne by Connecticut Residents, by Population Decile, 2022**

Decile	Family Units	Total Income (\$ millions)	Average Income	Median Income	Pre-credits			Post-credits (EITC & Property Tax Credit)		
					Total Tax (\$ millions)	Share of Tax	Effective Tax Rate	Total Tax (\$ millions)	Share of Tax	Effective Tax Rate
Negative or no income	57,741	-\$2,534.3	-\$43,891	<\$0	\$0.0	0.0%	*	-\$6.4	-0.1%	*
1	190,048	\$1,163.5	\$6,122	\$6,000	\$0.0	0.0%	0.00%	-\$33.0	-0.3%	-2.84%
2	190,048	\$2,834.8	\$14,916	\$15,000	\$0.8	0.0%	0.03%	-\$50.6	-0.5%	-1.79%
3	190,047	\$4,478.1	\$23,563	\$23,000	\$19.8	0.2%	0.44%	-\$32.9	-0.3%	-0.74%
4	190,047	\$6,377.3	\$33,556	\$34,000	\$103.6	0.9%	1.62%	\$55.8	0.5%	0.87%
5	190,047	\$8,601.3	\$45,259	\$45,000	\$242.3	2.2%	2.82%	\$210.4	1.9%	2.45%
6	190,047	\$11,392.1	\$59,944	\$60,000	\$382.9	3.4%	3.36%	\$359.5	3.3%	3.16%
7	190,047	\$14,859.1	\$78,186	\$78,000	\$583.7	5.2%	3.93%	\$563.3	5.2%	3.79%
8	190,047	\$20,053.2	\$105,517	\$105,000	\$882.5	7.9%	4.40%	\$871.6	8.0%	4.35%
9	190,047	\$29,566.9	\$155,577	\$153,000	\$1,484.6	13.3%	5.02%	\$1,484.2	13.6%	5.02%
10	190,047	\$117,129.0	\$616,316	\$302,000	\$7,488.8	66.9%	6.39%	\$7,488.8	68.6%	6.39%
<b>Total</b>	<b>1,958,213</b>	<b>\$213,920.9</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$11,189.1</b>	<b>100.0%</b>	<b>5.23%</b>	<b>\$10,910.6</b>	<b>100.0%</b>	<b>5.10%</b>
<b>Addendum</b>										
Top 5%	95,024	\$94,332.0	\$992,718	\$474,000	\$6,282.4	56.1%	6.66%	\$6,282.4	57.6%	6.66%
Top 1%	19,005	\$58,864.8	\$3,097,333	\$1,470,000	\$4,097.8	36.6%	6.96%	\$4,097.8	37.6%	6.96%
Top 0.5%	9,503	\$48,285.2	\$5,081,046	\$2,510,000	\$3,365.5	30.1%	6.97%	\$3,365.5	30.8%	6.97%

**Source:** Personal Income Tax full-year resident tax return data provided by Department of Revenue Services as of September 2025. Non-filer data estimated from Census Bureau, and Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
- Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
- The "Total tax" amounts presented in the table reflect tax liabilities for full-year residents based on tax return data as of September 2025 and may differ from the tables published by the Department of Revenue Services. According to the Department of Revenue Services' published tables, in 2022, total pre-credit and post-EITC and Property Tax credit tax revenue for the Personal Income Tax, including the nonresident and part-year resident portions, equaled \$12.1 billion and \$11.9 billion, respectively. "Pre-credits" in the table corresponds to line 6 of the 2022 CT-1040 tax form, defined as "Income tax from tax tables or Tax Calculation Schedule," while "post-credits" is calculated by subtracting line 20a Connecticut Earned Income Tax Credit and line 11 Credit for Property Taxes from line 6 of the 2022 CT-1040 tax form.
- ETRs are not shown for families with negative or no income as they are not directly interpretable.
- Due to data limitations, the pre-credit distribution should be interpreted as the legal incidence.
- The pre-credit ETR for population decile 10 differs from the statutory marginal rate of 6.99% because the analysis aggregates individual tax units into families. Some families in the top decile include members with lower incomes and correspondingly lower marginal tax rates, which lowers the overall effective tax rate for the decile.

Table 5-3 shows the distribution of the full-year resident Personal Income Tax sorted by income deciles. In this view, the top income decile is composed of only 810 families but still accounts for 13.5% and 13.8% of the pre-credit and post-credit income taxes, respectively. The bottom income decile, consisting of over 914,500 families (or 46.7%), accounted for 2.8% and 0.9% of pre-credit and post-credit income taxes, respectively.

On both a pre-credit and post-credit basis, the ETR increases with income deciles, starting from 1.40% for the lowest income decile on a pre-credit basis and 0.45% on a post-credit basis, and reaching 6.95% for the top two income deciles in both pre- and post-credit measures, indicating progressivity in the Personal Income Tax.

**Table 5-3: Economic Incidence of the Personal Income Tax Borne by Connecticut Residents, by Income Decile, 2022**

Decile	Family Units	Total Income (\$ millions)	Average Income	Median Income	Pre-credits			Post-credits (EITC & Property Tax Credit)		
					Total Tax (\$ millions)	Share of Tax	Effective Tax Rate	Total Tax (\$ millions)	Share of Tax	Effective Tax Rate
Negative or no income	57,741	-\$2,534.3	-\$43,891	<\$0	\$0.0	0.0%	*	-\$6.4	-0.1%	*
1	914,523	\$21,645.5	\$23,669	\$23,000	\$309.3	2.8%	1.4%	\$97.4	0.9%	0.45%
2	340,097	\$21,645.5	\$63,645	\$63,000	\$751.5	6.7%	3.47%	\$710.6	6.5%	3.28%
3	225,578	\$21,645.5	\$95,956	\$95,000	\$931.2	8.3%	4.30%	\$913.4	8.4%	4.22%
4	158,773	\$21,645.5	\$136,330	\$135,000	\$1,055.3	9.4%	4.88%	\$1,053.8	9.7%	4.87%
5	113,327	\$21,645.4	\$191,000	\$189,000	\$1,112.8	9.9%	5.14%	\$1,112.8	10.2%	5.14%
6	76,667	\$21,645.5	\$282,331	\$276,000	\$1,175.9	10.5%	5.43%	\$1,175.9	10.8%	5.43%
7	44,722	\$21,645.2	\$483,994	\$464,000	\$1,340.8	12.0%	6.19%	\$1,340.8	12.3%	6.19%
8	20,244	\$21,644.1	\$1,069,163	\$970,000	\$1,494.6	13.4%	6.91%	\$1,494.6	13.7%	6.91%
9	5,731	\$21,638.1	\$3,775,631	\$3,100,000	\$1,512.0	13.5%	6.99%	\$1,512.0	13.9%	6.99%
10	810	\$21,654.8	\$26,734,355	†	\$1,505.7	13.5%	6.95%	\$1,505.7	13.8%	6.95%
<b>Total</b>	<b>1,958,213</b>	<b>\$213,920.9</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$11,189.1</b>	<b>100.0%</b>	<b>5.23%</b>	<b>\$10,910.6</b>	<b>100.0%</b>	<b>5.10%</b>

**Source:** Personal Income Tax full-year resident tax return data provided by Department of Revenue Services as of September 2025. Non-filer data estimated from Census Bureau, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
  - Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  - The "Total tax" amounts presented in the table reflect tax liabilities for full-year residents based on tax return data as of September 2025 and may differ from the tables published by the Department of Revenue Services. According to the Department of Revenue Services' published tables, in 2022, total pre-credit and post-credit tax revenue for the Personal Income Tax, including the nonresident and part-year resident portions, equaled \$12.1 billion and \$11.9 billion, respectively. "Pre-credits" in the table corresponds to line 6 of the 2022 CT-1040 tax form, defined as "Income tax from tax tables or Tax Calculation Schedule," while "post-credits" is calculated by subtracting line 20a Connecticut Earned Income Tax Credit and line 11 Credit for Property Taxes from line 6 of the 2022 CT-1040 tax form.
  - ETRs are not shown for families with negative or no income as they are not directly interpretable.
  - Due to data limitations, the pre-credit distribution should be interpreted as the legal incidence.
  - The pre-credit ETR for income decile 10 differs from the statutory marginal rate of 6.99% because the analysis aggregates individual tax units into families. Some families in the top decile include members with lower incomes and correspondingly lower marginal tax rates, which lowers the overall effective tax rate for the decile.
- †: Data suppressed to enable confidentiality.

Table 5-4 shows the distribution of credits applied against the Personal Income Tax by population decile, including the Pass-Through Entity Tax Credit, EITC, and Property Tax Credit. The Pass-Through Entity Tax Credit is concentrated among the upper population deciles, with the top population decile accounting for 93% of the total Pass-Through Entity Tax Credit claimed. The EITC is concentrated primarily among the lower population deciles, with 96% of the total EITC claimed by the first five deciles. There are some relatively high-income recipients for the EITC in Connecticut. The EITC is based on federal AGI, though tables are presented as Connecticut AGI. Taxpayers with significant modifications to AGI can qualify for the EITC, even though they have higher incomes. However, these are relatively rare situations.

The Property Tax Credit is more diffuse among population deciles compared to the Pass-Through Entity Tax Credit and EITC, with the largest amount of the credit claimed by the fifth to seventh population deciles. In terms of impact on the economic incidence of the Personal Income Tax after accounting for these credits, the Pass-Through Entity Tax Credit decreases progressivity and the EITC increases progressivity. The Property Tax Credit's impact on the distribution of the tax is comparatively neutral.

A similar analysis for the credit for taxes paid to other jurisdictions is available in the Appendix.

**Table 5-4: Distribution of Credits Applied Against the Personal Income Tax by Connecticut Residents, by Population Decile, 2022**

Decile	Family Units	Families Claiming Pass-Through Entity Credit	Total Pass-Through Entity Credit Claimed	Families Claiming Earned Income Tax Credit (EITC)	Total CT EITC Claimed	Families Claiming Property Tax Credit	Total Property Tax Credit Claimed
Negative or no income	57,741	3,300	\$5,386,802	3,800	\$318,150	9,600	\$2,315,177
1	190,048	600	\$661,305	33,400	\$10,738,514	43,300	\$12,148,255
2	190,048	800	\$985,359	43,900	\$35,166,371	43,100	\$11,764,344
3	190,047	1,000	\$1,282,622	34,300	\$36,891,747	54,600	\$14,599,768
4	190,047	1,100	\$1,525,439	40,600	\$30,515,949	70,100	\$18,579,508
5	190,047	1,400	\$2,609,154	25,800	\$13,043,265	85,500	\$22,651,564
6	190,047	1,800	\$3,923,118	6,900	\$3,593,680	100,400	\$23,922,098
7	190,047	2,900	\$6,821,180	2,600	\$1,410,364	123,600	\$23,818,890
8	190,047	4,600	\$13,270,889	500	\$258,704	132,500	\$15,574,705
9	190,047	7,600	\$31,012,627	†	\$26,971	20,600	\$1,101,788
10	190,047	26,900	\$944,929,805	†	\$8,838	100	\$17,889
<b>Total</b>	<b>1,958,213</b>	<b>52,000</b>	<b>\$1,012,408,300</b>	<b>191,800</b>	<b>\$131,972,553</b>	<b>683,400</b>	<b>\$146,493,986</b>
<b>Addendum</b>							
Top 5%	95,024	19,800	\$899,781,545	†	\$2,247	†	\$7,009
Top 1%	19,005	7,100	\$728,106,108	0	\$0	†	\$1,162
Top 0.5%	9,503	4,200	\$646,680,723	0	\$0	†	\$600

**Source:** Personal Income Tax full-year resident tax return data provided by Department of Revenue Services as of September 2025. Non-filer data estimated from Census Bureau and Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding, including but not limited to the number of families claiming credits.
- Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
- The amounts presented in the table reflect tax credits for full-year residents based on tax return data as of September 2025 and may differ from the tables published by the Department of Revenue Services.

†: Data suppressed to enable confidentiality.

Table 5-5 shows the distribution of credits applied against the Personal Income Tax by income decile, including the Pass-Through Entity Tax Credit, EITC, and Property Tax Credit. Under the income decile view, the Pass-Through Entity Tax Credit is largely concentrated among the upper income deciles, with the top three income deciles claiming over 75% of the credit. The EITC is concentrated primarily among the lower-income deciles, with 95% of the total EITC claimed by the lowest income decile. The Property Tax Credit is also largely concentrated among the lowest income deciles, with the bottom three deciles claiming 96% of the credit. While this appears to contrast with the finding under the population decile view, which found Property Tax Credit usage to be fairly diffuse among population deciles, this difference is a result of the bottom three income deciles

encompassing the first seven population deciles. The income decile view of the Pass-Through Entity Tax Credit and EITC indicate similar impacts to economic incidence compared to the population decile view. Relative to the population decile view, the income decile view of the Property Tax Credit suggests a more progressive impact from the credit.

**Table 5-5: Distribution of Credits Applied Against the Personal Income Tax by Connecticut Residents, by Income Decile, 2022**

Decile	Family Units	Families Claiming Pass-Through Entity Credit	Total Pass-Through Entity Credit Claimed	Families Claiming Earned Income Tax Credit (EITC)	Total EITC Claimed	Families Claiming Property Tax Credit	Total Property Tax Credit Claimed
Negative or no income	57,741	3,300	\$5,386,802	3,800	\$318,150	9,600	\$2,315,177
1	914,523	4,600	\$6,450,671	175,500	\$125,031,313	279,700	\$75,472,691
2	340,097	3,700	\$8,042,260	11,100	\$5,894,117	187,600	\$42,691,394
3	225,578	4,800	\$13,172,638	1,300	\$680,785	162,600	\$22,938,370
4	158,773	5,200	\$18,616,372	100	\$36,045	43,600	\$3,039,322
5	113,327	6,100	\$29,483,527	†	\$4,848	300	\$26,192
6	76,667	7,400	\$56,964,976	†	\$5,166	†	\$5,979
7	44,722	8,000	\$106,515,721	†	\$2,129	†	\$3,099
8	20,244	5,900	\$161,712,758	0	\$0	†	\$1,162
9	5,731	2,400	\$197,539,324	0	\$0	†	\$600
10	810	800	\$408,523,251	0	\$0	0	\$0
<b>Total</b>	<b>1,958,213</b>	<b>52,000</b>	<b>\$1,012,408,300</b>	<b>191,800</b>	<b>\$131,972,553</b>	<b>683,400</b>	<b>\$146,493,986</b>

**Source:** Personal Income Tax full-year resident tax return data provided by Department of Revenue Services as of September 2025. Non-filer data is estimated from Census Bureau, and Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding, including but not limited to the number of families claiming credits.
- Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
- The amounts presented in the table reflect tax credits for full-year residents based on tax return data as of September 2025 and may differ from the tables published by the Department of Revenue Services.

†: Data suppressed to enable confidentiality.

### Suits Index

The Suits Indexes of the Personal Income Tax paid by Connecticut residents before and after credits are 0.18 and 0.20, respectively. Both pre-credit and post-credit Suits indexes suggest progressivity of the Personal Income Tax. With EITC and property tax credit accounted for, the post-credit Personal Income Tax is more progressive than the pre-credit Personal Income Tax.

### 10-year discussion

Table 5-6 shows the Personal Income Tax liabilities during the 10-year period through 2022, before and after credits as published by the Department of Revenue Services in their summary tables. Between 2013 and 2022, pre-credit Personal Income Tax revenue grew from \$8.4 billion to \$12.1 billion, representing an average per-annum growth rate of 4.1%. Post-EITC and property tax credit Personal Income Tax revenue grew from \$8.1 billion to \$11.9 billion over this period, equating to a 4.3% per-annum growth rate. Beginning in 2018, the Pass Through Tax Credit became available for Personal Income Tax. This credit shifted some tax liability under Personal Income Tax to Pass Through Entity Tax.

**Table 5-6: Personal Income Tax Liabilities, 2013 – 2022**

Year	Pre-credit	Post-credits (EITC & Property Tax Credit)
2013	\$8,423,900,858	\$8,118,791,575
2014	\$9,148,298,683	\$8,835,224,909
2015	\$9,287,923,925	\$9,009,906,066
2016	\$8,927,391,965	\$8,696,983,915
2017	\$10,346,304,890	\$10,186,957,501
2018	\$9,897,089,884	\$9,738,079,050
2019	\$10,077,008,908	\$9,917,773,086
2020	\$10,563,731,076	\$10,412,791,195
2021	\$13,261,436,009	\$13,051,492,344
2022	\$12,131,903,867	\$11,857,181,795

Source: Department of Revenue Services

Over the same period, Consumer Price Index (CPI) in the US Northeast region grew by 2.2% on a per-annum basis according to Bureau of Labor Statistics data, indicating that the Personal Income Tax has grown at a faster rate than inflation.

## 6. Corporation Business Tax

### *General Overview*

Total liability for the Corporation Business Tax in Income Year 2022, after business and Pass-Through Entity Tax Credits are accounted for, amounted to over \$1.2 billion.<sup>21</sup> The Corporation Business Tax is assessed on businesses structured as corporations doing business within the state. Examples of corporations doing business include, but are not limited to, owning or leasing real property, selling tangible personal property, maintaining an office, and engaging in other activities that can potentially result in Corporation Business Tax liability.<sup>22</sup>

Corporations calculate their tax using two methods, with the higher amount determining the payment. If a corporation owes less than \$250 under both methods, it pays a minimum tax of \$250.

The Net Income Base Method involves computing Connecticut net income adjusting federal taxable income by adding back items such as exempt interest income and state and local income taxes and subtracting certain dividends and capital losses. Corporations with multistate operations apportion their net income based on the percentage of sales in Connecticut. The tax rate for Connecticut net income is 7.5%.

The Capital Base Method calculates the tax based on the sum of average annual capital stock, surplus and undivided profits, and surplus revenues, which is then apportioned to Connecticut based on tangible and intangible assets in Connecticut. A tax rate of 3.1 mils per dollar is applied to the apportioned capital base, with a maximum tax of \$1 million. Financial service companies are excluded but are subject to the minimum tax. Beginning in 2024, the Capital Base Method is being phased out with a reduction of the tax rate from 0.0031 to 0.0026.

A minimum tax of \$250 is applied if a corporation's calculation of the tax under both the Net Income Base and Capital Base methods are less than \$250. Connecticut also applies a surtax equal to 10% of the Corporation Business Tax

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<sup>21</sup> The Corporation Business Tax returns are reported based on income year, which is dependent on the taxpayer.

<sup>22</sup> Connecticut Department of Revenue Services. "Corporation Business Tax Information." CT.gov, <https://portal.ct.gov/drs/corporation-tax/tax-information>. Accessed 17 Nov. 2025.

on companies with over \$100 million in annual gross income or if it files as part of a combined unitary group. This surtax was recently extended and is scheduled to run through tax year 2028.

There are a number of additional exemptions and credits that can be applied to the Corporation Business Tax. Exemptions include cooperative housing corporations, homeowner associations, domestic international sales corporations, and insurance companies, among others.<sup>23</sup> Members of a Pass-Through Entity may apply a portion of the member's share of the Pass-Through Entity Tax as a credit against the Corporation Business Tax.

The Corporation Business Tax has undergone several legislative changes over the past decade. Some of these changes are notable in the context of this tax incidence study, including the transition from a three-factor apportionment regime to a single-factor apportionment formula for the Net Income Base Method. Prior to this shift, many businesses calculated their taxes based on three factors: property, payroll, and sales. Currently, the single-factor apportionment formula uses only the share of sales in Connecticut to determine the taxpayer's gross receipts that are attributed to Connecticut. The potential implications to economic incidence are discussed in the 10-year discussion section below.

### *Legal incidence*

Table 6-1 shows the Corporation Business Tax liabilities paid by corporations after business credits in Income Year 2022, organized by industry sectors.<sup>24</sup> Total post-business and post- Pass-Through Entity Tax Credit liabilities amounted to over \$1.2 billion across 37,563 returns. The Finance and Insurance, Manufacturing, and Management of Companies and Enterprises sectors had the largest liabilities, accounting for 48% of the total tax liability.

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<sup>23</sup> Ibid.

<sup>24</sup> The Corporation Business Tax returns are reported based on income year, which is dependent on the taxpayer.

**Table 6-1: Corporation Business Tax Liability After Credits by NAICS Industries, Income Year 2022**

Industry	Number of Returns	Tax Liability
Agriculture, Forestry, Fishing & Hunting	157	\$1,190,705
Mining	44	\$109,589
Utilities	98	\$8,002,069
Construction	2,301	\$12,169,186
Manufacturing	3,587	\$191,364,411
Wholesale Trade	2,813	\$94,585,921
Retail Trade	2,458	\$127,037,531
Transporting Warehousing	709	\$22,775,346
Information	1,699	\$67,737,059
Finance and Insurance	4,498	\$243,649,169
Real Estate and Rental & Leasing	2,225	\$23,738,366
Professional, Scientific and Tech	7,045	\$116,712,788
Management of Companies & Enterprises	1,506	\$156,534,260
Administrative & Support	1,175	\$19,801,547
Education, Health Care and Social Assistance	1,353	\$11,527,332
Arts, Entertain., Recreation	479	\$1,954,762
Accom. & Food Services	973	\$9,062,221
Other Services	1,871	\$6,344,976
Not Yet Assigned	2,572	\$122,179,438
<b>Total</b>	<b>37,563</b>	<b>\$1,236,476,676</b>

Source: Department of Revenue Services

### Economic incidence

C-corporations are typically the largest businesses by revenue, compared to Partnerships, S-corporations, and Sole Proprietorships. C-corporations can be publicly traded companies or privately held organizations with shareholders located throughout the US and internationally. Additionally, because Connecticut uses a single-sales-factor apportionment formula with economic nexus, even businesses without employees or physical property in the state may still owe Corporate Business Tax. For businesses with minimal or no employees or property in Connecticut, it is unlikely that ownership is concentrated among Connecticut residents. Since ownership of these large corporations is based on where shareholders live, most of the tax liability for these corporations (90%) is assumed to be exported to individual equity investors and entities outside Connecticut.<sup>25</sup> After exporting, the remaining Connecticut resident-paid

<sup>25</sup> The 90% assumption is also used for the Minnesota Tax Incidence Study, for more information see: Minnesota Department of Revenue. "2024 Minnesota Tax Incidence Study: An Analysis of Minnesota's Household and Business Taxes." Revised Mar. 15, 2024,

amount of the Corporation Business Tax in Income Year 2022 equals \$123.6 million.

The analysis assumes that the majority of the remaining Connecticut portion (\$123.6 million) of the Corporation Business Tax cannot be passed forward to consumers in the form of higher prices, owing to the analysis' finding that most C-corporations serve national markets (see Appendix for additional details). Unlike companies primarily serving local markets, companies competing in national markets must price competitively against the national market and, as a result, have less leeway to raise prices to cover the cost of business taxes, as outlined previously in the methodology discussion. Instead, the tax burden falls on the capital ownership, which can either pass back some of the taxes to workers in the form of lower wages or reduce the capital income of Connecticut shareholders. For the \$123.6 million that remains in Connecticut, the analysis assumes that \$100.1 million in Corporation Business Tax liability falls equally between workers and capital owners and that \$23.5 million of the tax falls on consumers in the form of higher prices.

Table 6-2 shows the distribution of the Connecticut resident-paid portion of the Corporation Business Tax for Income Year 2022, sorted by population deciles. The top population decile's share of the tax paid is 55.9%, with the average family in the top decile bearing \$364 of the tax incidence. The upper three deciles account for more than 77% of the total incidence. The bottom five population deciles, representing 50% of Connecticut families, paid 11.5% of the tax. The average family in the lowest two deciles paid \$10 or less of the tax.

The overall ETR for Connecticut families is 0.06%. The pattern of the ETR by population decile follows a U-shape, indicating an initially regressive portion of the tax at the bottom of the population deciles followed by a progressive portion toward the high-income population groups. The ETR initially peaks at 0.14%, applying to the lowest population decile, then declines until the eighth population decile. The ETR increases after the eighth decile, exceeding 0.06% for the top 0.5% of the population.

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[https://www.revenue.state.mn.us/sites/default/files/2024-03/2024-tax-incidence-study-final-online-revision\\_0.pdf](https://www.revenue.state.mn.us/sites/default/files/2024-03/2024-tax-incidence-study-final-online-revision_0.pdf)

**Table 6-2: Economic Incidence of the Corporation Business Tax After Credits Borne by Connecticut Residents, by Population Decile, Income Year 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534.3	\$7	\$417,784	0.3%	*
1	190,048	\$6,122	\$6,000	\$1,163.5	\$8	\$1,584,366	1.3%	0.14%
2	190,048	\$14,916	\$15,000	\$2,834.8	\$10	\$1,941,456	1.6%	0.07%
3	190,047	\$23,563	\$23,000	\$4,478.1	\$13	\$2,505,244	2.0%	0.06%
4	190,047	\$33,556	\$34,000	\$6,377.3	\$19	\$3,690,394	3.0%	0.06%
5	190,047	\$45,259	\$45,000	\$8,601.3	\$24	\$4,516,509	3.7%	0.05%
6	190,047	\$59,944	\$60,000	\$11,392.1	\$30	\$5,677,065	4.6%	0.05%
7	190,047	\$78,186	\$78,000	\$14,859.1	\$40	\$7,508,771	6.1%	0.05%
8	190,047	\$105,517	\$105,000	\$20,053.2	\$55	\$10,481,756	8.5%	0.05%
9	190,047	\$155,577	\$153,000	\$29,566.9	\$85	\$16,239,720	13.1%	0.05%
10	190,047	\$616,316	\$302,000	\$117,129.0	\$364	\$69,084,601	55.9%	0.06%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$63</b>	<b>\$123,647,668</b>	<b>100.0%</b>	<b>0.06%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332.0	\$586	\$55,661,108	45.0%	0.06%
Top 1%	19,005	\$3,097,333	\$1,470,000	\$58,864.8	\$1,841	\$34,980,545	28.3%	0.06%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$48,285.2	\$3,002	\$28,531,404	23.1%	0.06%

**Source:** Corporation Business Tax filer data provided by Department of Revenue Services, Census Bureau, and Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, the total post-credit amount of the Corporation Business Tax, including the exported portion, equaled \$1.2 billion.
4. ETRs are not shown for families with negative income as they are not directly interpretable.

Table 6-3 shows the distribution of the Corporation Business Tax in Income Year 2022 by income decile. Each income decile’s share of the tax burden is between 8.4% and 12.2% of the total. The top income decile, composed of 810 families, borne 9% of the tax. The ninth decile had the largest share (12.2%) of the tax. The ETR ranges between 0.05% to 0.07%, with the overall ETR at 0.06%.

Compared to the population decile view in Table 6-2, viewing the tax incidence of the Corporation Business Tax through the income decile lens in Table 6-3, shows that the average amount of the Corporation Business Tax that is ultimately bore by families has a large variance across income deciles. While the average family in the lowest income decile borne \$14 of the Corporation

Business Tax, the average family in the top income decile borne \$13,794 of the tax.

**Table 6-3: Economic Incidence of the Corporation Business Tax After Credits Borne by Connecticut Residents, by Income Decile, Income Year 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534.3	\$7	\$417,784	0.3%	*
1	914,523	\$23,669	\$23,000	\$21,645.5	\$14	\$12,744,386	10.3%	0.06%
2	340,097	\$63,645	\$63,000	\$21,645.5	\$31	\$10,375,710	8.4%	0.05%
3	225,578	\$95,956	\$95,000	\$21,645.5	\$48	\$10,870,690	8.8%	0.05%
4	158,773	\$136,330	\$135,000	\$21,645.5	\$72	\$11,388,656	9.2%	0.05%
5	113,327	\$191,000	\$189,000	\$21,645.4	\$104	\$11,822,638	9.6%	0.05%
6	76,667	\$282,331	\$276,000	\$21,645.5	\$162	\$12,409,554	10.0%	0.06%
7	44,722	\$483,994	\$464,000	\$21,645.2	\$300	\$13,429,428	10.9%	0.06%
8	20,244	\$1,069,163	\$970,000	\$21,644.1	\$688	\$13,933,493	11.3%	0.06%
9	5,731	\$3,775,631	\$3,100,000	\$21,638.1	\$2,632	\$15,082,300	12.2%	0.07%
10	810	\$26,734,355	†	\$21,654.8	\$13,794	\$11,173,030	9.0%	0.05%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$63</b>	<b>\$123,647,668</b>	<b>100.0%</b>	<b>0.06%</b>

**Source:** Corporation Business Tax filer data provided by Department of Revenue Services, Census Bureau, and Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
  2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, the total post-credit amount of the Corporation Business Tax, including the exported portion, equaled \$1.2 billion.
  4. ETRs are not shown for families with negative income as they are not directly interpretable.
- †: Data suppressed to enable confidentiality.

