

**STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**



**ANNUAL REPORT
FISCAL YEAR 2020-2021**

Mark D. Boughton
Commissioner

Ned Lamont
Governor



A MESSAGE FROM MARK D. BOUGHTON

January 2022

It is my pleasure to present to you the 2020-2021 Department of Revenue Services (DRS) Annual Report. This report offers a summary of statistical data for all taxes administered by the agency.

As the state's tax collector, DRS collects the funds that flow to communities through state-sponsored programs. This Annual Report illustrates the scope of the important work performed here at DRS, and can serve as a valuable and informative resource on state tax administration.

The pandemic has been a challenge for all of us. The DRS has adapted to a remote work environment while continuing to provide critical services and the support expected by Connecticut taxpayers. Despite these challenges the DRS successfully launched the first two phases of a multi-year modernization initiative that will improve how we administer taxes and transform how taxpayers interact with the agency. Additionally, in 2021, the Agency implemented a new Tax Amnesty Program and assisted in the administration of the Back to Work CT Program.

The DRS remains focused on fair and equitable tax administration and the delivery of world class customer service. Taxpayers can continue to count on the highest standards from the outstanding professionals here at DRS.

Mark D. Boughton

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The mission of the Department of Revenue Services is to instill public confidence in the integrity and fairness of tax collection; achieve the highest level of voluntary taxpayer compliance; continuously improve agency performance; contribute to the fiscal and economic well-being of the state; and provide a positive and professional workplace.

LEGISLATIVE SUMMARY
2021 GENERAL ASSEMBLY REGULAR SESSION
2021 GENERAL ASSEMBLY JUNE SPECIAL SESSION

ADMISSIONS TAX

Public Act 21-2, June Special Session

Effective July 1, 2021, this bill eliminates the admissions tax for all charges other than admissions to motion picture shows with a charge of more than five dollars.

ALCOHOLIC BEVERAGE TAX

Public Act 21-37

This bill makes multiple changes to the Liquor Control Act, including allowing out-of-state shipper permittees for alcoholic liquor other than beer to sell alcoholic liquor to manufacturers and wholesaler permittees outside of Connecticut. Effective July 1, 2021.

Public Act 21-2, June Special Session

- This bill reduces the excise tax on beer to 20¢ per gallon. Effective for sales on or after July 1, 2023; and
- Expands the exemptions under Conn. Gen. Stat. §12-412(18) & §12-412i to a purchaser that manufactures or will manufacture beer under a manufacturer permit for beer issued pursuant to section 30-16 of the general statutes. Applicable to sales occurring on or after July 1, 2023.

CORPORATION BUSINESS TAX

Public Act 21-2, June Special Session

- This bill extends the 10% corporation business tax surcharge for income years commencing prior to January 1, 2023, and delays the start of the capital base phase-out until the 2024 income year;
- Allows a company to use Research and Development and Research and Experimental Expenditures tax credits to reduce its corporation business tax liability in excess of the standard 50.01% limitation. Liability may be reduced by up to 60% for income year 2022 and up to 70% for income year 2023 and thereafter; and
- Increases the aggregate cap on Invest CT tax credits from \$350 million to \$550 million. Effective July 1, 2021.

LEGISLATIVE SUMMARY
2021 GENERAL ASSEMBLY REGULAR SESSION
2021 GENERAL ASSEMBLY JUNE SPECIAL SESSION

MISCELLANEOUS

Public Act 21-58

This bill expands the bottle bill to include beverage containers for hard cider, plant water or plant infused drink, juice or juice drink, tea, coffee, kombucha, and sports or energy drink, effective January 1, 2023. Additionally, the bottle deposit is increased from 5 cents per deposit to 10 cents per deposit effective January 1, 2024. Lastly, the bill establishes a 5¢ surcharge on the sale of 50ml bottles (“nips”). The bill requires the revenue generated from the surcharge to be remitted to the municipalities where such sales occur.