**Suits Index**

The Suits Index of the Corporation Business Tax is 0.03. This result indicates slight progressivity in the Corporation Business Tax compared to a scenario in which each Connecticut family’s share of the tax is proportional to their share of total family income.

**10-year discussion**

Table 6-4 shows the annual levels of the Corporation Business Tax liability over the 10-year period from 2013 through 2022. Over this period, Corporation Business Tax liability has increased overall by a factor of 2.6, or 11.1% on an average per-annum basis. This represents a robust rate of growth, significantly outpacing the rate of inflation (2.2% annually on average basis between 2013 and 2022 in the US Northeast region) as well as the growth rate in median

household income in Connecticut (3.0% annually on average). After a decline between 2015 through 2017, total tax liabilities saw upward surges in 2018 followed by another surge in 2021 through 2022. However, it should be noted that despite the notable growth in Corporation Business Tax liabilities, the tax burden on the average Connecticut family is relatively small as a share of average family income.

**Table 6-4: Corporation Business Tax Liabilities After Credits, Income Year 2013 – Income Year 2022**

Income Year	Number of Returns	Tax Liability
2013	41,363	\$478,948,626
2014	41,194	\$510,300,793
2015	41,080	\$689,841,371
2016	36,961	\$658,702,646
2017	36,682	\$643,941,548
2018	36,508	\$804,223,220
2019	37,375	\$830,347,915
2020	38,017	\$851,863,527
2021	36,206	\$1,090,492,010
2022	37,563	\$1,236,476,676

Source: Department of Revenue Services

Over the past 10 years, there have been notable changes in policy at both the state and federal level that may have had significant impact on the Corporation Business Tax. At the state level, Connecticut saw a change in its apportionment rules for corporate net income, shifting from three factors to a single sales factor, effective January 2016. A shift to mandatory combined unitary reporting for groups of companies engaged in a unitary business also took effect in 2016. Additionally, during this time period, the surtax on income of corporations with over \$100 million in annual gross income decreased from 20% to 10%, taking effect in 2018. At the federal level, the Tax Cuts and Jobs Act of 2017 enacted a number of changes to the federal corporate income tax code, with implications to state corporate taxes. In addition, corporate income and related taxes are impacted by underlying economic conditions and trends, which can in turn be impacted by the policy landscape. Each of these policy changes and trends in underlying economic conditions can impact the trend in the Corporation Business Tax revenue amounts as well as economic incidence for Connecticut families.

While this report does not conduct a year-by-year analysis of the impact of these policy changes and economic trends, it is important to note that the

combination of these factors makes it challenging to fully disentangle their impact on the Corporation Business Tax and economic incidence. The Corporation Business Tax may have seen fluctuations or trends in progressivity over the last 10 years but remains a relatively small share of the burden for all households in Connecticut.

## 7. Property Tax

### General overview

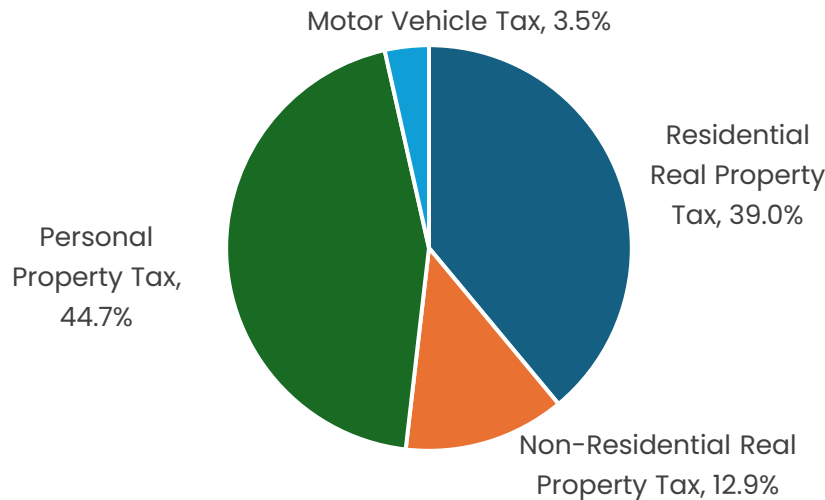
Property Tax is the largest single source of revenue to local governments in Connecticut. The state authorizes municipalities to levy property taxes on real estate, motor vehicles, business-owned personal property, and certain personal possessions. The tax is administered locally with guidance on certain aspects of the tax issued by the state Office of Policy Management (OPM). As shown in Table 7-1 and Figure 2, Connecticut local governments levied a total of \$12.5 billion in Property Tax for FY2022. Of this \$12.5 billion total, \$10.8 billion (88.1%) is from Real Property Tax, nearly \$850 million (6.8%) is from Personal Property Tax, and \$887 million (7.1%) is from Motor Vehicle Tax.

**Table 7-1: Fiscal Year 2022 Property Tax Liability**

Tax Category	Total Liability
Real Property Tax	\$10,796,057,325
Personal Property Tax	\$849,947,219
Motor Vehicle Tax	\$887,002,846
<b>Property Tax</b>	<b>\$12,533,007,391</b>

Source: 2021 Grand List from Connecticut OPM

**Figure 2: Property Tax Breakdown for Fiscal Year 2022**



Source: 2021 Grand List from Connecticut OPM

## 7.1 Real Property Tax

### *General overview*

For Fiscal Year 2022, Connecticut local governments levied a total of \$10.8 billion Real Property Tax statewide. Connecticut local governments levy Real Property Tax on residential and nonresidential properties. These properties include but are not limited to residential, commercial, industrial, public utility, vacant land, and apartment properties.

Each municipality administers its Property Tax, overseeing valuations and setting mill rates (the tax rate per \$1,000 of assessed property value). Legally, municipalities must assess properties every five years. Connecticut municipalities set the assessment ratio at 70%, meaning that the assessed property value is 70% of the market value (Note: Hartford uses a different ratio for residential property.). Additionally, some municipalities include special taxing districts, which may set additional mill rates. For instance, in addition to Simsbury's municipality rate of 37.41, Simsbury has a 1.22 mill rate for fire protection, both of which are included in the total tax bill. These varying rates are included in this report's calculations.

For residential properties, elderly and disabled homeowners may be eligible for the Property Tax Credits from the State Circuit Break Tax Relief Program, while elderly and disabled renters may be eligible for the renters' rebate.<sup>26</sup> Municipalities also have the option of providing limited tax relief through abatements, exemptions, and tax freezes. Municipalities that choose to implement these programs typically target certain populations, such as seniors, veterans, persons with disabilities, and other populations; however, municipalities can also offer a general homestead assessment value reduction.<sup>27</sup> For nonresidential properties, farms and manufacturing industries

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<sup>26</sup> Connecticut Office of Policy and Management. "Homeowners' - Elderly/Disabled (Circuit Breaker) Tax Relief Program." State of Connecticut, <https://portal.ct.gov/opm/igpp/grants/tax-relief-grants/homeowners--elderlydisabled-circuit-breaker-tax-relief-program>. Accessed 5 Nov. 2025.

<sup>27</sup> Schaeffer-Helmecki, Jessica. "Local Option Property Tax Relief Programs for Homeowners." Connecticut General Assembly, Office of Legislative Research, 2 Aug. 2024, <https://cga.ct.gov/2024/rpt/pdf/2024-R-0118.pdf>. Note - link not verifiable via Google

may claim tax exemptions or reductions depending on their eligibility for different programs.<sup>28, 29</sup>

### *Legal incidence*

The legal incidence of the Real Property Tax falls on the owners of the property. Owners are responsible for remitting the Property Tax payments to the local jurisdictions levying Property Tax.

### *Economic incidence*

The total tax liability for Real Property Tax was \$10.8 billion in FY2022. According to the 2021 Grand List, 81% of the property assessment value is from residential properties, while 19% is from nonresidential properties (i.e., commercial, industrial, farm, and utility property).<sup>30</sup> Assuming this share is the same for the Real Property Tax levy, this analysis distributes 81% (\$8.7 billion) of the Real Property Tax liability to households who rent or own residential properties, and 19% (\$2.1 billion) to businesses, which rent or own non-residential properties.

For the \$8.7 billion household portion of the tax, the economic incidence is further split between renters and owners based on the assessment value of their residence. The renter- and owner-occupied units are identified based on parcel owners' addresses in the 2022 Computer-Assisted Mass Appraisal (CAMA) data. If an owner's mailing address matches the property address, the property is considered owner-occupied; otherwise, the property is considered renter occupied. The limitation of this approach is that it may not accurately identify owners of second homes and may flag these properties as renter occupied. Based on this approach, 28.7% (\$2.5 billion) of the household portion of the tax liability is distributed to renters, while the remaining 71.3% (\$6.22 billion) is distributed to owners. The economic incidence of the 28.7% renter-occupied

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<sup>28</sup> Connecticut Farm Bureau Association. "Tax Reduction Programs for Connecticut Farmers – A Summary." <https://cfba.org/wp-content/uploads/2019/05/Tax-Reduction-Programs-for-farmers-Summary.pdf>. Accessed 5 Nov. 2025.

<sup>29</sup> Schaeffer-Helmecki, Jessica. "Property Tax Exemptions for Manufacturing Machinery and Equipment." Connecticut General Assembly, Office of Legislative Research, Report 2018-R-0352, 31 Dec. 2018, <https://www.cga.ct.gov/2018/rpt/pdf/2018-R-0352.pdf>. Note – link not verifiable via Google. Accessed 5 Nov. 2025. [cga.ct.gov].

<sup>30</sup> This split is based on 2021 Grand List for assessment by property types, rather than tax levy by property types as such data is unavailable. There are two caveats in using this approach: 1) the assessment value does not account for exemptions that apply to different types of properties and may not represent the household and business share most accurately; 2) the property types are identified by the state use code of properties, which were reported inconsistently across different towns and may misrepresent the split.

units assumes the tax on the value of rented units is passed fully from property owners to renters through the rental rate.

Among owners, the \$6.22 billion tax liability is further split between houses that are owned by in-state and out-of-state owners. Based on the 2022 CAMA data, this analysis finds that 11% of the total assessment value for Connecticut residential properties are from properties owned by out-of-state owners. Assuming this out-of-state share is the same between owner-occupied and renter-occupied units, this analysis applied 11% to the \$6.22 billion owners' tax liability to estimate the tax liability borne by out-of-state owners for owner-occupied housing units. This analysis finds that \$0.71 billion (or 8% of the \$8.7 billion total residential tax liability) is exported to out-of-state owners. These out-of-state owners are assumed not to lease their properties to any renters within Connecticut. \$5.5 billion remains within Connecticut and falls on Connecticut homeowners.

The economic incidence for renters and owners is distributed based on the 2022 CAMA data, after matching the Personal Income Tax return data based on addresses.<sup>31</sup>

This analysis also accounts for the following credits and exemptions, which would reduce the residential Property Tax burden, especially for low-income families:

1. Elderly/disabled homeowners' program (Circuit Breaker Tax Credit): a Property Tax Credit provided by the state. Low-income seniors or disabled homeowners may qualify for this credit. For this analysis, the use of this credit is modeled based on the reported total applicants and benefits from the Office of Policy and Management.<sup>32</sup>
2. Elderly/disabled renters' program: a rebate provided by the state. Low-income seniors or disabled renters may qualify for this credit provided by the

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<sup>31</sup> More details for the distribution methodology are available in the appendix.

<sup>32</sup> Connecticut Office of Policy and Management. "2021-2022 Annual Report of Adjusted Payments Pursuant to CGS Section 12-170bb. State of Connecticut, Feb. 2022, <https://portal.ct.gov/-/media/opm/igpp-data-grants-mgmt/legislative-reports/2021-2022-annual-report-of-adjusted-payments-cgs-12-170bb.pdf>.

state. For this analysis, this is also modeled based on the reported total applicants and benefits from the Office of Policy and Management.<sup>33</sup>

3. Section 8 rental subsidy: the federal government pays the portion of rent that is above 30% of income for certain qualifying low-income families. This analysis modeled the subsidy based on the total families taking Section 8 benefit in Connecticut and distributing the impact of the benefit across deciles using data on housing vouchers from the Census Survey of Income and Program Participation (SIPP).<sup>34</sup> Because the subsidy is provided by the federal government and the reduced tax burden does not fall on Connecticut renters, this subsidy is modeled as tax liability that is exported to the federal government, which reduces the total renters' tax liability from \$2.5 billion to \$2.3 billion.

In addition to the state Circuit Breaker program, eligible homeowners could also apply for a local tax abatement if they reside in towns that provide such relief. In 2008, 108 towns of the 169 Connecticut towns provided local option tax relief.<sup>35</sup> The eligibility criteria and the benefit provided to taxpayers also vary by town. Due to the lack of local abatement data, this was not taken into consideration in the incidence analysis. For that reason, residential Property Tax burden for lower-income deciles could be overestimated.

Table 7-2 shows the distribution of residential Real Property Tax for homeowners and renters by population decile. \$5.5 billion of residential Property Tax liability was borne by homeowners and \$2.3 billion (after accounting for Section 8 rental subsidy) of residential Property Tax liability was borne by renters. On average, a Connecticut homeowner bears \$4,525 in Real Property Tax burden while a Connecticut renter bears \$3,696 in Real Property Tax burden. The average tax burden for a Connecticut resident, regardless of homeowner or renter, is \$4,001. When this average tax burden is compared to the average family income for the full population, the ETR is 3.7%.

Across the deciles, residential Real Property Tax ETRs follow a regressive distribution, with each higher-income decile paying a smaller amount of tax as

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<sup>33</sup> Ibid.

<sup>34</sup> Center on Budget and Policy Priorities. "Federal Rental Assistance Fact Sheets." Updated Jan. 23, 2025, <https://www.cbpp.org/research/housing/federal-rental-assistance-fact-sheets>.

<sup>35</sup> Dube, Nicole. "Local Option Property Tax Relief for Seniors." Connecticut General Assembly, Office of Legislative Research, 23 May 2012, <https://www.cga.ct.gov/2012/rpt/2012-R-0222.htm>

a share of income. One exception is decile 1 with an ETR of 13.7%, which is lower than the 16.3% ETR for decile 2. This is due to the Section 8 subsidy, which is concentrated and reduces the tax burden for decile 1. In general, the lower deciles have ETRs higher than 10%. These ETRs could be overstated due to two factors: 1) due to data limitations, this analysis does not account for the local option Property Tax relief, which reduces the burden on lower-income deciles; 2) a portion of these taxpayers could have income from additional sources not captured in this study (e.g., parental support, academic stipends, Supplemental Nutrition Assistance Program, federal refundable tax credits).

**Table 7-2: Economic Incidence of Residential Real Property Tax Borne by Connecticut Residents, by Population Decile, 2022**

Decile	Homeowners		Renters		Total Residential		
	Total Tax	Average Tax per Homeowner	Total Tax	Average Tax per Renter	Total Tax	Average Tax per Family	Effective Tax Rate
Negative or no income	\$74,725,675	\$5,280	\$79,081,965	\$3,558	\$153,807,640	\$2,664	*
1	\$117,725,983	\$1,820	\$42,147,412	\$605	\$159,873,395	\$841	13.74%
2	\$251,503,791	\$2,788	\$210,935,560	\$2,466	\$462,439,351	\$2,433	16.31%
3	\$324,161,501	\$3,497	\$319,297,160	\$3,637	\$643,458,661	\$3,386	14.37%
4	\$358,500,722	\$3,585	\$321,392,294	\$3,791	\$679,893,016	\$3,577	10.66%
5	\$413,277,462	\$3,672	\$301,385,666	\$4,026	\$714,663,128	\$3,760	8.31%
6	\$479,276,277	\$3,842	\$247,145,126	\$3,841	\$726,421,403	\$3,822	6.38%
7	\$516,872,510	\$3,941	\$253,448,778	\$4,342	\$770,321,288	\$4,053	5.18%
8	\$649,669,049	\$4,387	\$208,607,670	\$5,040	\$858,276,719	\$4,516	4.28%
9	\$823,855,851	\$5,008	\$165,260,789	\$6,523	\$989,116,640	\$5,205	3.35%
10	\$1,498,943,340	\$8,585	\$178,036,162	\$11,773	\$1,676,979,502	\$8,824	1.43%
<b>Total</b>	<b>\$5,508,512,162</b>	<b>\$4,525</b>	<b>\$2,326,738,582</b>	<b>\$3,696</b>	<b>\$7,835,250,743</b>	<b>\$4,001</b>	<b>3.66%</b>
<b>Addendum</b>							
Top 5%	\$1,022,374,867	\$11,642	\$111,533,493	\$15,956	\$1,133,908,360	\$11,933	1.20%
Top 1%	\$395,953,636	\$22,434	\$31,553,568	\$24,142	\$427,507,204	\$22,494	0.73%
Top 0.5%	\$249,705,021	\$28,372	\$16,077,382	\$23,889	\$265,782,402	\$27,968	0.55%

**Source:** Department of Revenue Services, Office of Policy and Management, Census Bureau, and Bureau of Economic Analysis.

**Notes:**

- Columns or rows may not add to total due to rounding.
- Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
- The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the Real Property Tax, including the exported portion, was \$10.8 billion.
- ETRs are not shown for families with negative income as they are not directly interpretable.

Table 7-3 shows the distribution of residential Real Property Tax for both homeowners and renters by income decile. The ETRs follow a regressive distribution, with each higher-income decile paying a smaller amount of tax as a share of income.

**Table 7-3: Economic Incidence of Residential Real Property Tax Borne by Connecticut Residents, by Income Decile, 2022**

Decile	Homeowners		Renters		Total Residential		
	Total Tax	Average Tax per Homeowner	Total Tax	Average Tax per Renter	Total Tax	Average Tax per Family	Effective Tax Rate
Negative or no income	\$74,725,675	\$5,280	\$79,081,965	\$3,558	\$153,807,640	\$2,664	*
1	\$1,391,236,382	\$3,180	\$1,155,282,607	\$2,963	\$2,546,518,990	\$2,785	11.76%
2	\$857,972,520	\$3,820	\$450,834,384	\$3,959	\$1,308,806,904	\$3,848	6.05%
3	\$716,709,745	\$4,239	\$269,058,327	\$4,819	\$985,768,072	\$4,370	4.55%
4	\$638,865,224	\$4,786	\$150,866,247	\$6,015	\$789,731,471	\$4,974	3.65%
5	\$553,512,902	\$5,436	\$85,795,471	\$7,504	\$639,308,374	\$5,641	2.95%
6	\$486,769,296	\$6,895	\$56,016,647	\$9,372	\$542,785,943	\$7,080	2.51%
7	\$383,924,138	\$9,323	\$43,714,202	\$12,786	\$427,638,340	\$9,562	1.98%
8	\$241,673,419	\$12,792	\$24,492,212	\$18,840	\$266,165,631	\$13,148	1.23%
9	\$103,544,383	\$19,463	\$10,060,864	\$25,731	\$113,605,247	\$19,823	0.53%
10	\$59,578,479	\$80,294	\$1,535,655	\$22,583	\$61,114,134	\$75,450	0.28%
<b>Total</b>	<b>\$5,508,512,162</b>	<b>\$4,525</b>	<b>\$2,326,738,582</b>	<b>\$3,696</b>	<b>\$7,835,250,743</b>	<b>\$4,001</b>	<b>3.66%</b>

**Source:** Department of Revenue Services, Office of Policy and Management, Census Bureau, and Bureau of Economic Analysis.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the Real Property Tax, including the exported portion, was \$10.8 billion.
4. ETRs are not shown for families with negative income as they are not directly interpretable.

For the business portion of the tax, 20.3% is estimated to be owned by out-of-state business owners. The remaining 79.7% is borne by Connecticut residents and apportioned to consumption, wages, and capital ownership in the state. The industries that operate locally are assumed to shift the tax to consumers via increased prices, while the industries that are competitive nationally are assumed to shift the tax to wages or see a reduced return to capital or business profit. Based on these assumptions, of the business portion of the Real Property Tax, \$919 million tax is estimated to be borne by consumers, \$561 million by worker wages, and \$173 million by capital in Connecticut. Detailed information on the process to apportion the tax to consumption, wages, and capital can be found in the Appendix.

Table 7-4 shows the combined business and household burden of the Real Property Tax sorted by population deciles. The overall ETR for Real Property Tax is 4.44% and most of the distribution follows a regressive distribution, with each progressive decile paying a smaller amount of tax as a share of income. Decile 1 has lower ETR than Decile 2, which is driven by the Section 8 rental subsidy.

**Table 7-4: Economic Incidence of Total Real Property Tax Borne by Connecticut Residents, by Population Decile, 2022**

Decile	Family Units	Average Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534.3	\$2,921	\$168,682,620	1.8%	*
1	190,048	\$6,122	\$6,000	\$1,163.5	\$1,067	\$202,868,826	2.1%	17.44%
2	190,048	\$14,916	\$15,000	\$2,834.8	\$2,681	\$509,493,724	5.4%	17.97%
3	190,047	\$23,563	\$23,000	\$4,478.1	\$3,692	\$701,616,919	7.4%	15.67%
4	190,047	\$33,556	\$34,000	\$6,377.3	\$4,015	\$763,115,553	8.0%	11.97%
5	190,047	\$45,259	\$45,000	\$8,601.3	\$4,256	\$808,864,361	8.5%	9.40%
6	190,047	\$59,944	\$60,000	\$11,392.1	\$4,418	\$839,548,598	8.8%	7.37%
7	190,047	\$78,186	\$78,000	\$14,859.1	\$4,780	\$908,509,415	9.6%	6.11%
8	190,047	\$105,517	\$105,000	\$20,053.2	\$5,447	\$1,035,174,049	10.9%	5.16%
9	190,047	\$155,577	\$153,000	\$29,566.9	\$6,537	\$1,242,328,860	13.1%	4.20%
10	190,047	\$616,316	\$302,000	\$117,129.0	\$12,144	\$2,308,005,713	24.3%	1.97%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$4,845</b>	<b>\$9,488,208,637</b>	<b>100.0%</b>	<b>4.44%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332.0	\$16,487	\$1,566,677,547	16.5%	1.66%
Top 1%	19,005	\$3,097,333	\$1,470,000	\$58,864.8	\$35,378	\$672,360,113	7.1%	1.14%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$48,285.2	\$48,253	\$458,545,565	4.8%	0.95%

**Source:** Department of Revenue Services, Office of Policy and Management, Census Bureau, and Bureau of Economic Analysis.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the Real Property Tax, including the exported portion, was \$10.8 billion.
4. ETRs are not shown for families with negative income as they are not directly interpretable.

Table 7-5 shows the distribution of the combined business and household Real Property Tax sorted by income deciles. The ETR distribution follows a regressive distribution, with each progressive decile paying a smaller amount of tax as a share of income.

**Table 7-5: Economic Incidence of Total Real Property Tax Borne by Connecticut Residents, by Income Decile, 2022**

Decile	Family Units	Average Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	<\$0	-\$2,534.3	\$2,921	\$168,682,620	1.8%	*
1	190,048	\$6,122	\$23,000	\$1,163.5	\$3,095	\$2,830,498,678	29.8%	13.08%
2	190,048	\$14,916	\$63,000	\$2,834.8	\$4,419	\$1,502,799,737	15.8%	6.94%
3	190,047	\$23,563	\$95,000	\$4,478.1	\$5,167	\$1,165,470,095	12.3%	5.38%
4	190,047	\$33,556	\$135,000	\$6,377.3	\$6,068	\$963,476,369	10.2%	4.45%
5	190,047	\$45,259	\$189,000	\$8,601.3	\$7,148	\$810,115,905	8.5%	3.74%
6	190,047	\$59,944	\$276,000	\$11,392.1	\$9,146	\$701,183,392	7.4%	3.24%
7	190,047	\$78,186	\$464,000	\$14,859.1	\$12,800	\$572,456,455	6.0%	2.64%
8	190,047	\$105,517	\$970,000	\$20,053.2	\$19,683	\$398,457,150	4.2%	1.84%
9	190,047	\$155,577	\$3,104,000	\$29,566.9	\$40,358	\$231,289,923	2.4%	1.07%
10	190,047	\$616,316	†	\$117,129.0	\$177,504	\$143,778,314	1.5%	0.66%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$4,845</b>	<b>\$9,488,208,637</b>	<b>100.0%</b>	<b>4.44%</b>

**Source:** Department of Revenue Services, Office of Policy and Management, Census Bureau, and Bureau of Economic Analysis.

**Notes:**

1. Columns or rows may not add to total due to rounding.
  2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the Real Property Tax, including the exported portion, was \$10.8 billion.
  4. ETRs are not shown for families with negative income as they are not directly interpretable.
- †: Data suppressed to enable confidentiality.

### Suits Index

The Suits Index of the Real Property Tax is -0.41. This result indicates regressivity in the Real Property Tax compared to a scenario in which each Connecticut family's share of the tax is proportional to their share of total family income.

## 7.2 Personal Property Tax

### General overview

Taxes on personal property are levied by individual Connecticut municipalities. Taxable personal property is anything that is movable and is not a permanent part of real estate, including items such as business-owned furniture, fixtures, machinery or equipment, as well as horses and unregistered motor vehicles and snowmobiles that anyone owns. Additionally, property taxes on registered motor vehicles are discussed separately in the Motor Vehicle Tax section.

The Personal Property Tax is an *ad valorem* tax based on an assessed value of 70% of the depreciated value of the property. For Fiscal Year 2022, Connecticut municipalities collected \$849.9 million in Personal Property Tax.

### *Legal incidence*

The legal incidence of the Personal Property Tax falls on owners of taxable personal property. Taxpayers with taxable personal property are required to declare their taxable personal property to the municipal assessor.

### *Economic incidence*

This study assumes that businesses are the primary holders of tangible taxable personal property. As such, the full tax liability in 2022 (\$849.9 million) is borne by businesses. As with other business taxes, the Personal Property Tax cost is incurred by the business, which reduces profits on the capital owners of the business. The number and geographic locations of capital owners can vary depending on the characteristics of a business entity. Because a significant share of business activity in Connecticut is generated by large, multistate, or multinational corporations, a correspondingly significant share of the tax burden is estimated to be borne by capital owners who are presumed to reside outside of Connecticut. A portion of the exported Personal Income Tax business share is also attributed to consumption by non-residents, as described in detail in the Appendix. In total, the analysis estimates that 21.3% of the business tax liability is exported to non-Connecticut residents.

The remaining 78.7% (\$669 million) tax liability is borne by Connecticut residents and apportioned to consumption, wages, and capital ownership in the state. Based on the previously outlined methodology, the industries that operate locally are assumed to push the tax forward with increased prices, while the industries that are competitive nationally are assumed to shift the tax to wages or see a reduced return to capital or business profit. Based on these assumptions, \$353 million is estimated to be borne by consumers, \$242 million by worker wages, and \$74 million by capital in Connecticut. Detailed information on the process to apportion the tax to consumption, wages, and capital can be found in the Appendix.

Table 7-6 shows the incidence distribution by population decile. The distribution follows a standard regressive distribution, with each progressive decile paying a smaller amount of tax as a share of income.

**Table 7-6: Economic Incidence of Personal Property Tax Borne By Connecticut Residents, by Population Decile, 2022**

Decile	Family Units	Average Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534.3	\$100	\$5,751,986	0.9%	*
1	190,048	\$6,122	\$6,000	\$1,163.5	\$88	\$16,727,514	2.5%	1.44%
2	190,048	\$14,916	\$15,000	\$2,834.8	\$97	\$18,429,320	2.8%	0.65%
3	190,047	\$23,563	\$23,000	\$4,478.1	\$120	\$22,871,049	3.4%	0.51%
4	190,047	\$33,556	\$34,000	\$6,377.3	\$173	\$32,890,103	4.9%	0.52%
5	190,047	\$45,259	\$45,000	\$8,601.3	\$197	\$37,481,353	5.6%	0.44%
6	190,047	\$59,944	\$60,000	\$11,392.1	\$238	\$45,145,967	6.8%	0.40%
7	190,047	\$78,186	\$78,000	\$14,859.1	\$291	\$55,348,038	8.3%	0.37%
8	190,047	\$105,517	\$105,000	\$20,053.2	\$374	\$71,166,312	10.6%	0.35%
9	190,047	\$155,577	\$153,000	\$29,566.9	\$538	\$102,330,035	15.3%	0.35%
10	190,047	\$616,316	\$302,000	\$117,129.0	\$1,371	\$260,635,672	39.0%	0.22%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$342</b>	<b>\$668,777,349</b>	<b>100.0%</b>	<b>0.31%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332.0	\$1,899	\$180,476,446	27.0%	0.19%
Top 1%	19,005	\$3,097,333	\$1,470,000	\$58,864.8	\$5,369	\$102,042,362	15.3%	0.17%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$48,285.2	\$8,443	\$80,238,241	12.0%	0.17%

**Source:** Department of Revenue Services, Office of Policy and Management, Census Bureau, Bureau of Economic Analysis, and Bureau of Labor Statistics Consumer Expenditure Survey (CEX).

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the Personal Property Tax, including the exported portion, was \$849,947,219.
4. ETRs are not shown for families with negative income as they are not directly interpretable.

Table 7-7 shows the distribution of Personal Property Tax burden by income decile. The tax follows the same general distribution, with higher-income deciles paying a disproportionately lower share of income.

**Table 7-7: Economic Incidence of Personal Property Tax Borne by Connecticut Residents, by Income Decile, 2022**

Decile	Family Units	Average Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534.3	\$100	\$5,751,986	0.9%	*
1	914,523	\$23,669	\$23,000	\$21,645.5	\$123	\$112,118,006	16.8%	0.52%
2	340,097	\$63,645	\$63,000	\$21,645.5	\$229	\$77,741,230	11.6%	0.36%
3	225,578	\$95,956	\$95,000	\$21,645.5	\$321	\$72,457,758	10.8%	0.33%
4	158,773	\$136,330	\$135,000	\$21,645.5	\$443	\$70,371,212	10.5%	0.33%
5	113,327	\$191,000	\$189,000	\$21,645.4	\$612	\$69,376,429	10.4%	0.32%
6	76,667	\$282,331	\$276,000	\$21,645.5	\$843	\$64,645,782	9.7%	0.30%
7	44,722	\$483,994	\$464,000	\$21,645.2	\$1,329	\$59,452,682	8.9%	0.27%
8	20,244	\$1,069,163	\$970,000	\$21,644.1	\$2,692	\$54,499,720	8.1%	0.25%
9	5,731	\$3,775,631	\$3,104,000	\$21,638.1	\$8,471	\$48,549,687	7.3%	0.22%
10	810	\$26,734,355	†	\$21,654.8	\$41,744	\$33,812,858	5.1%	0.16%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$342</b>	<b>\$668,777,349</b>	<b>100.0%</b>	<b>0.31%</b>

**Source:** Department of Revenue Services, Office of Policy and Management, Census Bureau, Bureau of Economic Analysis, and Bureau of Labor Statistics Consumer Expenditure Survey.

**Notes:**

1. Columns or rows may not add to total due to rounding.
  2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the Personal Property Tax, including the exported portion, was \$849,947,219.
  4. ETRs are not shown for families with negative income as they are not directly interpretable.
- †: Data suppressed to enable confidentiality.

### Suits Index

The Suits Index of the Personal Property Tax is -0.16. This result indicates slight regressivity in the Personal Property Tax compared to a scenario in which each Connecticut family's share of the tax is proportional to their share of total family income.

## 7.3 Motor Vehicle Tax

### General overview

Local governments and special districts in Connecticut impose property taxes on motor vehicles. Similar to the Personal Property Tax, the Motor Vehicle Tax is an ad valorem tax, assessed at 70% of the vehicle's average retail value. (Note: Effective with the October 1, 2024 Grand List, the Manufacturer Suggested Retail Price (MSRP) of a vehicle and applicable statutory depreciation schedule is utilized to calculate the depreciated value of motor vehicles). For Fiscal Year 2022, Connecticut municipalities collected \$887.0 million in Motor Vehicle Tax.

### *Legal incidence*

The legal incidence of the Motor Vehicle Tax falls on individuals or entities who own taxable vehicles. Municipalities and special taxing districts set the tax rate for motor vehicles, although it is capped at 32.46 mills.<sup>36</sup>

### *Economic incidence*

Households and businesses own taxable motor vehicles. Using the methodology detailed in the Appendix, this analysis finds that 79% (\$701 million) of the Motor Vehicle Tax is on households, while 21% (\$186 million) is on businesses.

This analysis assumes all \$701 million household tax liability was borne by Connecticut residents.<sup>37</sup> This tax liability is distributed based on data from the Survey of Consumer Finances, which provides family income and the value of owned motor vehicles.

For the business portion of the tax (\$43.2 million), 23.2% is estimated to be exported to out-of-state business owners, while the remaining 76.8% (\$142.8 million) is borne by Connecticut residents and apportioned to consumption, wages, and capital ownership in the state.<sup>38</sup> The industries that operate locally are assumed to shift the tax to consumers via increased prices, while the industries that are competitive nationally are assumed to shift the tax to wages or see a reduced return to capital or business profit. Based on these assumptions, \$54 million of the tax is estimated to be borne by consumers, \$65 million by worker wages, and \$24 million by capital. Detailed information on the process to apportion the tax to consumptions, wages, and capital can be found in the Appendix.

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<sup>36</sup> Schaeffer-Helmecki, Jessica. "Personal Motor Vehicle Property Tax Assessments and Rates." Connecticut General Assembly, Office of Legislative Research, 2 Aug. 2023, <https://www.cga.ct.gov/2023/rpt/pdf/2023-R-0179.pdf>. Note – link not verifiable via Google

<sup>37</sup> A small portion of the tax could be borne by out-of-state residents who own a second motor vehicle registered in Connecticut. Due to data limitations, this was not estimated.

<sup>38</sup> The exported share is based on the estimated motor vehicle ownership by business by legal form of organization (e.g., Sole Proprietorship, Partnerships, S-Corporations, and C-Corporations), which is derived from the Census Survey of Businesses and the Bureau of Economic Analysis (BEA) data.

Table 7-8 shows the incidence distribution by population decile. The distribution is regressive, with each progressive decile paying a smaller amount of tax as a share of income. The overall ETR is 0.39%.

**Table 7-8: Economic Incidence of Motor Vehicle Tax Borne by Connecticut Residents, by Population Decile, 2022**

Decile	Family Units	Average Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534.3	\$420	\$24,245,446	2.9%	*
1	190,048	\$6,122	\$6,000	\$1,163.5	\$109	\$20,732,427.3	2.5%	1.78%
2	190,048	\$14,916	\$15,000	\$2,834.8	\$92	\$17,525,842.9	2.1%	0.62%
3	190,047	\$23,563	\$23,000	\$4,478.1	\$163	\$30,995,929.8	3.7%	0.69%
4	190,047	\$33,556	\$34,000	\$6,377.3	\$198	\$37,710,745.9	4.5%	0.59%
5	190,047	\$45,259	\$45,000	\$8,601.3	\$277	\$52,566,035.1	6.2%	0.61%
6	190,047	\$59,944	\$60,000	\$11,392.1	\$354	\$67,365,900.1	8.0%	0.59%
7	190,047	\$78,186	\$78,000	\$14,859.1	\$442	\$83,984,702.5	10.0%	0.57%
8	190,047	\$105,517	\$105,000	\$20,053.2	\$586	\$111,325,758.8	13.2%	0.56%
9	190,047	\$155,577	\$153,000	\$29,566.9	\$798	\$151,751,905.7	18.0%	0.51%
10	190,047	\$616,316	\$302,000	\$117,129.0	\$1,292	\$245,557,018.8	29.1%	0.21%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$431</b>	<b>\$843,761,712.6</b>	<b>100.0%</b>	<b>0.39%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332.0	\$1,604	\$152,457,229.5	18.1%	0.16%
Top 1%	19,005	\$3,097,333	\$1,470,000	\$58,864.8	\$2,947	\$56,007,792.6	6.6%	0.10%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$48,285.2	\$3,961	\$37,644,792.1	4.5%	0.08%

**Source:** Department of Revenue Services, Office of Policy and Management, Census Bureau, Bureau of Economic Analysis, Survey of Consumer Finance.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the Motor Vehicle Tax, including the exported portion, were \$887,002,846.
4. ETRs are not shown for families with negative income as they are not directly interpretable.

Table 7-9 shows the distribution of Motor Vehicle Tax burden by income decile. The tax follows the same general distribution as for population decile, with higher-income deciles paying a lower share of tax relative to income.

**Table 7-9: Economic Incidence of Motor Vehicle Tax Borne by Connecticut Residents, by Income Decile, 2022**

Decile	Family Units	Average Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534.3	\$420	\$24,245,445.6	2.9%	*
1	914,523	\$23,669	\$23,000	\$21,645.5	\$177	\$162,122,596.7	19.2%	0.75%
2	340,097	\$63,645	\$63,000	\$21,645.5	\$355	\$120,840,514.8	14.3%	0.56%
3	225,578	\$95,956	\$95,000	\$21,645.5	\$517	\$116,661,660.2	13.8%	0.54%
4	158,773	\$136,330	\$135,000	\$21,645.5	\$718	\$113,936,229.5	13.5%	0.53%
5	113,327	\$191,000	\$189,000	\$21,645.4	\$880	\$99,696,079.5	11.8%	0.46%
6	76,667	\$282,331	\$276,000	\$21,645.5	\$979	\$75,022,284.5	8.9%	0.35%
7	44,722	\$483,994	\$464,000	\$21,645.2	\$1,322	\$59,121,474.5	7.0%	0.27%
8	20,244	\$1,069,163	\$970,000	\$21,644.1	\$1,979	\$40,069,750.2	4.7%	0.19%
9	5,731	\$3,775,631	\$3,104,000	\$21,638.1	\$3,928	\$22,509,281.7	2.7%	0.10%
10	810	\$26,734,355	†	\$21,654.8	\$11,773	\$9,536,395.7	1.1%	0.04%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$431</b>	<b>\$843,761,712.6</b>	<b>100.0%</b>	<b>0.39%</b>

**Source:** Department of Revenue Services, Office of Policy and Management, Census Bureau, Bureau of Economic Analysis, Survey of Consumer Finance.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the Motor Vehicle Tax, including the exported portion, were \$887,002,846.
4. ETRs are not shown for families with negative income as they are not directly interpretable.

†: Data suppressed to enable confidentiality.

### Suits Index

The Suits Index of the Motor Vehicle Tax is -0.32. This result indicates regressivity in the Motor Vehicle Tax compared to a scenario in which each Connecticut family's share of the tax is proportional to their share of total family income.

## 7.4 Total Property Tax

### 10-year discussion

Historical data for the Property Tax levy is only available beginning in 2019. From 2019 to 2022, all property taxes have grown year over year. From 2019 to 2020 and 2020 to 2021, Personal Property Tax levy increased by more than 5% annually. For 2021, both the Real Property Tax and Motor Vehicle Tax increased by more than 6%.

**Table 7-10: Total Property Tax Levy, 2019-2022**

Fiscal Year	Real Property Tax	Personal Property Tax	Motor Vehicle Tax	Total Property Tax
2019	\$9,677,135,073	\$722,474,963	\$793,621,493	\$11,193,231,529
2020	\$10,040,453,938	\$787,515,290	\$830,063,273	\$11,658,032,501
2021	\$10,137,199,471	\$832,332,461	\$850,447,675	\$11,819,979,607
2022	\$10,796,057,325	\$849,947,219	\$887,002,846	\$12,533,007,391

Source: Connecticut Office of Policy and Management (OPM)

Real Property Taxes were relatively stable over time even during the COVID-19 period. Additionally, in 2022, Connecticut housing prices experienced extraordinary growth (14.1% from the prior year), yet Real Property Taxes grew by only 6.5%.<sup>39</sup> This situation arises in part because Connecticut reassesses properties every five years, so changes in housing prices are not immediately reflected in the assessed values for most homes. The relative stability of property taxes means that the tax faced by households does not expand dramatically when the economy expands nor does the tax liability contract markedly during economic downturns. As a result, property taxes may increase their relative share during periods of economic decline.

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<sup>39</sup> U.S. Federal Housing Finance Agency. "All-Transactions House Price Index for Connecticut [CTSTHPI]." Retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CTSTHPI>, November 17, 2025. [fred.stlouisfed.org].

## 8. Sales and Use Tax and Room Occupancy Tax

### *General Overview*

Connecticut imposes a Sales and Use Tax on gross receipts from the sale, rental, or lease of tangible goods; the sale of a taxable service; or operating a hotel, motel, lodging house, or bed and breakfast establishment. Retailers engaged in these activities must register with the Department of Revenue Services, file Sales and Use Tax and/or Room Occupancy Tax Returns and adhere to statutory exemptions for tangible personal property sales and taxable services, with no local sales taxes levied.

In 2022, Connecticut taxpayers had total tax liability of \$5.9 billion in Sales and Use Tax and \$147.6 million in the Room Occupancy Tax, resulting in total tax liability of \$6 billion.

The Sales and Use Tax is assessed at certain rates depending on the goods or service purchased. As shown in Table 8-1, the majority of goods and taxable services are assessed at the standard rate of 6.35%. Luxury goods, certain meals and beverages, and certain motor vehicles are assessed at higher rates. Various goods and services, such as college textbooks, food for human consumption, medical equipment, new residential construction, and numerous others are entirely exempted from the Sales and Use Tax.<sup>40</sup>

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<sup>40</sup> Connecticut Department of Revenue Services. "Exemptions from Sales and Use Taxes." Connecticut State Portal, <https://portal.ct.gov/drs/sales-tax/exemptions-from-sales-and-use-taxes>. Accessed 4 Nov. 2025.

**Table 8-1: Sales and Use Tax Rates by Sales Category**

Tax Rate	Description
6.35%	Gross receipts from the sale, rental, or leasing of tangible personal property, and rendering of certain services (general rate).
7.35%	Meals and certain beverages (effective October 1, 2019, includes additional 1% tax).
7.75%	Most motor vehicles with a sales price of more than \$50,000; jewelry with a sales price of more than \$5,000; articles of clothing or footwear or a handbag, luggage, umbrella, wallet, or watch, with a price of more than \$1,000.
1.00%	Sales of computer and data processing services.
2.99%	Sales of vessels, motors for vessels, and trailers used for transporting a vessel, and dyed diesel fuel sold by a marine dock exclusively for marine purposes.
4.50%	Sale of a motor vehicle to a nonresident member of the armed forces of the US stationed on full-time active duty in Connecticut.
9.35%	Rental or leasing of a passenger motor vehicle for a period of 30 consecutive calendar days or less.

Source: Department of Revenue Services Annual Report Fiscal Year 2022

The Room Occupancy tax is levied on hotels, motels, lodging houses, and short-term home rental for stays of 30 days or less, and bed and breakfasts. Hotel and lodging taxes are assessed at a 15% tax rate, while bed and breakfasts have a rate of 11%.

**Table 8-2: Accommodation Tax Receipts by Source, FY22**

Taxable Receipts by Source	Rate
Room occupancy in hotel or lodging	15.00%
Room occupancy for bed and breakfasts	11.00%

Source: Department of Revenue Services

### Legal Incidence

In 2022, Connecticut taxpayers had a total tax liability of \$5.9 billion in Sales and Use Tax and \$147.6 million in the Room Occupancy Tax, resulting in total tax liability of \$6 billion.

Legal incidence refers to the entity that bears the initial legal responsibility for paying a tax directly to the government. In Connecticut, the legal incidence of the Sales Tax – which is imposed on the retail sale (or lease/rental) of taxable goods and services – falls on the retailer, who must collect the tax from the purchaser at the time of sale and remit to the Department of Revenue Services. By contrast the legal incidence of the Use Tax falls on the purchaser (or consumer) when taxable goods or services are used, consumed, or stored in Connecticut without Connecticut Sales Tax having been collected at the time of purchase. Individuals may report their Use Tax on their annual income tax return or on a separate Use Tax return.

### *Economic Incidence*

For the purpose of this analysis, the incidence of the general Sales and Use Tax and Room Occupancy Tax are calculated separately but discussed together.

Households and businesses consume goods and services that are taxable under both the Sales and Use Tax and the Room Occupancy Tax. Using the methodology detailed in the Appendix, this analysis finds that 55.3% of the combined Sales and Use Tax and the Room Occupancy tax is on households through their consumption, while 44.7% is on businesses through business-to-business purchases.

Consumer purchases made by tourists or visitors result in the exportation of a share of Sales and Use Tax revenue to individuals who do not reside in Connecticut. An estimated 3.6% of consumer expenditures subject to the Sales and Use Tax were made by non-Connecticut residents.<sup>41</sup> 83% of the Room Occupancy Tax is estimated to be paid by non-Connecticut residents.<sup>42</sup> Combined, the exported share of Sales and Use Tax and Room Occupancy Tax attributable to non-resident households is estimated at 6.1%.

The business share of the Sales and Use Tax is estimated in three parts, considering all sales subject to the Sales and Use Tax. These include (1) intermediate purchases (i.e., components or services), (2) final goods purchased by businesses (e.g., structures, computers), and (3) purchases by consumers. The purchases made under the three categories are adjusted to consider Sales and Use Tax exemptions and special rates for certain goods and services. The business share is calculated by taking the total estimated tax for businesses (categories 1 and 2) divided by total estimated Sales and Use Tax (categories 1, 2, and 3). Based on this calculation, Connecticut has a relatively high share (45%) of the Sales and Use Tax paid by businesses. The business portion of the Room Occupancy Tax is similarly estimated using intermediate purchases by businesses of lodging services and personal consumption

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<sup>41</sup> Connecticut Department of Economic and Community Development. "Economic Impact Of Visitors In Connecticut 2023". May 2024, <https://portal.ct.gov/-/media/decd/tourism/econimpactstudies/connecticut-tourism-economic-impact---2023.pdf>

<sup>42</sup> "Connecticut Traveler Profile." *Connecticut Department of Economic and Community Development*, H2R Market Research, <https://portal.ct.gov/-/media/decd/tourism/cttravelerprofiles/connecticut---omnitrak-traveler-profile-2017-final.pdf?rev=056daa06591a407f8cb4838d4d2b8f15&hash=425DDFCAFD213DF4663DFD209F442C5D>.

expenditures on lodging. A detailed explanation of the process to apportion the Sales and Use Tax and the Room Occupancy Tax to businesses and consumers are found in the Appendix.

The Sales and Use Tax on business inputs and the Room Occupancy Tax on businesses can be shifted forward to consumers in the form of higher prices or backwards to labor in the form of lower wages, but it can also reduce business profits or returns to capital ownership. Since business owners or shareholders in Connecticut may reside outside the state, a portion of capital taxes is assumed to be exported to non-Connecticut residents. A portion of the tax passed forward in the form of higher consumer prices is assumed to be borne by non-Connecticut consumers making purchases. Based on the methodology previously outlined, 23.1%, or \$621.2 million, of the business portion of the combined Sales and Use Tax and Room Occupancy tax is assumed to be exported. Of the 76.9%, or \$2.1 billion, of the business portion of the combined taxes that are not exported, the tax burden falling on Connecticut consumers, workers, and capital owners is assumed to equal \$817.9 million, \$917.4 million, and \$327.1 million, respectively.

Table 8-3 shows the Sales and Use Tax and Room Occupancy Tax burden by population deciles. In general, the distribution of the taxes is regressive, with higher-income deciles paying a smaller tax as a share of their income. Since low-income taxpayers spend a larger share of their income on potentially taxable consumption items, this results in the regressive distributional impact. This is somewhat mitigated by the exemption of food and residential heating, which are disproportionately consumed by low-income taxpayers as a share of income. More often purchased by high-income households, certain luxury items are taxed at a higher rate, which also reduces regressivity.

While high-income taxpayers have a lower ETR, they also contribute a significant portion of the tax. The top decile pays an average of \$8,627 in Sales and Use and Room Occupancy Taxes and 31.7% in total of these taxes. The top 0.5% of taxpayers contribute more than the bottom two deciles combined, 9.0% compared to 6.7%, respectively.

**Table 8-3: Economic Incidence of Sales and Use Tax and Room Occupancy Tax Borne by Connecticut Residents by Population Decile, 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534.3	*	*	*	*
1	190,048	\$6,122	\$6,000	\$1,163.5	*	*	*	*
2	190,048	\$14,916	\$15,000	\$2,834.8	\$882	\$167.6	3.2%	5.91%
3	190,047	\$23,563	\$23,000	\$4,478.1	\$1,157	\$219.9	4.2%	4.91%
4	190,047	\$33,556	\$34,000	\$6,377.3	\$1,564	\$297.2	5.7%	4.66%
5	190,047	\$45,259	\$45,000	\$8,601.3	\$1,737	\$330.1	6.4%	3.84%
6	190,047	\$59,944	\$60,000	\$11,392.1	\$1,999	\$379.9	7.3%	3.34%
7	190,047	\$78,186	\$78,000	\$14,859.1	\$2,485	\$472.2	9.1%	3.18%
8	190,047	\$105,517	\$105,000	\$20,053.2	\$3,030	\$575.9	11.1%	2.87%
9	190,047	\$155,577	\$153,000	\$29,566.9	\$4,416	\$839.2	16.2%	2.84%
10	190,047	\$616,316	\$302,000	\$117,129.0	\$8,627	\$1,639.6	31.7%	1.40%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$2,643</b>	<b>\$5,176.2</b>	<b>100.0%</b>	<b>2.42%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332.0	\$10,783	\$1,024.6	19.8%	1.09%
Top 1%	19,005	\$3,097,333	\$1,470,000	\$58,864.8	\$30,863	\$586.6	11.3%	1.00%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$48,285.2	\$49,161	\$467.2	9.0%	0.97%

**Source:** Department of Revenue Services, Census Statistics of US Business, Bureau of Economic Analysis, and Bureau of Labor Statistics Consumer Expenditure Survey.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the Sales and Use Tax and Room Occupancy Tax, including the exported portion, were \$6,000,737,052.
4. ETRs are not shown for families with negative income as they are not directly interpretable.
5. The attribution of Sales and Use Tax for decile 1 is not reported because spending levels for this group do not align with reported family income.

Table 8-4 shows the Sales and Use Tax distribution by income deciles. The tax follows a standard regressive distribution, with higher-income deciles paying a disproportionately lower share of income.

**Table 8-4: Sales and Use Tax and Room Occupancy Tax Borne by Connecticut Residents by Income Decile, 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534.3	\$1,295	\$74.8	1.4%	*
1	914,523	\$23,669	\$23,000	\$21,645.5	\$1,080	\$987.4	19.1%	4.56%
2	340,097	\$63,645	\$63,000	\$21,645.5	\$1,965	\$668.3	12.9%	3.09%
3	225,578	\$95,956	\$95,000	\$21,645.5	\$2,597	\$585.8	11.3%	2.71%
4	158,773	\$136,330	\$135,000	\$21,645.5	\$3,498	\$555.3	10.7%	2.57%
5	113,327	\$191,000	\$189,000	\$21,645.4	\$4,925	\$558.2	10.8%	2.58%
6	76,667	\$282,331	\$276,000	\$21,645.5	\$5,826	\$446.7	8.6%	2.06%
7	44,722	\$483,994	\$464,000	\$21,645.2	\$9,270	\$414.6	8.0%	1.92%
8	20,244	\$1,069,163	\$970,000	\$21,644.1	\$17,621	\$356.7	6.9%	1.65%
9	5,731	\$3,775,631	\$3,100,000	\$21,638.1	\$53,257	\$305.2	5.9%	1.41%
10	810	\$26,734,355	†	\$21,654.8	\$275,535	\$223.2	4.3%	1.03%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$2,643</b>	<b>\$5,176.2</b>	<b>100.0%</b>	<b>2.42%</b>

**Source:** Department of Revenue Services, Census Statistics of US Business, Bureau of Economic Analysis, and Bureau of Labor Statistics Consumer Expenditure Survey.

**Notes:**

- Columns or rows may not add to total due to rounding.
  - Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  - The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the Sales and Use Tax and Room Occupancy Tax, including the exported portion, were \$6,000,737,052.
  - ETRs are not shown for families with negative income as they are not directly interpretable.
- †: Data suppressed to enable confidentiality.

### Suits Index

The combined Suits Index of the Sales and Use Tax and Room Occupancy Tax is -0.22, indicating they are regressive taxes. Consumption taxes are generally regressive as low-income taxpayers consume a higher portion of their income, compared to high-income taxpayers that can save, thus reducing the burden of the tax.

### 10-year discussion

The Sales and Use Tax and Room Occupancy Tax liability has increased by 53% since 2013, with considerable growth coming in the latter half of the 10-year period. 2021 alone experienced an 18% increase from the prior year. While the tax growth increased faster than inflation, the Sales and Use Tax and Room Occupancy Tax as a share of total tax liability remained relatively constant, hovering around 25% throughout the 10-year period. As such, the increase in the

tax likely has had limited impact on the overall regressivity of the Connecticut tax system over time.

**Table 8-5: Total Sales and Use and Room Occupancy Tax, 2013 – 2022**

Year	Tax Liability
2013	\$3,921,837,366
2014	\$4,064,431,035
2015	\$4,182,829,632
2016	\$4,298,721,796
2017	\$4,359,884,510
2018	\$4,539,448,286
2019	\$4,757,354,624
2020	\$4,763,223,879
2021	\$5,600,770,679
2022	\$6,000,737,052

Source: Department of Revenue Services

The largest increase in the Sales and Use Tax and the Room Occupancy Tax occurred from 2020 to 2021, with total tax liability increasing by 18%. Two main factors explain this rise. First, price levels increased 7.0% from December 2020 to December 2021, the largest increase since 1981.<sup>43</sup> Inflation results in higher costs, and subsequently higher Sales and Use Tax and Room Occupancy Tax revenue.

The second consideration is that there was significant pent-up demand after 2020 due to COVID-19 lockdowns. This large increase in the Sales and Use Tax occurred throughout the US. States experienced an average increase in Sales and Use Tax of 18.9% from Q4 2020 to Q4 2021.<sup>44</sup>

<sup>43</sup> U.S. Bureau of Labor Statistics. "Consumer Price Index: 2021 in Review." *The Economics Daily*, 14 Jan. 2022, <https://www.bls.gov/opub/ted/2022/consumer-price-index-2021-in-review.htm>. Accessed 11 Nov. 2025

<sup>44</sup> Dadayan, Lucy. "State Tax and Economic Review, 2021 Quarter 4: State Revenues Surged in the Fourth Quarter of 2021, but Continued Robust Growth Is Unlikely." *Urban Institute*, 2022.

## 9. Excise taxes

### *General overview*

Excise taxes are levies imposed on specific goods, services, or activities, involving taxpayers, including importers, manufacturers, retailers, and consumers. Excise taxes are based on the quantity of products sold or consumed. Excise taxes may be imposed for the sale and use by the manufacturer, sale or use by the retailer, or use by the consumer. Examples include taxes on cigarettes, alcohol, and tobacco.

The subsequent sections detail four excise taxes imposed by the state of Connecticut: the Alcoholic Beverages Tax, Cigarette Tax, Electronic Cigarettes Product Tax, and Tobacco Products Tax. This report consolidates the analysis of these excise taxes into an aggregate view, with a detailed breakdown of each tax category provided below. The total collective tax liability in 2022 for these taxes totaled \$392.1 million.

### *1. Alcoholic Beverages Tax*

The Alcoholic Beverages Tax is imposed on all distributors of alcoholic beverages on the sale of alcoholic beverages within Connecticut. Distributors 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. The following table outlines the 2022 excise tax rates for various alcohol types, including beer, cider, wines, and others. This does not include the Sales and Use Tax rate. The tax liability for the Alcoholic Beverages Tax in 2022 totaled \$78.7 million.