Public Act 21-70

This bill requires marketplace facilitators to begin collecting and remitting the E 9-1-1 fee levied on each sale of prepaid wireless telecommunications services by a retailer. Effective July 1, 2022, and applicable to sales occurring on or after July 1, 2022.

Public Act 21-177

This bill imposes a highway use tax (HUT) on every “carrier” for the privilege of operating, or causing to be operated, certain heavy, multi-unit motor vehicles on any highway in the state. The HUT applies to carriers operating “eligible motor vehicles,” which are those with a gross weight of 26,000 lbs. or more and in classes 8 through 13 of the Federal Highway Administration’s vehicle classification system. The HUT tax is calculated based on a vehicle’s weight and the number of miles driven in the state. Trucks transporting dairy or milk to and from dairy farms are excluded from the HUT tax. Effective for calendar months beginning on or after January 1, 2023.

Public Act 21-1, June Special Session

This bill legalizes and regulates the sale of cannabis, effective July 1, 2021. The bill:

- Establishes a state cannabis tax based upon the amount of THC per milligram of certain products. The rate is 0.625 cents per milligram of total THC for cannabis plant materials, 2.75 cents per milligram of total THC for cannabis edible products, and 0.9 cents per milligram of total THC for cannabis, other than cannabis plant material or cannabis edible products;
- Establishes a 3% municipal tax on the sale of cannabis;

LEGISLATIVE SUMMARY
2021 GENERAL ASSEMBLY REGULAR SESSION
2021 GENERAL ASSEMBLY JUNE SPECIAL SESSION

- Specifies that all state cannabis tax revenue be deposited in various funds: the Cannabis Regulatory and Investment Account; the General Fund; the Social Equity and Innovation Fund; and the Prevention and Recovery Services Fund;
- Subjects the sales of cannabis to the 6.35% general sales tax rate;
- Repeals the Marijuana and Controlled Substances Tax; and
- Extends the angel investor tax credit program to eligible cannabis businesses owned and controlled by social equity applicants; allows investors to claim a 40% income tax credit for credit-eligible investments in these businesses.

Public Act 21-2, June Special Session

This bill requires the Department of Revenue Services (DRS) commissioner to establish a tax amnesty program for individuals, businesses, or other taxpayers that owe Connecticut state taxes (other than motor carrier road taxes) to DRS; eligible taxpayers may receive a 75% reduction in the interest and eliminates penalties that would otherwise be due. The amnesty runs from November 1, 2021, to January 31, 2022, and covers any taxable period ending on or before December 30, 2020.

Public Act 21-2, June Special Session

This bill sunsets the existing 6% ambulatory surgical centers tax on June 30, 2023, and establishes a new 3% ambulatory surgical center tax for calendar quarters commencing on or after July 1, 2023.

PERSONAL INCOME TAX

Public Act 21-3

This bill precludes residents from being double taxed by allowing a credit for taxes paid to another jurisdiction regardless of whether the resident was subject to a convenience of the employer provision or directive from the state where they physically worked pre-pandemic. Effective upon passage (March 4, 2021) and applicable only to the 2020 taxable year.

Public Act 21-2, June Special Session

- This bill increases the state Earned Income Tax Credit (EITC) from 23% to 30.5%, for taxable years commencing on or after January 1, 2021;

LEGISLATIVE SUMMARY
2021 GENERAL ASSEMBLY REGULAR SESSION
2021 GENERAL ASSEMBLY JUNE SPECIAL SESSION

- Extends the limitation on the income tax credit for property taxes paid to taxable years 2021 and 2022;
- Extends the existing pension and annuity income tax exemption to include income from IRAs other than a ROTH IRA, for taxable years commencing on or after January 1, 2023; and
- Allows qualifying taxpayers to take the greater of either the teacher's retirement or pension and annuity subtraction modifications. Effective for taxable years commencing on or after January 1, 2021.

SALES AND USE TAXES

Public Act 21-1

This bill allows for certain sales and use tax exemptions for qualified data centers that enter into an agreement with the Department of Economic & Community Development (DECD). The sales and use tax exemptions apply for the duration of the agreement that DECD enters into with the data center. Effective for sales on or after July 1, 2021.