**Table 9-1: Tax Rate per Volume of Alcoholic Beverages, 2022**

Item	Tax Rate per Gallon
Beer	\$7.20 per barrel
Beer	24¢ per gallon <sup>2</sup>
Cider	\$7.92 per barrel
Cider	26¢ per gallon
Still Wines	79¢ per gallon
Small Wineries	20¢ per gallon
Sparkling Wines	\$1.98 per gallon
Alcohol	\$5.94 per proof gallon
Distilled Liquor	\$5.94 per gallon
Liquor Coolers	\$2.71 per gallon

**Source:** Department of Revenue Services Annual Report FY2022-2023.

**Notes:**

1. Due to tax rate changes, tax rates for 2022 may be different from the latest tax rates.
2. The tax rate for beer is reduced by 50% for beer sold for off-premises consumption on the premises of an entity covered by a manufacturer's permit. This separate rate is not shown here.

## 2. Cigarette Tax

An excise tax is imposed on all cigarettes sold in Connecticut. Payment is indicated by affixing stamps or heat-applied decals to each pack of cigarettes. These stamps and decals are sold to licensed dealers and distributors. The rate of tax is 217.5 mills per cigarette or \$4.35 per pack of 20 cigarettes. Cigarettes sold to state institutions, excluding correctional institutions, and those sold on armed service bases are exempt from this tax. Additionally, sales of cigarettes are subject to the Sales and Use Tax. The tax liability, minus refunds, for the Cigarette Tax in 2022 totaled \$289.5 million.

## 3. Electronic Cigarette Products Tax

An excise tax is levied on the first sale or use of electronic cigarette (e-cigarette) liquid and e-cigarette products. The tax is imposed at a rate of either:

- \$0.40 per milliliter of the electronic cigarette liquid within a pre-filled, manufacturer-sealed product, not intended for refill.
- 10% of the wholesale sales price of other electronic cigarette products.

The tax liability for the Electronic Cigarette Products Tax in 2022 totaled \$5.8 million.

#### 4. Tobacco Products Tax

All non-cigarette tobacco products, including cigars, stogies, snuff, pipe, and chewing tobacco, are subject to an excise tax. The tax is levied when these products are manufactured, imported, or bought by distributors. The rate of tax on non-cigarette tobacco products are as follows:

- Tobacco products are taxed at 50% of the wholesale sales price, except for cigars in excess of \$1.0 per cigar and snuff.
- Cigars are taxed at 50% of the wholesale sales price, not to exceed 50¢ per cigar.
- Snuff tobacco products are taxed at \$3.00 per ounce.

The tax liability for the Tobacco Products Tax in 2022 totaled \$18.5 million.

#### Legal incidence

The total excise tax liability among cigarette, alcohol, tobacco products, and e-cigarette products was \$392 million in 2022. The Cigarette Tax constituted 73.7% of this total, while the Alcoholic Beverages Tax accounted for 20.1%. For the scope of this study, the analysis assumes that distributors transfer this tax to consumers in the form of higher prices.

**Table 9-2: Tax Liability of Excise Taxes, 2022**

Categories	Total Amount
Cigarettes	\$289,138,677
Alcohol	\$78,685,093
Tobacco Products	\$18,475,720
E-cigarette Products	\$5,826,227
<b>Total</b>	<b>\$392,125,717</b>

Source: Department of Revenue Services.

#### Economic incidence

The economic incidence of the excise taxes assumes that households (as opposed to businesses) are the ultimate consumers of cigarettes, tobacco products, and alcoholic beverages, resulting in a tax burden that is entirely borne by households. Total excise taxes collected in 2022 were \$392 million, of

which 91.3% were estimated to be borne by Connecticut taxpayers, with the rest falling on non-Connecticut residents.<sup>45</sup>

For the tax burden on Connecticut residents, the distributional impacts follow that of the CEX, which captures (among other purchases) expenditures on alcoholic beverages, tobacco products, and other smoking supplies by income group. Table 9-3 shows the economic incidence of the collective excise taxes borne by Connecticut residents in 2022, sorted by population decile. Consistent with the patterns observed in Sales and Use Tax, the excise taxes follow a regressive distribution, with each higher-income decile paying a smaller amount of tax as a share of income.

The first decile has the highest ETR (2.67% compared to 0.17% for the overall population) and a higher average tax compared to the second decile (\$164 compared to \$127). This is because low-income families spend a larger share of their total income on alcohol, tobacco products, and cigarettes. While this same pattern emerges for the Sales and Use Tax, the lower deciles pay a disproportionately higher share of excise taxes compared to their income. This is mainly due to consumption of cigarettes, which are consumed in higher quantities by low-income taxpayers.<sup>46</sup>

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<sup>45</sup> The percentage is calculated based on visitors' excise and fee impact from the report by Tourism Economics titled "Economic Impact of Visitors in Connecticut 2023." <https://portal.ct.gov/-/media/decd/tourism/econimpactstudies/connecticut-tourism-economic-impact---2023.pdf>.

<sup>46</sup> Garrett BE, Martell BN, Caraballo RS, King BA. "Socioeconomic Differences in Cigarette Smoking Among Sociodemographic Groups." *Prev Chronic Dis* 2019;16:180553. DOI: <http://dx.doi.org/10.5888/pcd16.180553>

**Table 9-3: Economic Incidence of Excise Taxes Borne by Connecticut Residents, by Population Decile, 2022**

Decile	Family Units	Average Income	Median Income	Total Income	Average Tax	Total Tax	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534,311,718	\$132	\$7,632,122	2.1%	*
1	190,048	\$6,122	\$6,000	\$1,163,455,558	\$164	\$31,095,732	8.7%	2.67%
2	190,048	\$14,916	\$15,000	\$2,834,754,471	\$127	\$24,214,141	6.8%	0.85%
3	190,047	\$23,563	\$23,000	\$4,478,058,804	\$140	\$26,558,880	7.4%	0.59%
4	190,047	\$33,556	\$34,000	\$6,377,274,856	\$152	\$28,963,560	8.1%	0.45%
5	190,047	\$45,259	\$45,000	\$8,601,326,341	\$154	\$29,322,528	8.2%	0.34%
6	190,047	\$59,944	\$60,000	\$11,392,132,132	\$171	\$32,568,110	9.1%	0.29%
7	190,047	\$78,186	\$78,000	\$14,859,089,313	\$194	\$36,854,412	10.3%	0.25%
8	190,047	\$105,517	\$105,000	\$20,053,183,768	\$207	\$39,359,312	11.0%	0.20%
9	190,047	\$155,577	\$153,000	\$29,566,932,578	\$237	\$45,005,346	12.6%	0.15%
10	190,047	\$616,316	\$302,000	\$117,128,971,432	\$298	\$56,551,574	15.8%	0.05%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920,867,534</b>	<b>\$183</b>	<b>\$358,125,717</b>	<b>100.0%</b>	<b>0.17%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332,008,336	\$404	\$38,424,603	10.7%	0.04%
Top 1%	19,005	\$3,097,333	\$1,470,000	\$58,864,813,967	\$1,101	\$20,928,689	5.8%	0.04%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$48,285,175,982	\$1,776	\$16,877,848	4.7%	0.03%

**Source:** Department of Revenue Services, Census Statistics of US Business, Bureau of Economic Analysis, Bureau of Labor Statistics Consumer Expenditure Survey.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax liability for the excise taxes, including the exported portion, were \$392,125,717.
4. ETRs are not shown for families with negative income as they are not directly interpretable.

Table 9-4 shows the economic incidence of the collective excise taxes borne by Connecticut residents in 2022, sorted by income decile. The tax follows the same general distribution, with higher-income deciles paying a disproportionately lower share of income in excise tax. Notably, the bottom three income deciles collectively contributed 62% of the tax.

**Table 9-4: Economic Incidence of Excise Taxes Borne by Connecticut Residents, by Income Decile, 2022**

Decile	Family Units	Average Income	Median Income	Total Income	Average Tax	Total Tax	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	\$0	-\$2,534,311,718	\$132	\$7,632,122	2.1%	*
1	914,523	\$23,669	\$23,000	\$21,645,495,903	\$131	\$119,540,875	33.4%	0.55%
2	340,097	\$63,645	\$63,000	\$21,645,472,978	\$169	\$57,316,316	16.0%	0.26%
3	225,578	\$95,956	\$95,000	\$21,645,507,547	\$196	\$44,300,540	12.4%	0.20%
4	158,773	\$136,330	\$135,000	\$21,645,533,851	\$233	\$37,017,319	10.3%	0.17%
5	113,327	\$191,000	\$189,000	\$21,645,428,277	\$231	\$26,197,580	7.3%	0.12%
6	76,667	\$282,331	\$276,000	\$21,645,454,679	\$291	\$22,288,857	6.2%	0.10%
7	44,722	\$483,994	\$464,000	\$21,645,187,139	\$364	\$16,257,201	4.5%	0.08%
8	20,244	\$1,069,163	\$970,000	\$21,644,127,618	\$595	\$12,043,041	3.4%	0.06%
9	5,731	\$3,775,631	\$3,104,000	\$21,638,143,538	\$1,556	\$8,919,237	2.5%	0.04%
10	810	\$26,734,355	†	\$21,654,827,721	\$8,164	\$6,612,628	1.8%	0.03%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920,867,534</b>	<b>\$183</b>	<b>\$358,125,717</b>	<b>100.0%</b>	<b>0.17%</b>

**Source:** Department of Revenue Services, Census Statistics of US Business, Bureau of Economic Analysis, Bureau of Labor Statistics Consumer Expenditure Survey.

**Notes:**

1. Columns or rows may not add to total due to rounding.
  2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  3. The "Total tax" shown in the table represents the non-exported portion of the tax liability. In 2022, total tax collections for the excise taxes, including the exported portion, were \$392,125,717.
  4. ETRs are not shown for families with negative income as they are not directly interpretable.
- †: Data suppressed to enable confidentiality.

### Suits Index

The Suits Index of the collective excise taxes is -0.45, indicating the share of taxes is regressive compared to a scenario in which each Connecticut family's share of the tax is proportional to their share of total family income.

*10-year discussion*

Table 9-5 shows the annual levels of the collective excise tax liabilities over the 10-year period from 2013 through 2022. Over this period, the excise taxes have experienced year-to-year fluctuations, with a declining trend in the more recent years. Since these excise taxes are levied on consumption, the decrease in excise tax revenue indicates a decline in the consumption of alcohol, cigarettes, and tobacco products, which in turn contributes to lower overall ETRs over time.

**Table 9-5: Total Excise Tax, 2013 – 2022**

Year	Tax Liability
2013	\$445,400,234
2014	\$421,926,171
2015	\$426,084,349
2016	\$437,046,097
2017	\$430,997,177
2018	\$437,272,582
2019	\$411,569,776
2020	\$432,082,733
2021	\$415,280,379
2022	\$392,125,717

Source: Department of Revenue Services

## 10. Taxes Greater than \$100 Million

This report also includes several taxes that had revenue above \$100 million as of the end of FY24. The taxes exceeding this threshold include the following: 1) Public Service Companies, 2) Estate and Gift, 3) Motor Vehicle Fuels, 4) Petroleum Products Gross Earnings.

The legal and economic incidence of these taxes is outlined below.

### 10.1 Public Service Companies Tax

#### *General overview*

In 2022, the Public Service Companies Tax totaled \$396.7 million, generated from payments by approximately 73 taxpayers.<sup>47</sup> The Public Service Companies Tax, applied to the gross earnings of companies in this sector, encompasses a variety of entities, including electric, gas, satellite, cable, satellite and video, and railroads. Effective July 1, 2022, municipal gas utilities manufacturing, selling, or distributing gas are exempt from the Public Service Companies Tax.

#### *Legal incidence*

The legal incidence for the tax is on the gross earnings of the public service companies. Over half of the tax is paid by electric and power companies.

#### *Economic incidence*

To estimate the economic incidence of the tax, data on electricity and gas expenditures from the Energy Information Administration and broadcasting and telecommunications services from the BEA are used to apportion the share of public services consumed by businesses and individual consumers. This analysis finds that nearly 55% of services are attributed to households, and the remaining 45% to businesses. For the portion paid by individual consumers, the analysis assumes that public service companies are able to shift the tax entirely to end consumers, which means end-consumers bear the tax burden as part of their consumption. As a result, the economic incidence of the individual consumers' tax liability is estimated to be similar to that of the household portion of the Sales and Use Tax. The analysis distributes the

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<sup>47</sup> Number of taxpayers approximated using the reported number found in the Department of Revenue Services Fiscal Year 2022-2023 Annual Report.

household tax burden using the household consumption of taxable utilities from CEX.

The remaining portion of the tax is assumed to fall on businesses. \$37.2 million of the \$177.6 million apportioned to businesses is exported out of the state, based on the methodology outlined previously. As a result, the remaining \$140.4 million of business tax is apportioned to Connecticut capital (\$17.9 million), wages (\$52.5 million), and consumption (\$69.9 million).

Table 10-1 shows the estimated economic incidence of the Public Service Companies Tax by population decile. The overall ETR is 0.17% and the tax follows a regressive tax distribution, with each higher population decile paying a smaller amount of tax as a share of income.

**Table 10-1: Economic Incidence of Public Service Companies Tax Borne by Connecticut Residents, by Population Decile, 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	<\$0	-\$2,534.3	\$83	\$4.8	1.3%	*
1	190,048	\$6,122	\$6,000	\$1,163.5	\$97	\$18.4	5.1%	1.58%
2	190,048	\$14,916	\$15,000	\$2,834.8	\$121	\$23.1	6.4%	0.81%
3	190,047	\$23,563	\$23,000	\$4,478.1	\$131	\$25.0	7.0%	0.56%
4	190,047	\$33,556	\$34,000	\$6,377.3	\$146	\$27.8	7.7%	0.44%
5	190,047	\$45,259	\$45,000	\$8,601.3	\$152	\$28.8	8.0%	0.34%
6	190,047	\$59,944	\$60,000	\$11,392.1	\$161	\$30.7	8.5%	0.27%
7	190,047	\$78,186	\$78,000	\$14,859.1	\$172	\$32.8	9.1%	0.22%
8	190,047	\$105,517	\$105,000	\$20,053.2	\$194	\$36.9	10.3%	0.18%
9	190,047	\$155,577	\$153,000	\$29,566.9	\$237	\$45.1	12.6%	0.15%
10	190,047	\$616,316	\$302,000	\$117,129.0	\$453	\$86.1	24.0%	0.07%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$184</b>	<b>\$359.4</b>	<b>100.0%</b>	<b>0.17%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332.0	\$592	\$56.3	15.7%	0.06%
Top 1%	19,005	\$3,097,333	\$1,470,000	\$58,864.8	\$1,395	\$26.5	7.4%	0.05%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$48,285.2	\$2,081	\$19.8	5.5%	0.04%

Source: Department of Revenue Services, Census Bureau, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
- Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
- The "Total tax" amounts shown in the table represents the amount of tax among full-year residents. In 2022, total liability for the Public Service Companies Tax, including the nonresident and part-year resident portions, equaled \$396.7 million.
- ETRs are not shown for families with negative or no income as they are not directly interpretable.

**Table 10-2: Economic Incidence of Public Service Companies Tax Borne by Connecticut Residents, by Income Decile, 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	<\$0	-\$2,534.3	\$83	\$4.8	1.3%	*
1	914,523	\$23,669	\$23,000	\$21,645.5	\$127	\$115.7	32.2%	0.53%
2	340,097	\$63,645	\$63,000	\$21,645.5	\$159	\$54.2	15.1%	0.25%
3	225,578	\$95,956	\$95,000	\$21,645.5	\$182	\$41.0	11.4%	0.19%
4	158,773	\$136,330	\$135,000	\$21,645.5	\$214	\$33.9	9.4%	0.16%
5	113,327	\$191,000	\$189,000	\$21,645.4	\$260	\$29.5	8.2%	0.14%
6	76,667	\$282,331	\$276,000	\$21,645.5	\$324	\$24.8	6.9%	0.11%
7	44,722	\$483,994	\$464,000	\$21,645.2	\$453	\$20.3	5.6%	0.09%
8	20,244	\$1,069,163	\$970,000	\$21,644.1	\$782	\$15.8	4.4%	0.07%
9	5,731	\$3,775,631	\$3,100,000	\$21,638.1	\$2,060	\$11.8	3.3%	0.05%
10	810	\$26,734,355	†	\$21,654.8	\$9,362	\$7.6	2.1%	0.04%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$184</b>	<b>\$359.4</b>	<b>100.0%</b>	<b>0.17%</b>

Source: Department of Revenue Services, Census Bureau, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
  - Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  - The "Total tax" amounts shown in the table represents the amount of tax among full-year residents. In 2022, total liability for the Public Service Companies Tax, including the nonresident and part-year resident portions, equaled \$396.7 million.
  - ETRs are not shown for families with negative or no income as they are not directly interpretable.
- †: Data suppressed to enable confidentiality.

### Suits Index

The Suits Index of the Public Service Companies Tax is -0.41, indicating that it is a regressive tax. For the same reasons as the Sales and Use Tax, the household portion of the Public Service Companies Tax is regressive. Low-income taxpayers consume a higher proportion of the public services (electric, gas, etc.) as a share of their income, thus the tax becomes regressive. Household necessities tend to be even more regressive as, for the most part, consumers that purchase these goods are not able to avoid the tax. For this reason, the Public Service Companies Tax is more regressive than the Sales and Use Tax.

### 10-year discussion

The Public Service Companies Tax liability has increased 21.2% from 2013 to 2022, with an average growth rate of 2.2% per annum. This is roughly equivalent to the per-annum inflation for the Northeast Region of the US, meaning that in real terms, the Public Service Companies Tax has not grown over the past 10 years. The tax liabilities increased significantly from 2021 to 2022, which is likely driven

by higher-than-average inflation. Overall inflation increased by 6.5% from December 2021 to December 2022, although inflation for electricity, a direct component of the Public Service Companies Tax, increased by 14.5%.<sup>48</sup>

**Table 10-3: Public Service Companies Tax Liability, 2013 - 2022**

Year	Tax liability
2013	\$327,341,999
2014	\$331,942,686
2015	\$329,397,392
2016	\$346,048,808
2017	\$346,666,085
2018	\$360,370,633
2019	\$348,757,216
2020	\$350,253,916
2021	\$364,389,308
2022	\$396,665,017

Source: Department of Revenue Services

## 10.2 Estate and Gift Tax

### General overview

In 2022, the Estate and Gift Tax totaled \$183.6 million, the Estate Tax is levied on the transfer of certain property upon death, preceding the transfer of assets to heirs. Conversely, the Gift Tax is imposed on the transfer of money or property during one's lifetime as a gift. In a single year, the first \$16,000 of the gift is exempt from tax.<sup>49</sup>

In 2022, estates with taxable assets valued above \$9.1 million were subject to the Estate Tax. Estates valued from \$9.1 million to \$10.1 million were taxed at 11.6%, while estates above \$10.1 million were taxed at 12%.<sup>50</sup>

<sup>48</sup> U.S. Bureau of Labor Statistics. "Consumer Price Index: 2022 in Review." *The Economics Daily*, 17 Jan. 2023, <https://www.bls.gov/opub/ted/2023/consumer-price-index-2022-in-review.htm>. Accessed 12 Nov. 2025. [bls.gov].

<sup>49</sup> Connecticut Department of Revenue Services. "Connecticut Estate and Gift Tax – General Instructions 2022." State of Connecticut, 2022, <https://portal.ct.gov/-/media/drs/forms/2022/estate/connecticut-estate-and-gift-tax---general-instructions-2022.pdf>

<sup>50</sup> Ibid.

**Table 10-4: Estate Tax Rates by Taxable Estate Value, 2022**

Estate value	Rates
Less than \$9,100,000	None
\$9,100,000 to \$10,100,000	\$11.6% of excess of \$9.1 million
Over \$10,100,000	\$116,000 + 12% of the excess over \$10.1 million

Source: Department of Revenue Services

*Legal incidence*

The legal incidence for the Estate Tax is on the deceased person and the legal incidence for the Gift Tax is on the donors.

*Economic incidence*

In 2022, the Gift Tax generated \$5,509,958 while the Estate Tax generated \$178,060,837. \$957,597 of the Gift Tax and \$2,281,661 of the Estate Tax were collected from out-of-state residents. In total, \$180,331,537 taxes were collected from Connecticut resident taxpayers from the Estate and Gift Tax.

The economic incidence of both the Estate Tax and Gift Tax are assumed to fall on the donor, which are exclusively high-income taxpayers. Both the Estate and Gift Tax are some of the most progressive taxes in Connecticut, as taxpayers need to have considerable wealth to be subject to the tax.

The donors are exclusively in the top decile and the negative decile.

**Table 10–5: Economic Incidence of Estate and Gift Tax Borne by Connecticut Residents by Population Decile, 2022**

Decile	Family Units	Average Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	<\$0	-\$2,534.3	\$169	\$9.7	5.4%	*
1	190,048	\$6,122	\$6,000	\$1,163.5	\$0	\$0.0	0.0%	0.00%
2	190,048	\$14,916	\$15,000	\$2,834.8	\$0	\$0.0	0.0%	0.00%
3	190,047	\$23,563	\$23,000	\$4,478.1	\$0	\$0.0	0.0%	0.00%
4	190,047	\$33,556	\$34,000	\$6,377.3	\$0	\$0.0	0.0%	0.00%
5	190,047	\$45,259	\$45,000	\$8,601.3	\$0	\$0.0	0.0%	0.00%
6	190,047	\$59,944	\$60,000	\$11,392.1	\$0	\$0.0	0.0%	0.00%
7	190,047	\$78,186	\$78,000	\$14,859.1	\$0	\$0.0	0.0%	0.00%
8	190,047	\$105,517	\$105,000	\$20,053.2	\$0	\$0.0	0.0%	0.00%
9	190,047	\$155,577	\$153,000	\$29,566.9	\$0	\$0.0	0.0%	0.00%
10	190,047	\$616,316	\$302,000	\$117,129.0	\$898	\$170.6	94.6%	0.15%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$92</b>	<b>\$180.3</b>	<b>100.0%</b>	<b>0.08%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332.0	-	-	-	-
Top 1%	19,005	\$3,097,333	\$1,466,000	\$58,864.8	-	-	-	-
Top 0.5%	9,503	\$5,081,046	\$2,513,000	\$48,285.2	-	-	-	-

Source: Department of Revenue Services, Census Bureau, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
- Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
- The "Total tax" amounts shown in the table represents the amount of tax among full-year residents. In 2022, total liability for the Estate and Gift Taxes, including the nonresident and part-year resident portions, equaled \$183,570,795.
- ETRs are not shown for families with negative or no income as they are not directly interpretable.
- The distribution of the Estate and Gift Tax is assumed to follow the federal distribution of the estate tax, which is produced by the U.S. Treasury Department. Due to limitations of the information produced by the US Treasury, certain tabulations of the data are not possible. For more information, see here: <https://home.treasury.gov/system/files/131/Distribution-of-Tax-Burden-Current-Law-2022.pdf>. Note- link not verifiable via Google.

Due to data limitations and taxpayer confidentiality considerations, the Estate and Gift Tax cannot be shown by the top 5%, 1%, or 0.5%, nor can the tax be shown by income decile.

**Suits Index**

Given the data limitations, it is not possible to calculate a Suits Index based on the income deciles as done for the other taxes. However, a Suits Index calculated for the population would result in a value of 1, meaning amongst those with positive incomes, all of the tax is paid by the top decile. As such, the Estate and Gift Tax would be the most progressive tax in the Connecticut tax system.

*10-year discussion*

The Estate and Gift Tax liabilities have increased 47% from 2013 to 2022, although liabilities peaked in 2020. The Estate and Gift Tax adds progressivity to the tax system; however, the tax liabilities represent less than 1% of total state and local revenue collected by Connecticut. As such, the changes over the period had a limited impact on the overall progressivity of Connecticut taxes.

**Table 10-6: Estate and Gift Tax Liabilities, 2013 – 2022**

Year	Liabilities
2013	125,252,906
2014	152,337,226
2015	199,675,129
2016	159,125,150
2017	215,739,044
2018	198,648,766
2019	167,810,570
2020	248,954,755
2021	182,980,868
2022	183,570,795

Source: Department of Revenue Services

**10.3 Motor Vehicle Fuels Tax**

*General overview*

In 2022, the Motor Vehicle Fuels Tax liabilities totaled \$203.9 million, generated from payments by approximately 894 monthly motor fuels taxpayers.<sup>51</sup> The Motor Vehicle Fuels Tax is levied on motor fuel used or sold in Connecticut. Fuel includes gasoline, diesel, gasohol, propane, or any combustible gas or liquid providing the power to propel a motor vehicle. Tax revenue is sourced from the total gallons of fuel sold by motor vehicle fuel companies. Rates are per gallon and differ by fuel type. The tax rate for gasoline and gasohol is \$0.25 per gallon. Relevant to this analysis, a “gas tax holiday” suspended the application of the tax on gasoline and gasohol between April 1, 2022, through December 31, 2022. Natural gas or propane is taxed at \$0.26 per gallon. The tax on diesel fuel in 2022 was \$0.401 per gallon during the first six months of the calendar year, increasing to \$0.492 per gallon for the latter six months of the year.

<sup>51</sup> Number of taxpayers approximated using the reported number found in the Department of Revenue Services Fiscal Year 2022-2023 Annual Report.

### *Legal Incidence*

The legal incidence for the tax is on licensed distributors of motor fuel.

### *Economic incidence*

This analysis assumes the Motor Vehicle Fuels Tax is passed on to end users of motor vehicle fuels by the full amount of the tax, including households and business purchasers of vehicle fuels. Using data on the number of gallons of fuel purchased and composition of vehicle ownership between households and businesses, this analysis estimates that 70% of the Motor Vehicle Fuels Tax in 2022 was generated by businesses' purchases of motor fuels. Detailed explanations of the incidence assumptions for the Motor Vehicle Fuels Tax are found in the Appendix. The business share of the tax was particularly high in 2022 due to the tax holiday on gasoline and gasohol that ran for three-quarters of the year. As a result, purchases of diesel fuel, which this analysis assumes is consumed only by heavy-duty vehicles, make up the majority of the tax liabilities.

A small subset of the individual consumer portion of the Motor Vehicle Fuels Tax is generated by nonresidents of Connecticut, who travel to or through the state by vehicle, including for work or leisure. Based on estimates of Sales and Use Tax generated by visitors to Connecticut, this analysis estimates that under 4% of the household portion of the tax is generated by nonresidents. The remaining portion of the household-generated Motor Vehicle Fuels Tax, equaling \$58.3 million, is distributed to Connecticut families using data identifying motor fuel spending patterns by family income.

A significant portion of the tax generated by business purchases of motor fuels is exported out of Connecticut, owing to the assumption that capital ownership of businesses can be diffuse across the country and globally, and that some consumption occurs by non-resident consumers. This analysis estimates that 20.7% of the taxable motor fuels purchased by businesses are exported. The remaining business portion of the tax, equaling \$113.7 million, is assumed to fall on Connecticut residents. As discussed in the previously outlined methodology, businesses push forward part of the tax to consumers in the form of higher prices and backward to workers in the form of lower wages, with the remainder falling on capital owners.

Table 10-7 shows the population decile view of the estimated economic incidence of the Connecticut resident-paid portion of the Motor Vehicle Fuels Tax, which totaled an estimated \$172.1 million in 2022. The overall ETR equals 0.08%. The average family paid \$88 on this tax in 2022.

The ETR declines with population decile, with the lowest population decile having an ETR of 0.53% and the top decile having an ETR of 0.05%. This pattern of the ETR reflects regressivity in the tax.

**Table 10-7: Economic Incidence of Motor Vehicle Fuels Tax Borne by Connecticut Residents by Population Decile, 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	<\$0	-\$2,534.3	\$35	\$2.0	1.2%	*
1	190,048	\$6,122	\$6,000	\$1,163.5	\$33	\$6.2	3.6%	0.53%
2	190,048	\$14,916	\$15,000	\$2,834.8	\$28	\$5.3	3.1%	0.19%
3	190,047	\$23,563	\$23,000	\$4,478.1	\$37	\$7.0	4.0%	0.16%
4	190,047	\$33,556	\$34,000	\$6,377.3	\$50	\$9.4	5.5%	0.15%
5	190,047	\$45,259	\$45,000	\$8,601.3	\$57	\$10.9	6.3%	0.13%
6	190,047	\$59,944	\$60,000	\$11,392.1	\$68	\$13.0	7.6%	0.11%
7	190,047	\$78,186	\$78,000	\$14,859.1	\$82	\$15.5	9.0%	0.10%
8	190,047	\$105,517	\$105,000	\$20,053.2	\$101	\$19.1	11.1%	0.10%
9	190,047	\$155,577	\$153,000	\$29,566.9	\$135	\$25.6	14.9%	0.09%
10	190,047	\$616,316	\$302,000	\$117,129.0	\$305	\$57.9	33.7%	0.05%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$88</b>	<b>\$172.1</b>	<b>100.0%</b>	<b>0.08%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332.0	\$435	\$41.3	24.0%	0.04%
Top 1%	19,005	\$3,097,333	\$1,470,000	\$58,864.8	\$1,142	\$21.7	12.6%	0.04%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$48,285.2	\$1,812	\$17.2	10.0%	0.04%

**Source:** Department of Revenue Services, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
- Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
- The "Total tax" amounts shown in the table represents the amount of tax among full-year residents. In 2022, total liability for the Motor Vehicle Fuels Tax, including the nonresident and part-year resident portions, equaled \$203.9 million.
- ETRs are not shown for families with negative or no income as they are not directly interpretable.

Table 10-8 shows the income decile view of the estimated economic incidence. As with the population decile view, the ETR declines with income decile, reflecting the regressivity in the tax.

**Table 10–8: Economic Incidence of Motor Vehicle Fuels Tax Borne by Connecticut Residents, by Income Decile, 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	<\$0	-\$2,534.3	\$35	\$2.0	1.2%	*
1	914,523	\$23,669	\$23,000	\$21,645.5	\$37	\$34.2	19.9%	0.16%
2	340,097	\$63,645	\$63,000	\$21,645.5	\$69	\$23.5	13.7%	0.11%
3	225,578	\$95,956	\$95,000	\$21,645.5	\$91	\$20.5	11.9%	0.09%
4	158,773	\$136,330	\$135,000	\$21,645.5	\$118	\$18.8	10.9%	0.09%
5	113,327	\$191,000	\$189,000	\$21,645.4	\$150	\$17.0	9.9%	0.08%
6	76,667	\$282,331	\$276,000	\$21,645.5	\$193	\$14.8	8.6%	0.07%
7	44,722	\$483,994	\$464,000	\$21,645.2	\$296	\$13.2	7.7%	0.06%
8	20,244	\$1,069,163	\$970,000	\$21,644.1	\$567	\$11.5	6.7%	0.05%
9	5,731	\$3,775,631	\$3,100,000	\$21,638.1	\$1,717	\$9.8	5.7%	0.05%
10	810	\$26,734,355	†	\$21,654.8	\$8,153	\$6.6	3.8%	0.03%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$88</b>	<b>\$172.1</b>	<b>100.0%</b>	<b>0.08%</b>

**Source:** Department of Revenue Services, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
  - Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  - The “Total tax” amounts shown in the table represents the amount of tax among full-year residents. In 2022, total liability for the Motor Vehicle Fuels Tax, including the nonresident and part-year resident portions, equaled \$203.9 million.
  - ETRs are not shown for families with negative or no income as they are not directly interpretable.
- †: Data suppressed to enable confidentiality.

### Suits Index

The Suits Index of the Motor Vehicle Fuels Tax is -0.24, indicating the tax is regressive compared to a scenario in which each Connecticut family’s share of the tax is proportional to their share of total family income.

### 10-year discussion

Table 10–9 shows the total tax revenues from the Motor Vehicle Fuels Tax over the 10-year period through 2022. In the years 2013 through 2019, the annual tax amount was relatively stable, hovering between \$481.5 million and \$496.7 million each year. The tax saw a dip in 2020 followed by a recovery in 2021; this may be due to impacts from the COVID-19 pandemic on transportation behavior. The tax revenue amount in 2022 was significantly lower than the prior nine years, at \$203.9 million. As noted above, this is largely a consequence of the tax holiday on gasoline and gasohol purchases in the majority of 2022.

**Table 10-9: Motor Vehicle Fuels Tax, 2013-2022**

Year	Tax Liability
2013	\$482,017,444
2014	\$486,294,941
2015	\$496,709,057
2016	\$490,428,727
2017	\$481,497,847
2018	\$488,131,143
2019	\$494,589,700
2020	\$437,980,530
2021	\$467,028,786
2022	\$203,917,550

Source: Department of Revenue Services

## 10.4 Petroleum Products Gross Earnings Tax

### General overview

In 2022, the Petroleum Products Gross Earnings Tax had a total liability of \$419.1 million. The Petroleum Products Gross Earning Tax is applied to the gross earnings from the first sale of companies distributing petroleum products in Connecticut. These products encompass, but are not limited to gasoline, aviation fuel, kerosene, diesel fuel, number 2 heating oil, greases, lubricants, mineral oils, and motor oil. The tax rate is 8.1% on the gross earnings. The tax has a \$3.00 per gallon cap on which the tax is calculated for the first sale for gasoline and gasohol. Petroleum products distributors are required to calculate the tax at \$3.00 per gallon even if the price exceeds that amount and any consideration received by the distributor in excess of \$3.00 is exempt from tax.

A number of petroleum products are exempt from the tax. These include, but are not limited to, number 2 heating oil or in a commercial fishing vessel, propane gas primarily used for heating purposes, and diesel fuel other than that used in an electric generating facility to generate electricity.<sup>52</sup>

### Legal incidence

The legal incidence of the tax is on companies distributing petroleum products, which included approximately 637 taxpayers in 2022.<sup>53</sup>

<sup>52</sup> More details on the Petroleum Products Gross Earnings Tax, including exemptions, can be found in the Department of Revenue Services Fiscal Year 2022-2023 Annual Report.

<sup>53</sup> Number of taxpayers approximated using the reported number found in the Department of Revenue Services Fiscal Year 2022-2023 Annual Report.

### *Economic incidence*

The Petroleum Product Gross Earnings Tax is a gross receipts tax, which is a tax on company revenue. Functionally, this is similar to a Sales and Use Tax, which is also assessed on revenue. The estimation of the economic incidence assumes the full amount of the tax is passed on to the end users of taxable petroleum products, including individual households and businesses. Using data on purchases of petroleum products for households and businesses, this analysis estimates that 79% of the Petroleum Products Gross Earnings Tax in 2022 was generated by households. Detailed explanations of the incidence assumptions for the tax are found in the Appendix.

A small subset of the individual consumer portion of the Petroleum Products Gross Earnings Tax is generated by nonresidents of Connecticut, primarily through their purchases of taxable motor fuels such as gasoline. This analysis estimates that less than 4% of the household portion of the tax is generated by nonresidents. The remaining portion of the household-generated Petroleum Products Gross Earnings Tax, equaling \$318.4 million, is distributed to Connecticut families using data identifying expenditures on taxable petroleum products by family income.

A portion of the tax generated by business purchases of Petroleum Products is exported out of Connecticut, owing largely to the assumption that capital ownership of businesses can be diffuse across the country and globally, and that some consumption occurs by non-resident consumers. This analysis assumes that 21.2% of the Petroleum Products Gross Earnings Tax generated by business purchases of taxable petroleum products are exported. The remaining business portion of the tax, equaling \$70.5 million, is assumed to fall on Connecticut residents. Based on the previously outlined methodology, businesses push forward part of the tax to consumers in the form of higher prices and backward to workers in the form of lower wages, with any remainder falling on capital owners.

Table 10-10 shows the population decile view of the estimated economic incidence of the Connecticut resident-paid portion of the Petroleum Products Gross Earnings tax, which totaled an estimated \$388.9 million in 2022. The overall ETR equals 0.18%. The average family paid \$199 on this tax in 2022.

The ETR declines with population decile, with the lowest population decile having an ETR of 1.89% and the top decile having an ETR of 0.07%. This pattern in the ETR reflects regressivity in the tax.

**Table 10-10: Economic Incidence of Petroleum Products Gross Earnings Tax Borne by Connecticut Residents, by Population Decile, 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax (\$ millions)	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	<\$0	-\$2,534.3	\$119	\$6.9	1.8%	*
1	190,048	\$6,122	\$6,000	\$1,163.5	\$115	\$21.9	5.6%	1.89%
2	190,048	\$14,916	\$15,000	\$2,834.8	\$82	\$15.6	4.0%	0.55%
3	190,047	\$23,563	\$23,000	\$4,478.1	\$112	\$21.2	5.5%	0.47%
4	190,047	\$33,556	\$34,000	\$6,377.3	\$144	\$27.3	7.0%	0.43%
5	190,047	\$45,259	\$45,000	\$8,601.3	\$163	\$30.9	7.9%	0.36%
6	190,047	\$59,944	\$60,000	\$11,392.1	\$192	\$36.5	9.4%	0.32%
7	190,047	\$78,186	\$78,000	\$14,859.1	\$219	\$41.7	10.7%	0.28%
8	190,047	\$105,517	\$105,000	\$20,053.2	\$253	\$48.1	12.4%	0.24%
9	190,047	\$155,577	\$153,000	\$29,566.9	\$304	\$57.8	14.9%	0.20%
10	190,047	\$616,316	\$302,000	\$117,129.0	\$426	\$81.0	20.8%	0.07%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$199</b>	<b>\$388.9</b>	<b>100.0%</b>	<b>0.18%</b>
<b>Addendum</b>								
Top 5%	95,024	\$992,718	\$474,000	\$94,332.0	\$574	\$54.6	14.0%	0.06%
Top 1%	19,005	\$3,097,333	\$1,470,000	\$58,864.8	\$1,031	\$19.6	5.0%	0.03%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$48,285.2	\$1,652	\$15.7	4.0%	0.03%

**Source:** Department of Revenue Services, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
- Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
- The "Total tax" amounts shown in the table represents the amount of tax among full-year residents. In 2022, total liability for the Petroleum Products Gross Earnings Tax, including the nonresident and part-year resident portions, equaled \$419.1 million.
- ETRs are not shown for families with negative or no income as they are not directly interpretable.

Table 10-11 shows the income decile view of the estimated economic incidence. As with the population decile view, the ETR declines with income decile, reflecting the regressivity in the tax.

**Table 10-11: Economic Incidence of Petroleum Products Gross Earnings Tax Borne by Connecticut Residents, by Income Decile, 2022**

Decile	Family Units	Mean Income	Median Income	Total Income (\$ millions)	Average Tax	Total Tax	Share of Tax Burden	Effective Tax Rate
Negative or no income	57,741	-\$43,891	<\$0	-\$2,534.3	\$119	\$6.9	1.8%	*
1	914,523	\$23,669	\$23,000	\$21,645.5	\$113	\$103.3	26.6%	0.48%
2	340,097	\$63,645	\$63,000	\$21,645.5	\$200	\$68.0	17.5%	0.31%
3	225,578	\$95,956	\$95,000	\$21,645.5	\$241	\$54.5	14.0%	0.25%
4	158,773	\$136,330	\$135,000	\$21,645.5	\$288	\$45.8	11.8%	0.21%
5	113,327	\$191,000	\$189,000	\$21,645.4	\$320	\$36.2	9.3%	0.17%
6	76,667	\$282,331	\$276,000	\$21,645.5	\$351	\$26.9	6.9%	0.12%
7	44,722	\$483,994	\$464,000	\$21,645.2	\$461	\$20.6	5.3%	0.10%
8	20,244	\$1,069,163	\$970,000	\$21,644.1	\$683	\$13.8	3.6%	0.06%
9	5,731	\$3,775,631	\$3,100,000	\$21,638.1	\$1,461	\$8.4	2.2%	0.04%
10	810	\$26,734,355	†	\$21,654.8	\$5,516	\$4.5	1.1%	0.02%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>\$199</b>	<b>\$388.9</b>	<b>100.0%</b>	<b>0.18%</b>

**Source:** Department of Revenue Services, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
- Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
- The “Total tax” amounts shown in the table represents the amount of tax among full-year residents. In 2022, total liability for the Petroleum Products Gross Earnings Tax, including the nonresident and part-year resident portions, equaled \$419.1 million.
- ETRs are not shown for families with negative or no income as they are not directly interpretable.

†: Data suppressed to enable confidentiality.

### Suits Index

The Suits Index of the Petroleum Gross Earnings Tax is -0.42, indicating the tax is regressive. This is similar to most taxes on consumption, as low-income taxpayers consume a higher share of their income compared to high-income taxpayers with higher savings rates.

### 10-year discussion

Table 10-12 shows the annual tax liability amount of the Petroleum Products Gross Earnings Tax for the 10-year period from 2013 through 2022. The tax liability level has seen notable fluctuation over this period with a substantial decline in 2015 that persisted through 2020. The tax liability rose after 2020, with 2022 seeing the highest level during this 10-year period.

**Table 10-12: Petroleum Products Gross Earnings Tax Liability, 2013-2022**

Year	Tax Liability
2013	\$376,734,967
2014	\$389,391,645
2015	\$269,329,409
2016	\$239,825,398
2017	\$230,364,777
2018	\$306,270,154
2019	\$286,821,603
2020	\$159,715,936
2021	\$304,917,516
2022	\$419,149,033

Source: Department of Revenue Services

## 11. Tax Expenditures

The 2025 report includes an incidence analysis of several tax expenditures. Tax expenditures represent a loss of revenue to the government through special provisions in the tax code. They are typically defined as any deviation from the standard tax base. Tax expenditures include exemptions, exonerations, deductions, credits, and preferential rates.

The tax expenditures considered in this analysis are listed and described below.<sup>54</sup> They include tax expenditures that reduce tax liability from the Sales and Use Tax, the Petroleum Products Gross Earnings Tax, and the Public Service Companies Tax.

**Exemption from Sales and Use Tax of sales of food products for human consumption and items purchased with Supplemental Nutrition Assistance Program (SNAP) benefits:** “Food products” include cereals and cereal products, milk and milk products, oleomargarine, meat and meat products, fish and fish products, eggs and egg products, vegetables and vegetable products, fruit and fruit products, spices and salt, sugar and sugar products other than candy and confectionery, coffee and coffee substitutes, tea, and cocoa and cocoa products other than candy and confectionery. “Food products” do not include spirituous, malt or vinous liquors, soft drinks, sodas or beverages such as are ordinarily dispensed at bars and soda fountains, or in connection therewith, medicines except by prescription, tonics and preparations in liquid-powdered, granular, tablet, capsule, lozenge, and pill form sold as dietary supplements or adjuncts. “Food products” also do not include meals sold by an eating establishment or caterer. Items purchased with SNAP benefits include sales of any items purchased with federal SNAP benefits (i.e., food stamps).

**Exemption from Sales and Use Tax of sales of prescription medicines, syringes, and needles:** Sales of, and the storage, use, or other consumption of medicine only by prescription as defined by federal or state law, including such medicine provided for no consideration and the sales of syringes and needles only by prescription. Sales of, and the storage, use or other consumption of materials,

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<sup>54</sup> Description for each tax expenditure category as found in the Connecticut General Assembly Office of Fiscal Analysis Tax Expenditure Report, February 2024. [https://www.cga.ct.gov/ofa/Documents/year/TER/2024TER-20240201\\_Tax%20Expenditure%20Report%20FY%2024.pdf](https://www.cga.ct.gov/ofa/Documents/year/TER/2024TER-20240201_Tax%20Expenditure%20Report%20FY%2024.pdf).

including materials used in packaging, which become an ingredient or component part of medicine only by prescription, as defined by federal or state law.

**Exemption from Sales and Use Tax of sales of nonprescription drugs and medicines:** Sales of the following nonprescription drugs or medicines available for purchase for use in or on the body: Vitamin or mineral concentrates; dietary supplements; natural or herbal drugs or medicines; products intended to be taken for coughs, cold, asthma or allergies, or antihistamines; laxatives; antidiarrheal medicines; analgesics; antibiotic, antibacterial, antiviral and antifungal medicines; antiseptics; astringents; anesthetics; steroidal medicines; anthelmintics; emetics and antiemetics; antacids; and any medication prepared to be used in the eyes, ears or nose. Nonprescription drugs or medicines shall not include cosmetics, mouthwash, shaving and hair care products, soaps, or deodorants.

**Exemption from Sales and Use Tax of sales of utilities for agricultural production or manufacturing:** Sales of fuel used for heating purposes, gas, and electricity in any building, location, or premise utilized directly in: (1) agricultural production, fabrication of a finished product to be sold or (2) an industrial manufacturing plant. The exemption is allowed only in a location in which not less than 75% of the gas, electricity, or fuel used in such location is used for the purpose of such production, fabrication, or manufacturing.

**Lowered 1% rate for Sales and Use Tax of sales of computer and data processing services:** Computer and data processing services include services rendered in connection with the World Wide Web as of October 1, 2015.

**Exemption from Sales and Use Tax of sales of renovation and repair services for residential real property:** Sales of renovation and repair services of paving of any sort, painting or staining, wallpapering, roofing, siding, and exterior sheet metal work other than industrial, commercial, or income-producing real property.

**Exemption from Sales and Use Tax of development of media advertising and cooperative direct mail advertising:** Media advertising includes: (i) the sale of time or space (ii) in or on a preexisting medium (iii) for broadcast or dissemination to all or a segment of the public.

**Exemption from Sales and Use Tax of trade-ins of motor vehicles, snowmobiles, vessels, or farm tractors:** No Use Tax shall be payable in cases of purchase of any motor vehicle, snowmobile, vessel or aircraft other than from a licensed dealer (1) when the purchaser is the spouse, mother, father, brother, sister, or child of the seller, (2) when a motor vehicle or vessel is sold in connection with the organization, reorganization, or liquidation of an incorporated business, (3) when a motor vehicle is sold in connection with the organization or termination of a Partnership or limited liability company, or (4) when a motor vehicle, which has been declared a total loss pursuant to the provisions of section 14-16c is rebuilt for sale or use, provided the purchaser was subjected to the tax imposed by this chapter for the last taxable sale of said vehicle.

**Exemption from Petroleum Products Gross Earnings Tax of number 2 heating oil used for heating purposes:** The exemption is for number 2 heating oil used for heating purposes.

**Exemption from Petroleum Products Gross Earnings Tax of diesel fuel:** The exemption is for the first sale of diesel fuel other than diesel fuel used in an electric generation facility to generate electricity.

**Exemption from Petroleum Products Gross Earnings Tax of propane used for residential heating:** The exemption is for propane sold for use in residential heating when: (1) sold in containers, or (2) sold and delivered to a stationary storage tank with a capacity of not more than 1,000 gallons.

**Lower rate on Public Service Companies Tax for residential utilities:** Companies and municipal utilities are taxed at the rate of 4%, rather than 5% for gas and 6.8% rather than 8.5% on electricity, on gross earnings from manufacturing, selling, or distributing gas or transmission and distribution of electricity for residential light, heat, or power.

### *Economic incidence*

The tax expenditures analyzed are applied against the Sales and Use Tax, the Petroleum Products Gross Earnings Tax, and the Public Service Companies Tax. Sales and Use Tax exemptions and rate reductions on household purchases are directly passed on the end-purchaser. Exemptions and rate reductions for the household portion of the Petroleum Products Gross Earnings Tax and the Public Service Companies Tax are assumed to be passed in full to the end user of the

goods and services (this follows the same assumptions of the economic incidence noted in the specific sections for these taxes). Therefore, tax expenditures relating to purchases of goods and services used or consumed by individual households are assumed to directly benefit those households.

Tax expenditures relating to purchases of goods and services used or consumed by businesses reduce the business' tax burdens – these can then be either passed forward to consumers in the form of lower prices, to employees in the form of higher wages, or benefit capital (owners of the business).

Similar to the assumptions used in previous sections for the economic incidence of the various taxes, a share of the benefit of the tax expenditures applies to nonresidents of Connecticut. This results from non-Connecticut households that may purchase goods or services in Connecticut that qualify for tax exemptions or from qualifying purchases in Connecticut by businesses with capital ownership that partly resides outside of Connecticut.

Table 11-1 and Table 11-2 show the average tax benefit per \$1,000 of family income to Connecticut residents by population decile. Tables displaying the total tax expenditure, share of total tax benefits, and average tax benefit per family by population and income deciles for each of the tax expenditure categories are found in the Appendix.

There is a range in the average tax benefit to Connecticut residents per \$1,000 of family income, with Sales and Use Tax exemptions for sales of human food products and prescription medicines, syringes, and needles having the highest tax benefit of over \$2 in benefit per \$1,000 of family income.

For tax expenditures that relate primarily to goods and services consumed by individual households, the average tax benefit per \$1,000 of family income tends to decrease with family income. This implies that, for these tax expenditures, low-income families tend to receive a larger tax benefit relative to their incomes. An example of this is with sales of human food products, where a family in the lowest population decile on average received almost \$46 in benefit per \$1,000 of family income and a family in the highest population decile receives just over \$1 in benefit per \$1,000 of family income.

For tax expenditures that relate primarily to goods and services consumed by businesses, such as the Sales and Use Tax exemption for utilities serving

agricultural production or manufacturers and the lowered rate for computer and data processing services, the results are mixed. Several of these tax expenditures show the average tax benefit per \$1,000 of family income decreases with family income. On the other hand, the average tax benefit per \$1,000 of family income increases between the middle and upper population deciles for the Sales and Use Tax exemption for utilities serving agricultural production or manufacturers.

Table 11-3 and Table 11-4 shows the average tax benefit per \$1,000 of family income to Connecticut residents by income decile. The pattern of average tax benefit per \$1,000 of family income against income decile generally has similarities with the population decile view. One difference is that, compared to the first population decile, the first income decile has substantially lower average tax benefit per \$1,000 in family income. This is due to the first income decile, which has over 914,000 families, fully encompassing the first population decile as well as several other population deciles with lower average tax benefits per \$1,000 in family income.

The total amount of tax expenditures for each of these tax expenditure categories over the 10-year period from 2013 through 2022 are displayed in Table 11-5. The majority of the tax expenditure categories analyzed have seen growth in expenditure amounts over this time period.

**Table II-1: Average Tax Benefit per \$1,000 of Family Income for Select Sales and Use Tax Expenditures to Connecticut Residents, by Population Decile, 2022**

Decile	Family units	Mean Income	Median income	Sales of food products for human consumption, incl. SNAP purchases	Prescription medicines, syringes, needles	Non-prescription drugs and medicines	Utilities for agricultural production or manufacturing	Computer and data processing services lowered rate	Renovation and repair for residential real property	Media advertising and cooperative direct mail advertising	Trade-in of motor vehicles, snowmobiles, vessels, or farm tractors
Negative or no income	57,741	-\$43,891	<\$0	*	*	*	*	*	*	*	*
1	190,048	\$6,122	\$6,000	\$45.85	\$16.87	\$0.44	\$0.25	\$7.44	\$2.13	\$0.35	\$1.69
2	190,048	\$14,916	\$15,000	\$9.09	\$8.46	\$0.15	\$0.18	\$3.37	\$0.87	\$0.16	\$0.60
3	190,047	\$23,563	\$23,000	\$7.25	\$9.06	\$0.19	\$0.17	\$2.65	\$0.66	\$0.13	\$0.65
4	190,047	\$33,556	\$34,000	\$6.42	\$6.83	\$0.12	\$0.21	\$2.68	\$0.62	\$0.13	\$0.57
5	190,047	\$45,259	\$45,000	\$5.81	\$4.97	\$0.11	\$0.22	\$2.27	\$0.61	\$0.11	\$0.58
6	190,047	\$59,944	\$60,000	\$4.64	‡	\$0.09	\$0.21	\$2.07	\$0.44	\$0.10	\$0.56
7	190,047	\$78,186	\$78,000	\$3.84	\$3.38	\$0.10	\$0.22	\$1.95	\$0.33	\$0.10	\$0.54
8	190,047	\$105,517	\$105,000	\$3.40	\$2.45	\$0.04	\$0.23	\$1.86	\$0.34	\$0.10	\$0.53
9	190,047	\$155,577	\$153,000	\$3.41	\$2.00	\$0.04	\$0.25	\$1.81	\$0.39	\$0.10	\$0.49
10	190,047	\$616,316	\$302,000	\$1.22	\$0.58	\$0.01	\$0.22	\$1.18	\$0.15	\$0.07	\$0.22
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$2.93</b>	<b>\$2.60</b>	<b>\$0.05</b>	<b>\$0.23</b>	<b>\$1.64</b>	<b>\$0.30</b>	<b>\$0.09</b>	<b>\$0.38</b>
<b>Addendum</b>											
Top 5%	95,024	\$992,718	\$474,000	\$0.96	\$0.77	\$0.03	\$0.22	\$1.01	\$0.08	\$0.06	\$0.17
Top 1%	19,005	\$3,097,333	\$1,470,000	\$0.86	\$0.35	\$0.02	\$0.19	\$0.92	\$0.07	\$0.05	\$0.11
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$0.85	\$0.35	\$0.02	\$0.18	\$0.88	\$0.07	\$0.05	\$0.09

Source: Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
  - Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  - Media advertising and cooperative direct mail advertising total expenditure amount uses Fiscal Year 2022 estimates reported by Office of Fiscal Analysis.
- \* Average tax benefit relative to family income is not shown for families with zero or negative incomes as they are not directly interpretable.  
 ‡ Data suppressed due to sampling errors in CEX. This results in certain outliers in the data.

**Table II-2: Average tax benefit per \$1,000 of family income for Select Tax Expenditures to Connecticut residents, by Population Decile, 2022**

Decile	Family units	Mean Income	Median income	Petroleum Products Gross Earnings Tax			Public Service Companies Tax
				#2 Heating oil used for heating purposes	Diesel fuel*	Propane used for residential heating	Lowered rate for residential services
Negative or no income	57,741	-\$43,891	<\$0	*	*	*	*
1	190,048	\$6,122	\$6,000	\$6.30	\$4.74	\$0.73	\$1.93
2	190,048	\$14,916	\$15,000	\$1.12	\$2.21	\$0.51	\$0.61
3	190,047	\$23,563	\$23,000	\$1.95	\$1.76	\$0.61	\$0.47
4	190,047	\$33,556	\$34,000	\$2.48	\$1.81	\$0.36	\$0.38
5	190,047	\$45,259	\$45,000	\$1.14	\$1.57	\$0.22	\$0.29
6	190,047	\$59,944	\$60,000	\$1.36	\$1.45	\$0.21	\$0.24
7	190,047	\$78,186	\$78,000	\$1.16	\$1.39	\$0.17	\$0.19
8	190,047	\$105,517	\$105,000	\$1.24	\$1.35	\$0.20	\$0.15
9	190,047	\$155,577	\$153,000	\$1.02	\$1.35	\$0.16	\$0.11
10	190,047	\$616,316	\$302,000	\$0.48	\$0.99	\$0.06	\$0.03
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$0.88</b>	<b>\$1.25</b>	<b>\$0.14</b>	<b>\$0.13</b>
<b>Addendum</b>							
Top 5%	95,024	\$992,718	\$474,000	\$0.11	\$0.89	\$0.01	\$0.03
Top 1%	19,005	\$3,097,333	\$1,470,000	\$0.10	\$0.83	\$0.01	\$0.01
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$0.09	\$0.80	\$0.01	\$0.01

**Source:** Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. Diesel fuel category is diesel fuel other than that used in an electric generation facility to generate electricity.

\* Average tax benefit relative to family income is not shown for families with zero or negative incomes as they are not directly interpretable.

**Table II-3: Average tax benefit per \$1,000 of family income for select Sales and Use Tax expenditures to Connecticut residents, by income decile, 2022**

Decile	Family units	Mean Income	Median income	Sales of food products for human consumption, incl. SNAP purchases	Prescription medicines, syringes, needles	Non-prescription drugs and medicines	Utilities for agricultural production or manufacturing	Computer and data processing services lowered rate	Renovation and repair for residential real property	Media advertising and cooperative direct mail advertising	Trade-in of motor vehicles, snowmobiles, vessels, or farm tractors
Negative or no income	57,741	-\$43,891	<\$0	*	*	*	*	*	*	*	*
1	914,523	\$23,669	\$23,000	\$7.29	\$7.05	\$0.13	\$0.20	\$2.69	\$0.60	\$0.13	\$0.71
2	340,097	\$63,645	\$63,000	\$4.24	\$8.16	\$0.09	\$0.21	\$1.88	\$0.37	\$0.10	\$0.53
3	225,578	\$95,956	\$95,000	\$3.22	\$2.46	\$0.04	\$0.23	\$1.75	\$0.29	\$0.09	\$0.51
4	158,773	\$136,330	\$135,000	\$3.53	\$2.20	\$0.04	\$0.24	\$1.71	\$0.34	\$0.09	\$0.50
5	113,327	\$191,000	\$189,000	\$2.72	\$1.64	\$0.04	\$0.25	\$1.68	\$0.36	\$0.09	\$0.44
6	76,667	\$282,331	\$276,000	\$1.91	\$1.09	\$0.02	\$0.25	\$1.57	\$0.24	\$0.08	\$0.34
7	44,722	\$483,994	\$464,000	\$2.27	\$1.03	\$0.03	\$0.26	\$1.45	\$0.21	\$0.08	\$0.28
8	20,244	\$1,069,163	\$970,000	\$2.10	\$0.76	\$0.03	\$0.25	\$1.33	\$0.18	\$0.07	\$0.20
9	5,731	\$3,775,631	\$3,100,000	\$1.21	\$0.35	\$0.02	\$0.22	\$1.19	\$0.16	\$0.07	\$0.12
10	810	\$26,734,355	†	\$0.35	\$0.08	\$0.01	\$0.14	\$0.82	\$0.14	\$0.04	\$0.06
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$2.93</b>	<b>\$2.60</b>	<b>\$0.05</b>	<b>\$0.23</b>	<b>\$1.64</b>	<b>\$0.30</b>	<b>\$0.09</b>	<b>\$0.38</b>

Source: Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
  - Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  - Media advertising and cooperative direct mail advertising total expenditure amount uses Fiscal Year 2022 estimates reported by Office of Fiscal Analysis.
- †: Data suppressed to enable confidentiality.  
 \* Average tax benefit relative to family income is not shown for families with zero or negative incomes as they are not directly interpretable.

**Table II-4: Average tax benefit per \$1,000 of family income for select tax expenditures to Connecticut residents, by income decile, 2022**

Decile	Family units	Mean Income	Median income	Petroleum Products Gross Earnings Tax			Public Service Companies Tax
				#2 Heating oil used for heating purposes	Diesel fuel*	Propane used for residential heating	Lowered rate for residential services
Negative or no income	57,741	-\$43,891	<\$0	*	*	*	*
1	914,523	\$23,669	\$23,000	\$1.93	\$1.82	\$0.39	\$0.46
2	340,097	\$63,645	\$63,000	\$1.35	\$1.34	\$0.18	\$0.23
3	225,578	\$95,956	\$95,000	\$1.22	\$1.29	\$0.19	\$0.16
4	158,773	\$136,330	\$135,000	\$1.10	\$1.28	\$0.14	\$0.13
5	113,327	\$191,000	\$189,000	\$1.17	\$1.28	\$0.26	\$0.10
6	76,667	\$282,331	\$276,000	\$1.01	\$1.22	\$0.08	\$0.07
7	44,722	\$483,994	\$464,000	\$0.61	\$1.17	\$0.05	\$0.05
8	20,244	\$1,069,163	\$970,000	\$0.13	\$1.11	\$0.04	\$0.03
9	5,731	\$3,775,631	\$3,100,000	\$0.12	\$1.03	\$0.03	\$0.01
10	810	\$26,734,355	†	\$0.08	\$0.71	\$0.02	\$0.00
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$0.88</b>	<b>\$1.25</b>	<b>\$0.14</b>	<b>\$0.13</b>

**Source:** Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. Diesel fuel category is diesel fuel other than that used in an electric generation facility to generate electricity.

†: Data suppressed to enable confidentiality.

\* Average tax benefit relative to family income is not shown for families with zero or negative incomes as they are not directly interpretable.

**Table II-5: Total amount of expenditures for select tax expenditures, \$ million, 2013-2022**

Tax expenditure	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Sales and Use Tax expenditures</b>										
Sales of food products for human consumption, including items purchased with Supplemental Nutrition Assistance Program (SNAP) benefits	\$399.9	\$427.9	\$446.6	\$439.7	\$447.1	\$444.4	\$481.7	\$544.7	\$589.0	\$627.0
Prescription medicines, syringes, and needles	\$373.5	\$275.4	\$326.7	\$399.8	\$399.7	\$380.5	\$392.5	\$461.6	\$502.7	\$555.8
Nonprescription drugs and medicines			\$3.1	\$5.3	\$158.2	\$7.8	\$5.3	\$8.6	\$8.4	\$9.7
Utilities for agricultural production or manufacturing	\$44.9	\$49.5	\$49.2	\$45.4	\$47.2	\$47.1	\$50.0	\$47.8	\$49.9	\$77.0
Computer and data processing services at lower 1% rate	\$154.4	\$173.3	\$190.2	\$233.6	\$258.0	\$267.7	\$304.2	\$351.2	\$379.5	\$447.3
Renovation and repair for residential real property	\$30.0	\$31.3	\$35.5	\$37.4	\$37.3	\$45.0	\$48.4	\$48.0	\$60.3	\$69.2
Media advertising and cooperative direct mail advertising	\$42.0	\$49.4	\$51.0	\$50.3	\$52.5	\$25.5	\$25.9	\$21.8	\$22.3	\$24.5
Trade-in of motor vehicles, snowmobiles, vessels, or farm tractors	\$65.3	\$69.1	\$69.4	\$64.1	\$62.3	\$63.7	\$63.4	\$58.2	\$87.0	\$88.6
<b>Petroleum Products Gross Earnings Tax expenditures</b>										
Number 2 heating oil used for heating purposes	\$209.9	\$206.7	\$144.9	\$79.7	\$129.1	\$140.5	\$138.7	\$88.9	\$125.0	\$197.7
Diesel fuel other than that used in an electric generation facility to generate electricity	\$99.3	\$129.4	\$83.1	\$73.5	\$87.0	\$108.3	\$166.2	\$122.9	\$198.2	\$339.2
Propane used for residential heating	\$18.0	\$21.0	\$15.6	\$12.9	\$18.4	\$21.9	\$18.9	\$15.8	\$21.7	\$29.9
<b>Public Service Companies Tax expenditures</b>										
Residential services – lower 6.8% rate	\$20.1	\$20.3	\$21.8	\$24.1	\$23.1	\$24.4	\$24.3	\$26.5	\$26.6	\$27.7

**Source:** Department of Revenue Services, Office of Fiscal Analysis.

**Note:** Exemption for nonprescription drugs and medicines took effect beginning April 1, 2015. Media advertising and cooperative direct mail advertising uses Fiscal Year tax expenditure estimates as reported by Office of Fiscal Analysis' biannual Tax Expenditure Reports.

## 12. Appendix

### Data sources

#### American Community Survey (ACS)

The analysis uses data from the ACS 2022 1-Year Estimates of the U.S. Census Bureau, accessed through Integrated Public Use Microdata Series (IPUMS). These data were used to expand the universe of Connecticut tax filers to the full Connecticut population through a statistical matching process. For this analysis, family units for Connecticut were generated to include all individuals associated with the same tax return: the primary filer, the filer’s spouse (if applicable), and any dependents (if applicable). This definition was chosen because it most closely aligns with the filer data.<sup>55</sup>

#### Consumer Expenditure Survey (CEX)

The analysis uses data from the CEX, compiled by the U.S. Bureau of Labor Statistics. This survey provides detailed information on spending habits, income levels, and demographic characteristics of American consumers. For this report, the national level for the year 2022 was applied to estimate consumption patterns for Connecticut family units. For the purposes of this analysis, the definition of a family unit is assumed to align the closest with CEX’s definition of a “consumer unit.”<sup>56</sup>

#### Survey of Consumer Finances (SCF)

The analysis uses data from the 2022 SCF, compiled by the Board of Governors of the Federal Reserve Board. The survey includes data on families’ balance sheets, pensions, income, and demographic characteristics. For this report, the national level for the year 2022 was applied to estimate income patterns for Connecticut family units. For the purposes of this analysis, the definition of a family unit is assumed to align the closest with SCF’s definition of a “primary economic unit.”<sup>57</sup>

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<sup>55</sup> Ruggles, Steven, Sarah Flood, Matthew Sobek, Daniel Backman, Grace Cooper, Julia A. Rivera Drew, Stephanie Richards, Renae Rodgers, Jonathan Schroeder, and Kari C.W. Williams. *IPUMS USA: Version 16.0 [dataset]*. Minneapolis: IPUMS, 2025. <https://doi.org/10.18128/D010.V16.0>.

<sup>56</sup> U.S. Bureau of Labor Statistics. *Consumer Expenditure Survey. Public Use Microdata*. U.S. Department of Labor, [https://www.bls.gov/cex/pumd\\_data.htm#csv](https://www.bls.gov/cex/pumd_data.htm#csv). Accessed 2 Dec. 2025.

<sup>57</sup> Board of Governors of the Federal Reserve System. *Survey of Consumer Finances (SCF)*. <https://www.federalreserve.gov/econres/scfindex.htm>. Accessed 2 Dec. 2025.

### *Survey of Income and Program Participation (SIPP)*

The analysis uses data from the 2022 Survey of Income and Program Participation (SIPP), compiled by the US Census Bureau. The survey includes data on income, employment, household composition, and participation in government programs. For this report, the national geographic level for the year 2022 was used to estimate the number of households claiming housing vouchers for Real Property Tax Renter Section 8 benefit estimation. For the purposes of this analysis, the definition of a family unit is assumed to align the closest with SIPP's definition of a household.<sup>58</sup>

### *Family demographics*

The following tables provide demographic information from the Census ACS by population deciles and income deciles, after the ACS family-level data are statistically matched to the Personal Income Tax return data.

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<sup>58</sup> US Census Bureau. *Survey of Income and Program Participation (SIPP): 2022 Data*. <https://www.census.gov/programs-surveys/sipp/data/datasets/2022-data/2022.html>. Accessed 2 Dec. 2025.

**Table 12-1: Demographics of Connecticut families by population decile**

Decile	Income bracket	Family Units	Average Income	Median Income	Total Income (\$ millions)	Head of Household (Age 65+) (%)	Head of Household in School (%)	Married (%)	Living in Group Quarters (%)	Residential Property Owners (%)	Residential Property Renters (%)	Non-Filers (%)
Negative or no income	<=0	57,741	-\$43,891	\$0	-\$2,534.3	15.7%	30.5%	11.5%	37.0%	38.9%	61.1%	3.1%
1	\$0 - \$11,000	190,048	\$6,122	\$6,000	\$1,163.5	17.9%	29.2%	14.9%	29.3%	48.1%	51.9%	3.1%
2	\$11,000 - \$19,000	190,048	\$14,916	\$15,000	\$2,834.8	25.4%	8.9%	17.0%	7.6%	51.3%	48.7%	2.9%
3	\$19,000 - \$28,000	190,047	\$23,563	\$23,000	\$4,478.1	28.1%	6.3%	20.9%	5.1%	51.4%	48.6%	2.7%
4	\$28,000 - \$39,000	190,047	\$33,556	\$34,000	\$6,377.3	24.7%	7.2%	18.0%	2.8%	54.1%	45.9%	2.2%
5	\$39,000 - \$52,000	190,047	\$45,259	\$45,000	\$8,601.3	23.6%	6.0%	22.7%	1.4%	60.1%	39.9%	2.2%
6	\$52,000 - \$68,000	190,047	\$59,944	\$60,000	\$11,392.1	24.7%	4.3%	31.2%	0.5%	66.0%	34.0%	2.7%
7	\$68,000 - \$90,000	190,047	\$78,186	\$78,000	\$14,859.1	24.0%	4.6%	38.9%	0.3%	69.2%	30.8%	3.7%
8	\$90,000 - \$125,000	190,047	\$105,517	\$105,000	\$20,053.2	24.4%	3.2%	58.0%	0.3%	78.2%	21.8%	5.4%
9	\$125,000 - \$198,000	190,047	\$155,577	\$153,000	\$29,566.9	21.6%	3.3%	75.4%	0.1%	86.7%	13.3%	6.4%
10	\$198,000 and over	190,047	\$616,316	\$302,000	\$117,129.0	18.4%	2.1%	85.7%	0.2%	92.0%	8.0%	5.4%
<b>Total</b>		<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>23.1%</b>	<b>8.2%</b>	<b>37.5%</b>	<b>5.7%</b>	<b>65.9%</b>	<b>34.1%</b>	<b>3.8%</b>
<b>Addendum</b>												
Top 5%	\$300,000 and over	95,024	\$992,718	\$474,000	\$94,332.0	17.5%	1.6%	87.0%	0.2%	92.6%	7.4%	4.8%
Top 1%	\$880,000 and over	19,005	\$3,097,333	\$1,466,000	\$58,864.8	13.0%	1.5%	89.1%	0.3%	93.1%	6.9%	4.6%
Top 0.5%	\$1,470,000 and over	9,503	\$5,081,046	\$2,513,000	\$48,285.2	13.0%	1.6%	89.9%	0.3%	92.9%	7.1%	5.3%

Source: Department of Revenue Services, Census Bureau.

**Notes:**

- Columns or rows may not add to total due to rounding.
- Income bracket bounds are rounded to enable confidentiality.

**Table 12-2: Demographics of Connecticut Families by Income Decile**

Decile	Income bracket	Family Units	Average Income	Median Income	Total Income (\$ millions)	Head of Household (Age 65+) (%)	Head of Household in School (%)	Married (%)	Living in Group Quarters (%)	Residential Property Owners (%)	Residential Property Renters (%)	Non-Filers (%)
Negative or no income	<=0	57,741	-\$43,891	\$0	-\$2,534.3	15.7%	30.5%	11.5%	37.0%	38.9%	61.1%	3.1%
1	\$0 - \$49,000	914,523	\$23,669	\$23,000	\$21,645.5	23.9%	11.8%	18.4%	9.6%	52.9%	47.1%	2.6%
2	\$49,000 - \$80,000	340,097	\$63,645	\$63,000	\$21,645.5	24.3%	4.6%	32.4%	0.5%	66.4%	33.6%	2.9%
3	\$80,000 - \$116,000	225,578	\$95,956	\$95,000	\$21,645.5	24.1%	3.6%	51.2%	0.3%	75.2%	24.8%	4.8%
4	\$116,000 - \$162,000	158,773	\$136,330	\$135,000	\$21,645.5	23.8%	3.1%	70.8%	0.1%	84.2%	15.8%	6.2%
5	\$162,000 - \$230,000	113,327	\$191,000	\$189,000	\$21,645.4	19.7%	3.2%	81.6%	0.1%	89.9%	10.1%	6.6%
6	\$230,000 - \$362,000	76,667	\$282,331	\$276,000	\$21,645.5	18.0%	2.4%	85.2%	0.1%	92.2%	7.8%	5.4%
7	\$362,000 - \$698,000	44,722	\$483,994	\$464,000	\$21,645.2	20.2%	1.5%	86.7%	0.3%	92.3%	7.7%	4.7%
8	\$698,000 - \$1,959,000	20,244	\$1,069,163	\$970,000	\$21,644.1	14.2%	1.4%	88.4%	0.3%	93.6%	6.4%	4.3%
9	\$1,960,000 - \$9,940,000	5,731	\$3,775,631	\$3,104,000	\$21,638.1	12.3%	1.8%	90.3%	0.4%	93.2%	6.8%	6.2%
10	\$9,950,000 and over	810	\$26,734,355	†	\$21,654.8	20.2%	2.1%	89.4%	0.0%	91.6%	8.4%	0.0%
<b>Total</b>		<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$213,920.9</b>	<b>23.1%</b>	<b>8.2%</b>	<b>37.5%</b>	<b>5.7%</b>	<b>65.9%</b>	<b>34.1%</b>	<b>3.8%</b>

Source: Department of Revenue Services and Census Bureau.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Income bracket bounds are rounded to enable confidentiality.
- †: Data suppressed to enable confidentiality.

*Tax Expenditures Details*

This section provides more details on the tax expenditures analyzed in this report.

**Table 12-3: Total Benefits of Select Sales and Use Tax Expenditures to**

Decile	Family units	Mean Income	Median income	Sales of food products for human consumption, incl. SNAP purchases	Prescription medicines, syringes, needles	Non-prescription drugs and medicines	Utilities for agricultural production or manufacturing	Computer and data processing services at lower 1% rate	Renovation and repair for residential real property	Media advertising and cooperative direct mail advertising	Trade-in of motor vehicles, snowmobiles, vessels, or farm tractors
Negative or no income	57,741	-\$43,891	<\$0	\$2,581,547	\$18,994,112	\$6,822	\$49,181	\$2,967,610	\$643,159	\$135,654	\$2,156,859
1	190,048	\$6,122	\$6,000	\$53,344,557	\$19,624,430	\$517,623	\$289,448	\$8,650,840	\$2,479,322	\$403,691	\$1,961,398
2	190,048	\$14,916	\$15,000	\$25,771,119	\$23,994,971	\$424,179	\$497,266	\$9,553,649	\$2,469,504	\$456,133	\$1,709,595
3	190,047	\$23,563	\$23,000	\$32,470,260	\$40,549,631	\$850,348	\$751,716	\$11,872,841	\$2,950,944	\$574,684	\$2,931,477
4	190,047	\$33,556	\$34,000	\$40,945,995	\$43,545,020	\$737,157	\$1,316,549	\$17,102,261	\$3,943,065	\$841,568	\$3,631,869
5	190,047	\$45,259	\$45,000	\$50,008,692	\$42,733,247	\$925,328	\$1,862,615	\$19,534,891	\$5,253,558	\$982,203	\$4,991,272
6	190,047	\$59,944	\$60,000	\$52,870,252	\$139,750,960	\$1,001,870	\$2,434,070	\$23,554,126	\$5,066,724	\$1,195,185	\$6,374,570
7	190,047	\$78,186	\$78,000	\$57,015,810	\$50,218,465	\$1,449,451	\$3,266,322	\$28,915,101	\$4,885,949	\$1,483,100	\$7,954,077
8	190,047	\$105,517	\$105,000	\$68,097,365	\$49,125,053	\$821,811	\$4,639,812	\$37,238,249	\$6,868,227	\$1,934,779	\$10,544,733
9	190,047	\$155,577	\$153,000	\$100,948,808	\$59,273,746	\$1,235,608	\$7,316,188	\$53,631,352	\$11,423,419	\$2,822,798	\$14,479,837
10	190,047	\$616,316	\$302,000	\$142,910,589	\$68,013,782	\$1,735,870	\$26,287,470	\$137,760,262	\$17,551,772	\$7,664,334	\$25,228,353
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$626,964,994</b>	<b>\$555,823,417</b>	<b>\$9,706,066</b>	<b>\$48,710,637</b>	<b>\$350,781,182</b>	<b>\$63,535,643</b>	<b>\$18,494,129</b>	<b>\$81,964,040</b>
<b>Addendum</b>											
Top 5%	95,024	\$992,718	\$474,000	\$90,282,505	\$72,862,631	\$3,022,781	\$20,510,336	\$95,736,507	\$7,447,070	\$5,450,633	\$16,115,352
Top 1%	19,005	\$3,097,333	\$1,470,000	\$50,570,412	\$20,845,695	\$1,353,435	\$11,463,745	\$54,148,368	\$4,272,690	\$3,070,831	\$6,511,776
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$40,925,270	\$17,099,146	\$1,110,185	\$8,871,047	\$42,571,315	\$3,468,162	\$2,404,725	\$4,566,305

Source: Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
- Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
- Media advertising and cooperative direct mail advertising total expenditure amount uses Fiscal Year 2022 estimates reported by Office of Fiscal Analysis.

**Table 12-4: Total Benefits of Select Tax Expenditures to Connecticut Residents by Population Decile, 2022**

Decile	Family units	Mean Income	Median income	Petroleum Products Gross Earnings Tax			Public Service Companies Tax
				#2 Heating oil used for heating purposes	Diesel fuel*	Propane used for residential heating	Lowered rate for residential services
Negative or no income	57,741	-\$43,891	<\$0	\$224,654	\$1,818,794	\$117,228	\$715,177
1	190,048	\$6,122	\$6,000	\$7,328,220	\$5,513,099	\$854,200	\$2,241,361
2	190,048	\$14,916	\$15,000	\$3,164,331	\$6,265,475	\$1,456,351	\$1,736,037
3	190,047	\$23,563	\$23,000	\$8,724,020	\$7,903,449	\$2,752,406	\$2,113,017
4	190,047	\$33,556	\$34,000	\$15,832,927	\$11,563,931	\$2,304,683	\$2,421,629
5	190,047	\$45,259	\$45,000	\$9,808,213	\$13,539,348	\$1,892,507	\$2,523,818
6	190,047	\$59,944	\$60,000	\$15,472,540	\$16,521,448	\$2,369,636	\$2,683,832
7	190,047	\$78,186	\$78,000	\$17,203,918	\$20,634,208	\$2,490,872	\$2,773,255
8	190,047	\$105,517	\$105,000	\$24,815,646	\$27,113,537	\$3,912,068	\$3,035,089
9	190,047	\$155,577	\$153,000	\$30,279,729	\$39,825,499	\$4,616,817	\$3,387,276
10	190,047	\$616,316	\$302,000	\$56,237,194	\$115,821,379	\$7,167,444	\$4,046,561
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$189,091,391</b>	<b>\$266,520,169</b>	<b>\$29,934,213</b>	<b>\$27,677,053</b>
<b>Addendum</b>							
Top 5%	95,024	\$992,718	\$474,000	\$9,995,569	\$84,366,873	\$1,285,461	\$2,920,824
Top 1%	19,005	\$3,097,333	\$1,470,000	\$5,769,493	\$48,726,297	\$728,724	\$660,018
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$4,563,456	\$38,538,630	\$590,622	\$541,394

**Source:** Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. Diesel fuel category is diesel fuel other than that used in an electric generation facility to generate electricity.

**Table 12-5: Total Benefits of Select Sales and Use Tax Expenditures to Connecticut Residents by Income Decile, 2022**

Decile	Family units	Mean Income	Median income	Sales of food products for human consumption, incl. SNAP purchases	Prescription medicines, syringes, needles	Non-prescription drugs and medicines	Utilities for agricultural production or manufacturing	Computer and data processing services at lower 1% rate	Renovation and repair for residential real property	Media advertising and cooperative direct mail advertising	Trade-in of motor vehicles, snowmobiles, vessels, or farm tractors
Negative or no income	57,741	-\$43,891	<\$0	\$2,581,547	\$18,994,112	\$6,822	\$49,181	\$2,967,610	\$643,159	\$135,654	\$2,156,859
1	914,523	\$23,669	\$23,000	\$157,793,574	\$152,516,386	\$2,854,924	\$4,322,798	\$58,281,671	\$13,005,276	\$2,858,029	\$15,288,159
2	340,097	\$63,645	\$63,000	\$91,877,040	\$176,536,591	\$1,978,875	\$4,649,711	\$40,619,387	\$8,103,566	\$2,087,254	\$11,423,552
3	225,578	\$95,956	\$95,000	\$69,788,787	\$53,251,003	\$973,921	\$4,953,990	\$37,942,752	\$6,361,762	\$1,984,588	\$11,036,517
4	158,773	\$136,330	\$135,000	\$76,442,577	\$47,603,807	\$810,706	\$5,250,025	\$36,909,327	\$7,269,025	\$1,955,167	\$10,801,311
5	113,327	\$191,000	\$189,000	\$58,830,563	\$35,426,918	\$918,931	\$5,444,749	\$36,424,689	\$7,897,899	\$1,944,469	\$9,569,858
6	76,667	\$282,331	\$276,000	\$41,320,775	\$23,623,248	\$371,142	\$5,494,800	\$34,003,569	\$5,147,900	\$1,838,100	\$7,396,688
7	44,722	\$483,994	\$464,000	\$49,165,107	\$22,310,691	\$548,571	\$5,520,347	\$31,345,969	\$4,602,733	\$1,719,179	\$5,983,529
8	20,244	\$1,069,163	\$970,000	\$45,394,985	\$16,351,168	\$629,199	\$5,306,688	\$28,778,968	\$4,001,228	\$1,590,725	\$4,283,271
9	5,731	\$3,775,631	\$3,100,000	\$26,213,061	\$7,494,515	\$451,338	\$4,791,030	\$25,670,254	\$3,477,538	\$1,419,331	\$2,694,903
10	810	\$26,734,355	†	\$7,556,978	\$1,714,979	\$161,635	\$2,927,319	\$17,836,986	\$3,025,558	\$961,633	\$1,329,392
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$626,964,994</b>	<b>\$555,823,417</b>	<b>\$9,706,066</b>	<b>\$48,710,637</b>	<b>\$350,781,182</b>	<b>\$63,535,643</b>	<b>\$18,494,129</b>	<b>\$81,964,040</b>

Source: Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

- Columns or rows may not add to total due to rounding.
  - Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  - Media advertising and cooperative direct mail advertising total expenditure amount uses Fiscal Year 2022 estimates reported by Office of Fiscal Analysis.
- †: Data suppressed to enable confidentiality.

**Table 12-6: Total Benefits of Select Tax Expenditures to Connecticut Residents by Income Decile, 2022**

Decile	Family units	Mean Income	Median income	Petroleum Products Gross Earnings Tax			Public Service Companies Tax
				#2 Heating oil used for heating purposes	Diesel fuel*	Propane used for residential heating	Lowered rate for residential services
Negative or no income	57,741	-\$43,891	<\$0	\$224,654	\$1,818,794	\$117,228	\$715,177
1	914,523	\$23,669	\$23,000	\$41,792,601	\$39,353,031	\$8,358,124	\$9,858,985
2	340,097	\$63,645	\$63,000	\$29,294,601	\$28,972,672	\$3,889,783	\$4,924,036
3	225,578	\$95,956	\$95,000	\$26,335,023	\$27,835,256	\$4,156,332	\$3,533,825
4	158,773	\$136,330	\$135,000	\$23,832,029	\$27,616,179	\$3,031,063	\$2,731,330
5	113,327	\$191,000	\$189,000	\$25,238,802	\$27,610,199	\$5,532,201	\$2,181,814
6	76,667	\$282,331	\$276,000	\$21,936,960	\$26,476,961	\$1,768,192	\$1,579,745
7	44,722	\$483,994	\$464,000	\$13,116,633	\$25,331,649	\$1,091,127	\$1,178,417
8	20,244	\$1,069,163	\$970,000	\$2,848,420	\$23,917,580	\$841,274	\$682,140
9	5,731	\$3,775,631	\$3,100,000	\$2,639,322	\$22,205,173	\$648,487	\$246,949
10	810	\$26,734,355	†	\$1,832,348	\$15,382,675	\$500,402	\$44,633
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$189,091,391</b>	<b>\$266,520,169</b>	<b>\$29,934,213</b>	<b>\$27,677,053</b>

**Source:** Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
  2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  3. Diesel fuel category is diesel fuel other than that used in an electric generation facility to generate electricity.
- †: Data suppressed to enable confidentiality.

**Table 12-7: Average Family Benefits of Select Sales and Use Tax Expenditures to Connecticut Residents by Population Decile, 2022**

Decile	Family units	Mean Income	Median income	Sales of food products for human consumption, incl. SNAP purchases	Prescription medicines, syringes, needles	Non-prescription drugs and medicines	Utilities for agricultural production or manufacturing	Computer and data processing services at lower 1% rate	Renovation and repair for residential real property	Media advertising and cooperative direct mail advertising	Trade-in of motor vehicles, snowmobiles, vessels, or farm tractors
Negative or no income	57,741	-\$43,891	<\$0	\$45	\$329	\$0	\$1	\$51	\$11	\$2	\$37
1	190,048	\$6,122	\$6,000	\$281	\$103	\$3	\$2	\$46	\$13	\$2	\$10
2	190,048	\$14,916	\$15,000	\$136	\$126	\$2	\$3	\$50	\$13	\$2	\$9
3	190,047	\$23,563	\$23,000	\$171	\$213	\$4	\$4	\$62	\$16	\$3	\$15
4	190,047	\$33,556	\$34,000	\$215	\$229	\$4	\$7	\$90	\$21	\$4	\$19
5	190,047	\$45,259	\$45,000	\$263	\$225	\$5	\$10	\$103	\$28	\$5	\$26
6	190,047	\$59,944	\$60,000	\$278	\$735	\$5	\$13	\$124	\$27	\$6	\$34
7	190,047	\$78,186	\$78,000	\$300	\$264	\$8	\$17	\$152	\$26	\$8	\$42
8	190,047	\$105,517	\$105,000	\$358	\$258	\$4	\$24	\$196	\$36	\$10	\$55
9	190,047	\$155,577	\$153,000	\$531	\$312	\$7	\$38	\$282	\$60	\$15	\$76
10	190,047	\$616,316	\$302,000	\$752	\$358	\$9	\$138	\$725	\$92	\$40	\$133
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$320</b>	<b>\$284</b>	<b>\$5</b>	<b>\$25</b>	<b>\$179</b>	<b>\$32</b>	<b>\$9</b>	<b>\$42</b>
<b>Addendum</b>											
Top 5%	95,024	\$992,718	\$474,000	\$950	\$767	\$32	\$216	\$1,007	\$78	\$57	\$170
Top 1%	19,005	\$3,097,333	\$1,470,000	\$2,661	\$1,097	\$71	\$603	\$2,849	\$225	\$162	\$343
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$4,307	\$1,799	\$117	\$933	\$4,480	\$365	\$253	\$481

**Source:** Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. Media advertising and cooperative direct mail advertising total expenditure amount uses Fiscal Year 2022 estimates reported by Office of Fiscal Analysis.

**Table 12-8: Average Family Benefits of Select Tax Expenditures to Connecticut Residents by Population Decile, 2022**

Decile	Family units	Mean Income	Median income	Petroleum Products Gross Earnings Tax			Public Service Companies Tax
				#2 Heating oil used for heating purposes	Diesel fuel*	Propane used for residential heating	Lowered rate for residential services
Negative or no income	57,741	-\$43,891	<\$0	\$4	\$31	\$2	\$12
1	190,048	\$6,122	\$6,000	\$39	\$29	\$4	\$12
2	190,048	\$14,916	\$15,000	\$17	\$33	\$8	\$9
3	190,047	\$23,563	\$23,000	\$46	\$42	\$14	\$11
4	190,047	\$33,556	\$34,000	\$83	\$61	\$12	\$13
5	190,047	\$45,259	\$45,000	\$52	\$71	\$10	\$13
6	190,047	\$59,944	\$60,000	\$81	\$87	\$12	\$14
7	190,047	\$78,186	\$78,000	\$91	\$109	\$13	\$15
8	190,047	\$105,517	\$105,000	\$131	\$143	\$21	\$16
9	190,047	\$155,577	\$153,000	\$159	\$210	\$24	\$18
10	190,047	\$616,316	\$302,000	\$296	\$609	\$38	\$21
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$97</b>	<b>\$136</b>	<b>\$15</b>	<b>\$14</b>
<b>Addendum</b>							
Top 5%	95,024	\$992,718	\$474,000	\$105	\$888	\$14	\$31
Top 1%	19,005	\$3,097,333	\$1,470,000	\$304	\$2,564	\$38	\$35
Top 0.5%	9,503	\$5,081,046	\$2,510,000	\$480	\$4,055	\$62	\$57

**Source:** Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. Diesel fuel category is diesel fuel other than that used in an electric generation facility to generate electricity.

**Table 12-9: Average Family Benefits of Select Sales and Use Tax Expenditures to Connecticut Residents by Income Decile, 2022**

Decile	Family units	Mean Income	Median income	Sales of food products for human consumption, incl. SNAP purchases	Prescription medicines, syringes, needles	Non-prescription drugs and medicines	Utilities for agricultural production or manufacturing	Computer and data processing services at lower 1% rate	Renovation and repair for residential real property	Media advertising and cooperative direct mail advertising	Trade-in of motor vehicles, snowmobiles, vessels, or farm tractors
Negative or no income	57,741	-\$43,891	<\$0	\$45	\$329	\$0	\$1	\$51	\$11	\$2	\$37
1	914,523	\$23,669	\$23,000	\$173	\$167	\$3	\$5	\$64	\$14	\$3	\$17
2	340,097	\$63,645	\$63,000	\$270	\$519	\$6	\$14	\$119	\$24	\$6	\$34
3	225,578	\$95,956	\$95,000	\$309	\$236	\$4	\$22	\$168	\$28	\$9	\$49
4	158,773	\$136,330	\$135,000	\$481	\$300	\$5	\$33	\$232	\$46	\$12	\$68
5	113,327	\$191,000	\$189,000	\$519	\$313	\$8	\$48	\$321	\$70	\$17	\$84
6	76,667	\$282,331	\$276,000	\$539	\$308	\$5	\$72	\$444	\$67	\$24	\$96
7	44,722	\$483,994	\$464,000	\$1,099	\$499	\$12	\$123	\$701	\$103	\$38	\$134
8	20,244	\$1,069,163	\$970,000	\$2,242	\$808	\$31	\$262	\$1,422	\$198	\$79	\$212
9	5,731	\$3,775,631	\$3,100,000	\$4,574	\$1,308	\$79	\$836	\$4,479	\$607	\$248	\$470
10	810	\$26,734,355	†	\$9,330	\$2,117	\$200	\$3,614	\$22,021	\$3,735	\$1,187	\$1,641
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$320</b>	<b>\$284</b>	<b>\$5</b>	<b>\$25</b>	<b>\$179</b>	<b>\$32</b>	<b>\$9</b>	<b>\$42</b>

Source: Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. Media advertising and cooperative direct mail advertising total expenditure amount uses Fiscal Year 2022 estimates reported by Office of Fiscal Analysis.
- †: Data suppressed to enable confidentiality.

**Table 12-10: Average Family Benefits of Select Tax Expenditures to Connecticut Residents by Income Decile, 2022**

Decile	Family units	Mean Income	Median income	Petroleum Products Gross Earnings Tax			Public Service Companies Tax
				#2 Heating oil used for heating purposes	Diesel fuel*	Propane used for residential heating	Lowered rate for residential services
Negative or no income	57,741	-\$43,891	<\$0	\$4	\$31	\$2	\$12
1	914,523	\$23,669	\$23,000	\$46	\$43	\$9	\$11
2	340,097	\$63,645	\$63,000	\$86	\$85	\$11	\$14
3	225,578	\$95,956	\$95,000	\$117	\$123	\$18	\$16
4	158,773	\$136,330	\$135,000	\$150	\$174	\$19	\$17
5	113,327	\$191,000	\$189,000	\$223	\$244	\$49	\$19
6	76,667	\$282,331	\$276,000	\$286	\$345	\$23	\$21
7	44,722	\$483,994	\$464,000	\$293	\$566	\$24	\$26
8	20,244	\$1,069,163	\$970,000	\$141	\$1,181	\$42	\$34
9	5,731	\$3,775,631	\$3,100,000	\$461	\$3,875	\$113	\$43
10	810	\$26,734,355	†	\$2,262	\$18,991	\$618	\$55
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>\$97</b>	<b>\$136</b>	<b>\$15</b>	<b>\$14</b>

**Source:** Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
  2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  3. Diesel fuel category is diesel fuel other than that used in an electric generation facility to generate electricity.
- †: Data suppressed to enable confidentiality.

**Table 12-II: Share of Select Sales and Use Tax Expenditures to Connecticut Residents by Population decile, 2022**

Decile	Family units	Mean Income	Median income	Sales of food products for human consumption, incl. SNAP purchases	Prescription medicines, syringes, needles	Non-prescription drugs and medicines	Utilities for agricultural production or manufacturing	Computer and data processing services at lower 1% rate	Renovation and repair for residential real property	Media advertising and cooperative direct mail advertising	Trade-in of motor vehicles, snowmobiles, vessels, or farm tractors
Negative or no income	57,741	-\$43,891	<\$0	0.4%	3.4%	0.1%	0.1%	0.8%	1.0%	0.7%	2.6%
1	190,048	\$6,122	\$6,000	8.5%	3.5%	5.3%	0.6%	2.5%	3.9%	2.2%	2.4%
2	190,048	\$14,916	\$15,000	4.1%	4.3%	4.4%	1.0%	2.7%	3.9%	2.5%	2.1%
3	190,047	\$23,563	\$23,000	5.2%	7.3%	8.8%	1.5%	3.4%	4.6%	3.1%	3.6%
4	190,047	\$33,556	\$34,000	6.5%	7.8%	7.6%	2.7%	4.9%	6.2%	4.6%	4.4%
5	190,047	\$45,259	\$45,000	8.0%	7.7%	9.5%	3.8%	5.6%	8.3%	5.3%	6.1%
6	190,047	\$59,944	\$60,000	8.4%	25.1%	10.3%	5.0%	6.7%	8.0%	6.5%	7.8%
7	190,047	\$78,186	\$78,000	9.1%	9.0%	14.9%	6.7%	8.2%	7.7%	8.0%	9.7%
8	190,047	\$105,517	\$105,000	10.9%	8.8%	8.5%	9.5%	10.6%	10.8%	10.5%	12.9%
9	190,047	\$155,577	\$153,000	16.1%	10.7%	12.7%	15.0%	15.3%	18.0%	15.3%	17.7%
10	190,047	\$616,316	\$302,000	22.8%	12.2%	17.9%	54.0%	39.3%	27.6%	41.4%	30.8%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Addendum</b>											
Top 5%	95,024	\$992,718	\$474,000	14.4%	13.1%	31.1%	42.1%	27.3%	11.7%	29.5%	19.7%
Top 1%	19,005	\$3,097,333	\$1,470,000	8.1%	3.8%	13.9%	23.5%	15.4%	6.7%	16.6%	7.9%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	6.5%	3.1%	11.4%	18.2%	12.1%	5.5%	13.0%	5.6%

**Source:** Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. Media advertising and cooperative direct mail advertising total expenditure amount uses Fiscal Year 2022 estimates reported by Office of Fiscal Analysis.

**Table 12-12: Share of Select Tax Expenditures to Connecticut Residents by Population Decile, 2022**

Decile	Family units	Mean Income	Median income	Petroleum Products Gross Earnings Tax			Public Service Companies Tax
				#2 Heating oil used for heating purposes	Diesel fuel*	Propane used for residential heating	Lowered rate for residential services
Negative or no income	57,741	-\$43,891	<\$0	0.1%	0.7%	0.4%	2.6%
1	190,048	\$6,122	\$6,000	3.9%	2.1%	2.9%	8.1%
2	190,048	\$14,916	\$15,000	1.7%	2.4%	4.9%	6.3%
3	190,047	\$23,563	\$23,000	4.6%	3.0%	9.2%	7.6%
4	190,047	\$33,556	\$34,000	8.4%	4.3%	7.7%	8.7%
5	190,047	\$45,259	\$45,000	5.2%	5.1%	6.3%	9.1%
6	190,047	\$59,944	\$60,000	8.2%	6.2%	7.9%	9.7%
7	190,047	\$78,186	\$78,000	9.1%	7.7%	8.3%	10.0%
8	190,047	\$105,517	\$105,000	13.1%	10.2%	13.1%	11.0%
9	190,047	\$155,577	\$153,000	16.0%	14.9%	15.4%	12.2%
10	190,047	\$616,316	\$302,000	29.7%	43.5%	23.9%	14.6%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Addendum</b>							
Top 5%	95,024	\$992,718	\$474,000	5.3%	31.7%	4.3%	10.6%
Top 1%	19,005	\$3,097,333	\$1,470,000	3.1%	18.3%	2.4%	2.4%
Top 0.5%	9,503	\$5,081,046	\$2,510,000	2.4%	14.5%	2.0%	2.0%

**Source:** Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. Diesel fuel category is diesel fuel other than that used in an electric generation facility to generate electricity.

**Table 12-13: Share of Select Sales and Use Tax expenditures to Connecticut Residents by Income Decile, 2022**

Decile	Family units	Mean Income	Median income	Sales of food products for human consumption, incl. SNAP purchases	Prescription medicines, syringes, needles	Non-prescription drugs and medicines	Utilities for agricultural production or manufacturing	Computer and data processing services at lower 1% rate	Renovation and repair for residential real property	Media advertising and cooperative direct mail advertising	Trade-in of motor vehicles, snowmobiles, vessels, or farm tractors
Negative or no income	57,741	-\$43,891	<\$0	0.4%	3.4%	0.1%	0.1%	0.8%	1.0%	0.7%	2.6%
1	914,523	\$23,669	\$23,000	25.2%	27.4%	29.4%	8.9%	16.6%	20.5%	15.5%	18.7%
2	340,097	\$63,645	\$63,000	14.7%	31.8%	20.4%	9.5%	11.6%	12.8%	11.3%	13.9%
3	225,578	\$95,956	\$95,000	11.1%	9.6%	10.0%	10.2%	10.8%	10.0%	10.7%	13.5%
4	158,773	\$136,330	\$135,000	12.2%	8.6%	8.4%	10.8%	10.5%	11.4%	10.6%	13.2%
5	113,327	\$191,000	\$189,000	9.4%	6.4%	9.5%	11.2%	10.4%	12.4%	10.5%	11.7%
6	76,667	\$282,331	\$276,000	6.6%	4.3%	3.8%	11.3%	9.7%	8.1%	9.9%	9.0%
7	44,722	\$483,994	\$464,000	7.8%	4.0%	5.7%	11.3%	8.9%	7.2%	9.3%	7.3%
8	20,244	\$1,069,163	\$970,000	7.2%	2.9%	6.5%	10.9%	8.2%	6.3%	8.6%	5.2%
9	5,731	\$3,775,631	\$3,100,000	4.2%	1.3%	4.7%	9.8%	7.3%	5.5%	7.7%	3.3%
10	810	\$26,734,355	†	1.2%	0.3%	1.7%	6.0%	5.1%	4.8%	5.2%	1.6%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

**Notes:**

1. Columns or rows may not add to total due to rounding.
  2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
  3. Media advertising and cooperative direct mail advertising total expenditure amount uses Fiscal Year 2022 estimates reported by Office of Fiscal Analysis.
- †: Data suppressed to enable confidentiality.

**Table 12-14: Share of Select Tax Expenditures to Connecticut Residents by Income Decile, 2022**

Decile	Family units	Mean Income	Median income	Petroleum Products Gross Earnings Tax			Public Service Companies Tax
				#2 Heating oil used for heating purposes	Diesel fuel*	Propane used for residential heating	Lowered rate for residential services
Negative or no income	57,741	-\$43,891	<\$0	0.1%	0.7%	0.4%	2.6%
1	914,523	\$23,669	\$23,000	22.1%	14.8%	27.9%	35.6%
2	340,097	\$63,645	\$63,000	15.5%	10.9%	13.0%	17.8%
3	225,578	\$95,956	\$95,000	13.9%	10.4%	13.9%	12.8%
4	158,773	\$136,330	\$135,000	12.6%	10.4%	10.1%	9.9%
5	113,327	\$191,000	\$189,000	13.3%	10.4%	18.5%	7.9%
6	76,667	\$282,331	\$276,000	11.6%	9.9%	5.9%	5.7%
7	44,722	\$483,994	\$464,000	6.9%	9.5%	3.6%	4.3%
8	20,244	\$1,069,163	\$970,000	1.5%	9.0%	2.8%	2.5%
9	5,731	\$3,775,631	\$3,100,000	1.4%	8.3%	2.2%	0.9%
10	810	\$26,734,355	†	1.0%	5.8%	1.7%	0.2%
<b>Total</b>	<b>1,958,213</b>	<b>\$109,243</b>	<b>\$50,000</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Source:** Department of Revenue Services, Office of Fiscal Analysis, Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. Certain taxpayer information is suppressed to enable confidentiality, and as such, results may not align with published information.
3. Diesel fuel category is diesel fuel other than that used in an electric generation facility to generate electricity.
- †: Data suppressed to enable confidentiality.

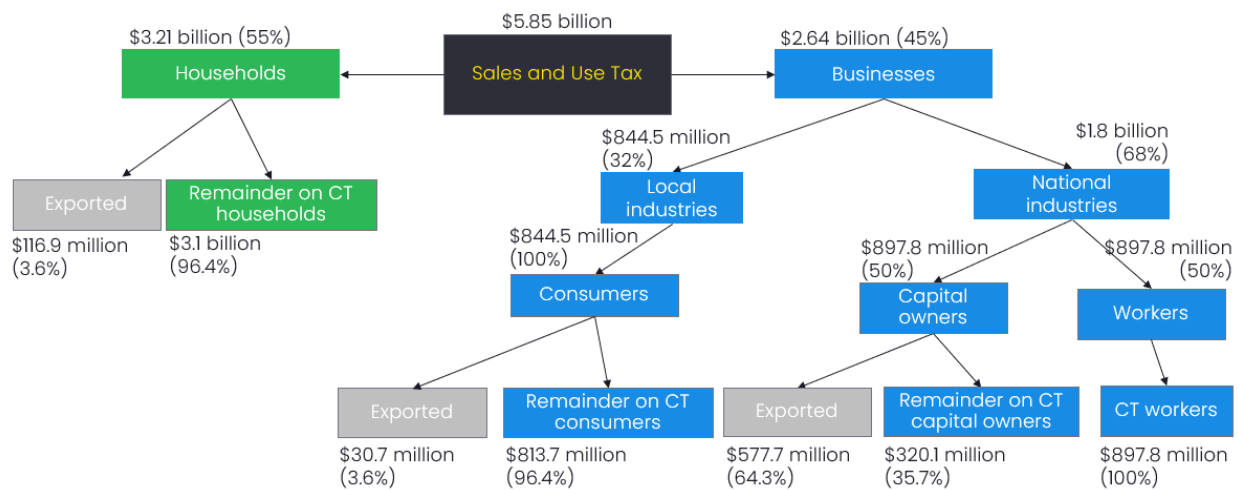
### Economic Incidence Methodology

Section 3 of the report outlined the general economic incidence methodology that is used for most taxes included in this analysis. Using the Sales and Use Tax as an example, the following illustrates the methodology in greater detail. Subsequent sections provide details on the economic incidence apportionment methodology that are specific to each tax.

### Sales and Use Tax

The Sales and Use Tax incidence analysis follows the steps described and illustrated below:

**Figure 3: Main Steps for Sales and Use Tax Incidence**



#### Step 1: Initial incidence of the tax on households and businesses:

The Sales and Use Tax is imposed on the consumption of taxable goods and services. The initial incidence therefore falls on households and businesses when they consume taxable goods. For this reason, the tax is first divided into household and business shares, which ultimately guide the incidence methodology. In the case of households, the economic incidence is assumed to be the same as the initial incidence, in other words, households bear the economic burden of the tax through higher prices. In the case of Sales and Use Tax initially paid by businesses, the tax may be shifted to consumers in the form of higher prices, wages in the form of lower wages, or owners of capital in the form of lower returns to capital.

The initial incidence of the Sales and Use Tax is apportioned to households and businesses by considering taxable purchases made by households and businesses:

- **Household taxable purchases:** The amount of purchases made by households subject to the Sales and Use Tax is estimated by using data on personal consumption expenditures. This is estimated using proprietary estimates of detailed personal consumption expenditures specific to Connecticut developed by IMPLAN. IMPLAN industries were mapped to BEA industries. Specific purchases made by consumers were categorized by taxability, accounting for special rates and exemptions.
- **Business taxable purchases:** Business purchases subject to the Sales and Use Tax are estimated by considering the taxable amount of business purchases of 1) intermediate purchases and 2) fixed assets.
  - **Taxable amount of intermediate purchases:** To calculate the taxable amount of intermediate purchases, the analysis starts with the 2022 Use Table produced by the BEA. The Use Table matrix provides intermediate business-to-business purchases for numerous categories of goods and services by industry at the national level. For each industry, this analysis then categorizes purchases into purchases that are taxable and non-taxable under the Connecticut Sales and Use Tax. Additional adjustments are made for special rates (e.g., software, vehicle rentals, and numerous other categories). Total taxable purchases by each industry are then multiplied by the specific tax rate for that good or service to estimate Sales and Use Tax liability. As the BEA Use Table is produced at the national level, the taxable purchases by industry are then further adjusted to Connecticut levels using Connecticut-to-US GDP ratios. For example, if industry A had a GDP of \$100 nationally and \$10 of GDP in Connecticut, the calculated intermediate purchase was ratioed down by 90%. The analysis assumes that the underlying production function and intermediate purchase patterns do not change state by state, but the analysis does consider the relative weight of the industry to Connecticut's GDP. The result of this procedure is an estimate of the Connecticut Sales and Use Tax attributable to intermediate purchases for each industry.

- **Taxable amount of fixed assets:** A similar process is used to estimate the share of the Sales and Use Tax attributable to fixed assets purchases in Connecticut. Rather than beginning with the Use Table, the fixed assets analysis uses Investment in Private Nonresidential Fixed Assets by industry produced at the national level by BEA. This data tracks the flow of fixed assets purchases by industry. In a similar process to the intermediate purchases, the fixed assets purchases by each industry were categorized based on taxability rules in Connecticut. This accounted for exemptions and special rates. To adjust the national-level estimates to state-level estimates, the fixed assets estimates used a process similar to the intermediate purchases estimates, by applying the state-to-national GDP by industry to the national estimates.

Finally, the estimated household and business purchases subject to the Sales and Use Tax attributed as outlined above are used to derive the initial incidence of tax on businesses and households. To calculate the household and business shares of the tax, the following formulas are used:

Business share of Sales and Use Tax = (Intermediate purchases + fixed asset purchases) / (intermediate purchases + fixed asset purchases + personal consumption expenditures).

The household share is (Personal consumption expenditures) / (intermediate purchases + fixed asset purchases + personal consumption expenditures).

Based on these calculations, this analysis finds that 54.9% of the Sales and Use Tax is on households through their consumption, while 45.1% is on businesses through business-to-business purchases. The business and household shares are then applied to the actual Sales and Use Tax liability amount provided by the Department of Revenue Services to provide the total amount attributed to each for 2022.

### Step 2: Exported household share

After apportioning the tax between businesses and households, the analysis considers the portion of the household share of the tax that is paid by non-Connecticut residents.

For the portion of the Sales and Use Tax generated by household purchases, 3.6% is generated by taxable purchases made by visitors and tourists. This share

is estimated using data on sales taxes generated by visitor spending published by the Connecticut Department of Economic and Community Development and Tourism Economics.<sup>59</sup> This share of visitor and tourist generated Sales and Use Tax is considered exported and removed from further consideration of the analysis.

### Step 3: Apportion remaining household portion of the tax

The remaining (after exporting) household portion of the Sales and Use Tax was apportioned to Connecticut families by population and income deciles using purchasing patterns identified in the CEX. Purchases in the CEX were categorized by taxability and rate. Using the CEX national microdata at the consumer unit level, the analysis first calculates the total taxable consumption by population and income deciles. Based on the total taxable consumption, the analysis then calculates the share of taxable consumption by each decile. These shares are then applied to the total non-exported household portion of the Sales and Use Tax liability to calculate the resident's portion of the tax liability by decile.

### Step 4: Identify "national" versus "local" businesses and composition of legal forms of organization by industry

Data from the Census Bureau Statistics of US Businesses (SUSB) was used to calculate the relative shares of legal forms of organization for each industry, where shares were determined by total receipts. The data was normalized to only include private sector businesses, which include C-corporations, S-corporations, Partnerships, and Sole Proprietorships.

The business portion of the Sales and Use Tax for each industry is apportioned to consumers, workers, and capital owners. For each industry, this apportionment is based on whether the industry is considered competitive at the local or national level. Detailed industries from IMPLAN are first identified for whether the typical consumer base of businesses in the industry is considered local. Examples of these industries include restaurants, dry cleaning and laundry services, zoos and museums, fitness centers, tenant-occupied housing, retail stores, gas stations, local utilities, among others. If an industry is not identified

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<sup>59</sup> Connecticut Department of Economic and Community Development. Connecticut Tourism Economic Impact – 2023. May 2024, <https://portal.ct.gov/-/media/decd/tourism/econimpactstudies/connecticut-tourism-economic-impact---2023.pdf>.

as local it is considered national. These industries from IMPLAN are then mapped to BEA industries for Connecticut using industry crosswalks provided by IMPLAN.

#### *Local businesses*

The portion of industries serving local markets are assumed to fully pass forward the tax to consumers in the form of higher prices, regardless of the form of incorporation.

#### *National businesses*

The portion of industries serving national markets are assumed to pass 50% of the tax backward to Connecticut workers in the form of lower wages and 50% of the tax is assumed to fall on capital owners by form of legal organization. The 50/50 assumption is a middle-of-the-road estimate among estimates from different academic literatures.

#### Step 5: Export shares of the tax – Local Businesses

An estimated 3.6% of the local business share passed to consumers is treated as exported through visitor spending, consistent with the approach described in the household share section.<sup>60</sup> This share of visitor and tourist generated Sales and Use Tax is considered exported and removed from further consideration of the analysis.

#### Step 6: Apportion incidence – Local Businesses

The remaining local business tax (after exporting) passed forward to consumers is then apportioned to Connecticut families by population and income deciles using purchasing patterns identified in the CEX.

#### Step 7: Export shares of the tax – National Businesses

The incidence estimates for national industry assume that 50% of the business tax is allocated as decreased returns to capital for owners and 50% as decreased wages for workers.

The tax on capital owners is apportioned to owners of capital by legal form of organization and split between Connecticut based owners and non-

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<sup>60</sup> Connecticut Department of Economic and Community Development. Connecticut Tourism Economic Impact – 2023. May 2024, <https://portal.ct.gov/-/media/decd/tourism/econimpactstudies/connecticut-tourism-economic-impact---2023.pdf>.

Connecticut owners; the latter is exported outside of Connecticut. In the case of C-corporations, it is assumed that 90% of capital is owned outside of Connecticut, for S-corporations and Partnerships, 19.3% is owned outside of Connecticut, and for Sole Proprietorships 10% is owned outside of Connecticut.<sup>61</sup> In the case of the Sales and Use Tax, under these assumptions, \$577.7 million of the tax on capital is exported and the remaining \$320.1 million of the tax on capital paid by national businesses is apportioned to Connecticut families based on population decile and income deciles shares of dividend income in ACS data.

It is important to note that while Connecticut exports a share of the burden to other states, the reverse is also true of other states' tax systems. Connecticut residents visiting another state could pay that state's Sales and Use Tax on their purchases, and Connecticut equity holders could see a lower rate of return to their assets due to corporate taxes imposed by other states. For the purposes of this study, which only evaluates the burden of the Connecticut tax system, this is considered out of scope, though it is nonetheless an important consideration.

### Step 8: Apportion incidence – National Businesses

The portion of the national business tax that is passed backward to workers is apportioned to Connecticut families based on population and income decile shares of wage income from ACS data. The remaining national business tax (after exporting) on capital owners is apportioned to Connecticut families based on population and income decile shares of dividend income from ACS data.

### Step 9: Final incidence of the tax

The final incidence of the tax combines the non-exported resident household portion of the tax liability and the non-exported local and national business portion of the tax liability.

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<sup>61</sup> The 90% rate for C-Corporations and 10% rate for Sole Proprietorships is an estimate taken from Minnesota's Tax Incidence study. This assumption is consistent with the relative sizes of these types of businesses, and an acknowledgement that C-corporations are large, potentially publicly traded businesses with global ownership, while Sole Proprietorships tend to be small businesses owned and operated locally. The 19.3% rate for S-corporations and Partnerships is based on the non-full year resident share of the Pass-Through Entity Tax Credit applied against the Personal Income Tax.

### *Personal Income Tax*

The economic incidence of the Personal Income Tax is assumed to fall entirely on individual tax filers. A portion of the Personal Income Tax is exported to account for non-resident and part-year resident Personal Income Tax filers, with the remaining portion allocated to Connecticut families. It is estimated that 8.8% of the pre-credit tax and 9.0% of the post-credit tax are exported due to non-resident and part-year resident filings based on data from Connecticut personal income tax filings.

#### *Personal Income Tax: Credit for taxes paid to other jurisdictions*

Table 12-15 shows this credit by population deciles calculated based on Connecticut AGI. This measure differs from the income definition used throughout the analysis and is provided solely for comparison purposes. Notably, population decile 10 accounts for 87.7% of the total credit compared to 5.8% for population decile 9. This suggests that the credit is heavily concentrated among high-income families, who work in neighboring states and pay income taxes outside Connecticut.

**Table 12-15: Credit for Taxes Paid to Other Jurisdictions  
(Connecticut AGI Deciles)**

Population Decile	Income bracket (Connecticut AGI)	Total Credit for Taxes Paid to Other Jurisdictions (\$ millions)	Share of total credit
Negative or no income	<=0	\$0	0.0%
1	\$0 - \$11,000	\$0	0.0%
2	\$11,000 - \$19,000	\$0	0.0%
3	\$19,000 - \$28,000	\$1	0.0%
4	\$28,000 - \$39,000	\$4	0.2%
5	\$39,000 - \$52,000	\$11	0.5%
6	\$52,000 - \$68,000	\$21	1.0%
7	\$68,000 - \$90,000	\$35	1.7%
8	\$90,000 - \$125,000	\$60	3.0%
9	\$125,000 - \$198,000	\$117	5.8%
10	\$198,000 and over	\$1,773	87.7%
<b>Total</b>		<b>\$2,021</b>	<b>100%</b>
Top 5%	\$300,000 and over	\$1,641	81.2%
Top 1%	\$880,000 and over	\$1,209	59.8%
Top 0.5%	\$1,470,000 and over	\$1,000	49.5%

**Source:** Personal Income Tax full-year resident tax return data provided by Department of Revenue Services as of September 2025.

**Notes:**

1. Columns or rows may not add to total due to rounding.
2. The total credit for taxes paid to other jurisdictions was calculated using Connecticut AGI only, rather than the family income measure used for the rest of the results, because data on these credits was not available at the microdata level.
3. Income bracket bounds are rounded to enable confidentiality.

### Corporation Business Tax

The Corporation Business Tax applies only to C-corporation businesses. As previously noted, given the often national or global ownership nature of large C-corporations, this analysis assumes that the vast majority (90%) of C-corporation capital ownership resides outside of Connecticut. Unlike most of the other taxes on businesses analyzed in this report that are assessed on business inputs that directly occur in Connecticut (such as Sales and Use Tax on purchases of intermediate goods and services or property taxes on personal property or real estate), the Corporation Business Tax is a tax on a corporation's overall income which is apportioned in amount to the proportion of sales in Connecticut. Therefore, the incidence methodology for the Corporation Business Tax differs slightly from most of the other taxes.

The Corporation Business Tax is first apportioned into industry sectors based on the NAICS codes of businesses with Corporation Business Tax liability, which is available in the tax return data.

For each industry, it is assumed that 90% of the Corporation Business Tax is exported to individual equity investors and entities outside of Connecticut. The remaining 10% of the tax liability for each industry is apportioned to Connecticut residents depending on whether the industry is considered locally or nationally competitive.

For businesses in locally competitive industries, the remaining 10% of tax liability is pushed forward to consumers. For businesses in nationally competitive industry, half of the remaining 10% of tax liability is passed backward to workers and the other half is assumed to fall on capital owners. Finally, these shares are distributed to Connecticut families based on population decile and income decile shares of consumer spending based on CEX data, shares of wages based on ACS data, and shares of dividend income based on ACS data.

### *Room Occupancy Tax*

For the economic incidence of the Room Occupancy Tax, this analysis treats the Room Occupancy Tax similarly to the Sales and Use Tax.

The Room Occupancy Tax is apportioned to households and businesses using data from the BEA Use Table on purchases of “Accommodation” and personal consumption expenditures.

The household portion of Room Occupancy Tax was apportioned to Connecticut families by population and income deciles using purchasing patterns of lodging expenses identified in the CEX. An estimated 83% of the Room Occupancy Tax household portion is exported due to out-of-state travelers, based on outside research by the Connecticut Department of Economic and Community Development.<sup>62</sup>

The business portion of the Room Occupancy Tax is first allocated between national and local industries. This analysis assumes that most of the consumption associated with the Room Occupancy Tax is paid by out-of-state businesses as opposed to local businesses. The analysis assumes that 90% is of consumption is made by national businesses and 10% by local businesses. For national industries, the allocation of the Room Occupancy Tax is divided equally

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<sup>62</sup> Connecticut Department of Economic and Community Development. *Connecticut Traveler Profile 2017*. OmniTrak Group, 2017, <https://portal.ct.gov/-/media/decd/tourism/cttravelerprofiles/connecticut---omnitrak-traveler-profile-2017-final.pdf>. Accessed 2 Dec. 2025.

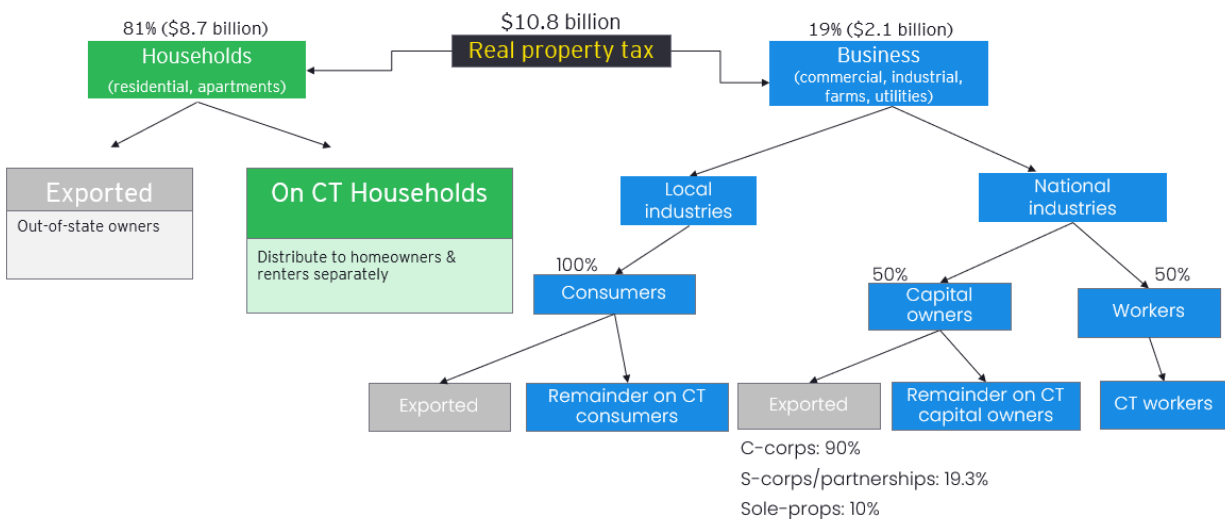
between wages and capital income. A portion of the capital income is exported following the Sales and Use Tax example previously outlined. The remaining tax on wages and capital income is distributed to Connecticut workers and capital owners. For local industries, 3.6% of the tax is exported, consistent with the Sales and Use Tax example, and the remainder is apportioned to Connecticut consumers using CEX data.

### Real Property Tax Incidence

The economic incidence of the Real Property Tax primarily uses the 2022 statewide CAMA parcel-level data, aggregated from the 154 towns with this information available. During the aggregation process, fields such as assessment values and addresses were systematically consolidated to form a set of universal fields to construct the statewide database.

The economic incidence calculation for the Real Property Tax follows the framework below:

**Figure 4: Main Steps for Real Property Tax Incidence**



### Step 1: Initial incidence:

The total tax liability for Real Property Tax is firstly apportioned into households and businesses based on the assessment value for each. This is calculated based on the 2021 Grand List, which provided the assessment value by different property types. According to the 2021 Grand List, 81% of the property assessed value is from residential properties, while 19% is from nonresidential property (i.e., commercial, industrial, farm, and utility property).

## Step 2: Household incidence

The household incidence for Real Property Tax follows the steps below:

1. **Exported household share:** The exported household share for Real Property Tax considers out-of-state owners who do not lease out their Connecticut real properties. These can be property owners with second homes in Connecticut. Due to data limitation, information for out-of-state owners of second homes is not available at parcel-level data through CAMA. The information for out-of-state owners with second homes within Connecticut was estimated as an aggregate tax liability instead. This is estimated through three steps:
  - a. First, out-of-state share is estimated. This is calculated based on the share of parcels which do not have the owner's mailing address in Connecticut in the entire 2022 CAMA data. Based on the entire 2022 CAMA data, 11% of total assessment value is attributable to owners not living in Connecticut.
  - b. Second, the share of owner-occupied units is estimated based on the entire 2022 CAMA dataset. The owner-occupied parcels are identified by whether the owner's mailing addresses are the same as the parcel addresses. If an owner's mailing address matches the property address, the property is considered owner-occupied; otherwise, the property is considered renter occupied. Based on this calculation, this analysis estimates that 71.3% of residential property assessment value is from owner-occupied properties, while 28.7% is from renter-occupied properties.
  - c. Assuming the 11% out-of-state concentration is the same for both renters and owners, this analysis then applies the 11% to the 71.3% owner-occupied parcels. Based on this calculation, this analysis estimates that 8% of the total residential tax liability is exported to out-of-state owners.
2. **Remaining household share – split into owners and renters:** For the remaining household portion of the tax (92% of the total residential tax liability), the economic incidence is further split between renters and owners based on the assessment value of their residence. As mentioned in [#1b](#) above, the renter and owner-occupied units are identified based on parcel

owners' addresses in the 2022 CAMA data. The limitation of this approach is that it may not accurately identify owners of second homes and may flag these properties as renter occupied. The economic incidence of the renter occupied units assumes the tax on the value of rented units is passed fully from property owners to renters through the rental rate.

3. **Apportion the remaining household share – gross property tax amount:** The remaining portion of the tax, which the analysis estimated to be \$7.8 billion, falls on Connecticut residents. To calculate the incidence of Real Property Tax, the parcel-level data is matched to the Personal Income Tax return data based on address. To accurately capture the property tax burden on a tax units, the matching follows the step below:
  - a. The CAMA data were rolled up at the addresses level without apartment unit number. This is because apartment unit number could be missing or coded differently between the Personal Income Tax and the CAMA data.
  - b. The rolled-up 2022 CAMA data was then matched to the entire 2022 Personal Income Tax return data, based on property address from CAMA data and return address from Personal Income Tax data. This assumes that renters and owners would fill in the same address in the Personal Income Tax returns as their living address. This matching process is a multiple-to-one matching, meaning that multiple Personal Income Tax returns could be matched to a parcel from CAMA data. For example, two families renting the same house could both contribute to the property tax burden, even though they file Personal Income Tax returns separately.
  - c. The matched data provides assessment value for families. Assessment value serves as a proxy for property tax burden in this analysis. This analysis also assumes that families sharing the same property would equally contribute to the property tax burden. Therefore, the assessment value is further split evenly to all families (identified by Personal Income Tax return) sharing the same address.

The matched data provides assessment value and income for each family, allowing economic incidence calculations by deciles. Each parcel is also flagged as a renter or owner-occupied unit, which allows the economic incidence to be calculated separately for renters and owners. Using the matched data, the analysis apportions the remaining

household share of the tax by town to income or population deciles within the same town. This calculation by town ensures that the economic incidence adjusts for different millage rates across towns. When samples are limited in a town's decile (e.g., only one property matched in decile 1 in a town), this is determined as not representative of the population and replaced with the statewide distribution of assessment value.

4. **Apportion the remaining household share – net property tax amount:** The economic incidence from the previous step is based on assessment value only, which only calculates the gross property tax amount before credits. This analysis also considers the major Real Property Tax credits available in Connecticut and calculates the net Real Property Tax liability by subtracting the credits from the gross Real Property Tax by decile. The following credits were considered:
  - a. Elderly or disabled homeowners' program (Circuit Breaker Tax Credit): This is modeled based on the total number of applicants and benefits from the Office of Policy and Management, distributed to deciles based on the income criteria outlined in the law using Census ACS family-level data.
  - b. Elderly or disabled renters' program: this follows the same process as the elderly or disabled homeowner's program.
  - c. Section 8 rental subsidy: this is modeled based on the total number of families using the Section 8 benefit in Connecticut and distributing the impact of the benefit across deciles using data on housing vouchers from the Census Survey of Income and Program Participation (SIPP). Because the subsidy is provided by the federal government and the reduced tax burden does not fall on Connecticut renters, this subsidy is modeled as tax liability that is exported to the federal government.

### Step 3: Business incidence

The business incidence of the Real Property Tax follows the same process as the Sales and Use Tax. The tax base by industry is proxied based on the BEA Stock of Fixed Assets by industries. This also adjusts for taxable fixed assets and removes exempt assets such as public hospitals. For national industries, the allocation is divided equally between wages and capital income, and a portion of capital income is exported consistent with the Sales and Use Tax example previously

outlined. The remaining wage and capital income incidence is distributed to Connecticut workers and capital owners. For local industries, 3.6% of the tax is exported following the Sales and Use Tax example, and the remainder is apportioned to Connecticut consumers using CEX data.

#### Step 4: Final incidence

The final incidence of the Real Property Tax combines incidence for in-state owners, renters, and the non-exported portion of businesses that passed on to Connecticut consumers, workers, and capital owners.

#### *Personal Property Tax incidence*

The Personal Property Tax applies only to businesses. The economic incidence methodology for this tax generally follows the methodology for the business portion of the Sales and Use Tax outlined previously.

The Personal Property Tax is apportioned into the industries based on the net stock of private non-resident fixed assets from BEA. The apportionment further adjusts for assets that are taxable to the Connecticut Personal Property Tax.

#### *Motor Vehicle Tax incidence*

The economic incidence of the Motor Vehicle tax follows a similar process to the Sales and Use Tax.

The Motor Vehicle Tax is apportioned to households and businesses using data from the BEA stock of private non-residential fixed assets (businesses) and consumer durable goods (households) for motor vehicles from BEA.

The household portion of the tax was apportioned to Connecticut families by population and income deciles using the value of vehicles from SCF data. This analysis assumes all of the household portion of the tax is borne by Connecticut households.

The business incidence of the Motor Vehicle Tax follows the same process as the Sales and Use Tax. The tax base by industry is proxied based on the BEA Stock of Fixed Assets by industries for motor vehicles only. For national industries, the allocation is divided equally between wages and capital income, and a portion of capital income is exported consistent with the Sales and Use Tax example previously outlined. The remaining incidence on wages and capital income is

distributed to Connecticut workers and capital owners. For local industries, 3.6% of the tax is exported following the Sales and Use Tax example, and the remainder is apportioned to Connecticut consumers using CEX data.

### *Excise taxes*

The economic incidence of the excise taxes analyzed is assumed to fall entirely on households. However, a portion is exported to reflect spending by out-of-state visitors, with the remainder allocated to Connecticut households. An estimated 8.7% of the Excise Tax is exported due to visitor spending, based on outside research by the Connecticut Department of Economic and Community Development.<sup>63</sup> The remaining tax was apportioned to Connecticut households using purchasing patterns from the Consumer Expenditure Survey, with purchases categorized by taxability and special rates to estimate the average tax by income or population decile.

### *Public Service Companies Tax*

This analysis treats the Public Services Companies Tax similarly to an excise tax in which the tax amount is added to the amount paid by the final purchaser of the service, including individual households and businesses.

The Public Services Companies Tax is first split into several categories that contribute to this tax, including cable, electricity, gas, and others, based on reported tax collection amounts.<sup>64</sup> For each of these categories, the tax liability is then apportioned to households and businesses.

The tax liability attributed to electricity and gas services is apportioned to households and businesses using Energy Information Administration (EIA) data on Connecticut expenditures on electricity and natural gas, broken out by residential and commercial or industrial uses. The one-percent credit attributable to the sale of gas and electric power for residential use and credits for gas used directly by a company engaged in a manufacturing production process were incorporated in the analysis.

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<sup>63</sup> Connecticut Department of Economic and Community Development. Connecticut Tourism Economic Impact – 2023. May 2024, <https://portal.ct.gov/-/media/decd/tourism/econimpactstudies/connecticut-tourism-economic-impact---2023.pdf>.

<sup>64</sup> State of Connecticut Department of Revenue Services. Annual Report Fiscal Year 2022-2023. <https://portal.ct.gov/-/media/drs/research/annualreport/drs-fy23-annual-report.pdf>

The tax liability attributed to cable services is apportioned to households and businesses using data from the BEA Use Table on purchases of “broadcasting and telecommunications” goods and services broken out by industries and personal consumption expenditures.

For the business portion of the tax, the electricity and natural gas component is apportioned to industries using data on “utility” purchases in the BEA Use Table, ratioed to Connecticut industries based on GDP. The cable component of the business portion of the tax was similarly apportioned using “broadcasting and telecommunications” purchases in the BEA Use Table. For national industries, the allocation is divided equally between wages and capital income, and a portion of capital income is exported consistent with the Sales and Use Tax example previously outlined. The remaining wages and capital income are distributed to Connecticut workers and capital owners. For local industries, 3.6% of the tax is exported following the Sales and Use Tax example, and the remainder is apportioned to Connecticut consumers using CEX data.

The household portion of Public Service Companies Tax was apportioned to Connecticut families by population and income deciles using purchasing patterns of utilities identified in the CEX. None of the household portion of the tax is assumed to be exported.

### *Estate and Gift Tax*

The distribution of the Estate and Gift Tax was estimated using federal data from the 2022 estate and gift tax, published by US Department of Treasury.<sup>65</sup> The Treasury distribution tables indicated the entirety of the tax is paid by those in the 90–100<sup>th</sup> population decile and those with negative incomes. However, detailed information was not available to break down data by finer population breakdowns or income deciles, therefore it was not included in the analysis.

### *Motor Vehicle Fuels Tax*

The Motor Vehicle Fuels Tax is first split into several categories that contribute to this tax, including gasoline or gasohol and diesel, based on reported amounts

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<sup>65</sup> U.S. Department of the Treasury. Distribution of Tax Burden: Current Law, 2022. Office of Tax Analysis, Apr. 2021, <https://home.treasury.gov/system/files/131/Distribution-of-Tax-Burden-Current-Law-2022.pdf>.

of gallons sold.<sup>66</sup> The tax holiday on gasoline or gasohol sales that was in effect between April 2022 through December 2022 was included in the analysis. For each of these categories of fuels sold, the number of gallons purchased is estimated and is then apportioned to households and businesses. The gallons purchased are then multiplied by their applicable per-gallon tax.

Gasoline or gasohol gallons purchased are apportioned to households and businesses by using data on the stock of light-duty vehicles owned by households and businesses. This estimation uses BEA stock of light-duty vehicles net of depreciation. Limitations of this approach are that value of vehicles may not correspond directly to the number of vehicles and that the analysis assumes households and businesses consume similar volumes of gasoline or gasohol per vehicle. Diesel is assumed to be purchased only by businesses.

The business portion of the Motor Vehicle Fuels Tax follows the same process as the Sales and Use Tax. The tax base by industry is proxied based on BEA data on the net stock of fixed assets of vehicles by industry. For national industries, the allocation is divided equally between wages and capital income, and a portion of capital income is exported consistent with the Sales and Use Tax example previously outlined. The remaining wages and capital income are distributed to Connecticut workers and capital owners. For local industries, 3.6% of their tax liability is exported following the Sales and Use Tax example, and the remainder is apportioned to Connecticut consumers using CEX data.

A share of the household portion of the Motor Vehicle Fuels Tax is generated by taxable purchases made by visitors and tourists and is exported. This share, equal to 3.6% of the household portion of the tax, is estimated using data on sales taxes generated by visitor spending published by the Connecticut Department of Economic and Community Development and Tourism Economics.<sup>67</sup> The non-exported share of the household portion of the tax was

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<sup>66</sup> State of Connecticut Department of Revenue Services. Annual Report Fiscal Year 2022-2023. <https://portal.ct.gov/-/media/drs/research/annualreport/drs-fy23-annual-report.pdf>

<sup>67</sup> Connecticut Department of Economic and Community Development. Connecticut Tourism Economic Impact – 2023. May 2024, <https://portal.ct.gov/-/media/decd/tourism/econimpactstudies/connecticut-tourism-economic-impact---2023.pdf>.

apportioned to Connecticut families by population and income deciles using purchasing patterns of gasoline identified in the CEX.

### *Petroleum Products Gross Earnings Tax*

The incidence analysis treats the Petroleum Products Gross Earnings Tax similarly to an excise tax in which the tax amount is added to the amount paid by the final purchaser of the service, including individual households and businesses.

To apportion the Petroleum Products Gross Earnings Tax into household and business portions, this analysis uses EIA data on petroleum expenditures in Connecticut, which are available at the residential, commercial or industrial, and transportation-related (including vehicle consumption of fuels) end-user levels as well as certain petroleum product categories including distillate fuel oil, motor gasoline, and others. Heating oil and diesel used in transportation are exempt from the tax. Distillate fuel oil expenditures for residential and commercial or industrial purposes (which are separated in the data from vehicle diesel fuel expenditures) are assumed to be primarily related to heating purposes. Gasoline expenditures follow the methodology previously outlined in the Motor Vehicle Fuels Tax methodology section.

The business incidence of the Petroleum Products Gross Earnings Tax follows the same process as the Sales and Use Tax. The tax base by industry is proxied based on the purchases of “petroleum and coal products” in the BEA Use Table. For national industries, the allocation is divided equally between wages and capital income, and a portion of capital income is exported consistent with the Sales and Use Tax example previously outlined. The remaining wages and capital income are distributed to Connecticut workers and capital owners. For local industries, 3.6% of the tax is exported following the Sales and Use Tax example, and the remainder is apportioned to Connecticut consumers using CEX data.

A share of the household portion of the tax is generated by taxable purchases of gasoline made by visitors and tourists and is exported. This share is estimated following the methodology previously outlined in the Motor Vehicle Fuels Tax methodology section. The non-exported share of the household portion of the tax was apportioned to Connecticut families by population and income deciles using purchasing patterns of gasoline identified in the CEX.

## *Tax Expenditures*

Among the tax expenditure categories analyzed in this report, the majority are either apportioned only to businesses or only to households. For tax expenditures attributed to the Petroleum Products Gross Earnings Tax and the Public Service Companies Tax, the tax benefit is assumed to be reflected in the amount paid by the final purchaser of the services, including individual households and businesses.

Tax expenditure categories assumed to have only household portions include sales of food products (including SNAP purchases), prescription medicines, non-prescription drugs, renovation and repair for residential real property, propane used for residential heating, and the lowered Public Service Companies Tax rate for residential services. Only tax expenditures on renovation and repair for residential real property are assumed to have an exported share; this exported share follows the exported share in the residential component of the Real Property Tax section.

Tax expenditure categories assumed to have only business portions include utilities for agricultural production or manufacturing, computer and data processing services, and media advertising and cooperative direct mail advertising. For each of these tax expenditures, the tax benefit is further apportioned into industries using data on industry purchases of relevant goods and services in the BEA Use Table.

Tax expenditure categories assumed to have both household and business portions include trade-in of motor vehicles, snowmobiles, vessels, or farm tractors and #2 heating oil used for heating purposes. Tax benefits associated with the former category are apportioned into households and businesses by proxying for the trade-in values with the net stock values of vehicles, boats, farm tractors, and consumer aircrafts owned by households and industries. #2 heating oil tax benefits are apportioned to households and businesses using EIA data on non-transportation use of distillate oil. "Petroleum and coal products" purchases in the BEA Use Table is used to further apportion tax benefits to industries.

Any applicable household portion of each tax expenditure category is apportioned to Connecticut families by population and income deciles using

purchasing patterns of relevant qualifying goods and services identified in the CEX.

The remainder of the economic incidence methodology of any applicable business portion of each tax expenditure category, including exporting to non-Connecticut residents and distributing to Connecticut consumers, workers, and capital income, follows the Sales and Use Tax example previously outlined.

### *Caveats and limitations*

The following caveats and limitations should be understood by the reader when interpreting the results from 2025 Connecticut Tax Incidence Study.

1. The family income distribution is Connecticut AGI, plus non-taxable social security and certain transfer payments from the ACS data, including supplemental security income, welfare income, and the nontaxable portion of the social security income. This may result in an overestimation of ETRs for certain deciles. In-kind government transfers are mainly distributed to low-income taxpayers.
2. A key assumption relates to the shares of business equity owned by non-Connecticut residents, which are assumed to be 90% of C-corporations, 19.3% of S-corporations and Partnerships, and 10% of Sole Proprietorships. The assumption for C-corporations and Sole Proprietorships is taken from the Minnesota Incidence Study, and for S-corporations is derived from Connecticut tax return data.
3. Due to data constraints and taxpayer confidentiality requirements, Estate and Gift Tax figures cannot be shown by the top 5%, 1%, or 0.5% of taxpayers, nor can they be presented by income decile. This is because individuals subject to the Estate and Gift Tax are concentrated within the highest income decile, and further breakdowns could risk disclosure of sensitive taxpayer information.
4. Property tax caveats and limitations:
  - a. This study used 2022 CAMA data, where 154 towns out of 169 towns reported parcel-level information. For the remaining 15 towns, information was unavailable and was estimated using the state-wide average for the assessment value distribution.

- b. Residential property assessment values from CAMA data were matched to Personal Income Tax return addresses. After cleaning and rolling up addresses to the street level, 74% of Personal Income Tax return addresses were matched with CAMA data. Among 154 towns with available CAMA data, 136 achieved a match rate above 70%. The remaining towns have lower match rates and lower sample sizes used to calculate the incidence. When extremely low sample sizes are identified, this analysis used the state-wide average for that town instead.
  - c. The analysis flagged owner-occupied units based on whether the property addresses match the owner's mailing addresses. If mailing addresses match the property addresses, the property was marked as owner-occupied. The main caveat for this methodology is that a second home for homeowners may be flagged as renter-occupied instead of owner-occupied, which reduces the total number of owner-occupied units.
  - d. The total Real Property Tax was allocated between residential and non-residential properties using the 2021 Grand List property assessment values by type. This method was used because tax levy data by property type is not available. There are two caveats in using this approach: 1) the assessment value does not account for exemptions that apply to different types of properties and may not represent the household and business share most accurately; 2) the property types are identified by the state use code of properties, which were reported inconsistently across different towns and may misrepresent the split.
5. Some tax returns in this study belong to dependents who are counted as separate families. While most dependents are rolled up to family units with their guardians, parents of certain dependents do not live in Connecticut and therefore such dependents are not rolled up to a parent's tax unit. The main example of this would be out-of-state college students attending Connecticut universities. These taxpayers disproportionately show up in the low-income deciles, as they are full or part time students. However, these students may have access to other income (e.g., scholarships or parental support) that is not captured in this study. As such, ETRs may be overstated for these units.

6. The report only considers the incidence of the Connecticut tax system. The tax systems of other states also export a share of the business burden, and a portion of which would ultimately fall on Connecticut taxpayers. The analysis does not consider the impacts of the tax system of other states, thus understating the burden of national state and local taxes on Connecticut taxpayers.
7. The analysis assumes that, for some taxes and markets, the incidence of a tax on capital falls 50% on capital ownership and 50% on wages. This is an unsettled subject in the academic and tax policy literature. Certain economists estimate a considerably higher share of the incidence falling on wages, while others estimate a considerably higher share on capital ownership. The 50/50 assumption is a middle of the road estimate, although reasonable arguments can be made to either increase or decrease the share attributed to wages. The higher the share of a tax borne by wages (and implicitly the lower the share attributed to capital ownership) the less progressive business taxes will appear.
8. The CEX provides data at different geographic levels: National, Region (Northeast), Division (New England), and State (Connecticut). For this analysis, national-level data was used because the Connecticut sample size is too small to allow reliable breakdowns by population or income deciles. Additionally, overall spending patterns between Connecticut and the national level are not substantially different, so using national data was considered appropriate.
9. To protect confidentiality and align with IRS disclosure limitation guidelines, all numerical variables from the tax return filer data were blurred using top- and bottom-coding techniques. Connecticut Adjusted Gross Income (AGI) served as the basis for determining the thresholds applied. Specifically, records with Connecticut AGI greater than \$10 million and less than \$50 million were grouped, and each group's values were replaced with the respective group average. Categorical variables, such as family type, were not altered. This method reduces the risk of identifying individual taxpayers

while preserving the overall income distribution, consistent with IRS procedures for disclosure avoidance.<sup>68</sup>

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<sup>68</sup> Internal Revenue Service. *Redesign Recommendations for the SOI Public Use File*, <https://www.irs.gov/pub/irs-soi/14rfpufredesignrecommen.pdf>. Accessed 2 Dec. 2025.



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