Public Act 21-106

Requires DRS to issue guidance no later than December 1, 2021 regarding the applicability of the sales and use tax to peer-to-peer car sharing.

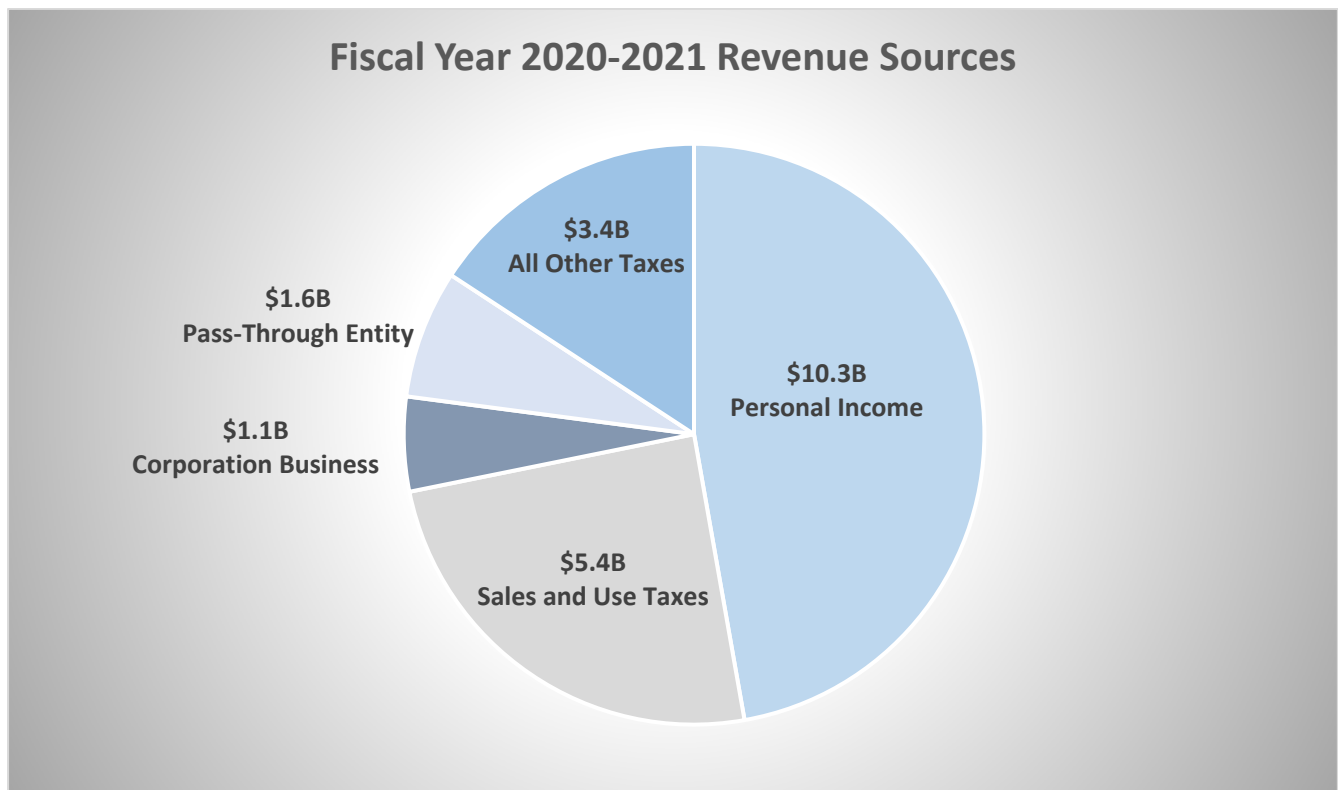
Public Act 21-2, June Special Session

- This bill allows film & digital media production tax credits to be claimed against the sales and use tax at 78% of face value if there is common ownership of at least 50% between the transferor and transferee. Effective January 1, 2022;
- Exempts breastfeeding supplies from sales and use tax for sales on or after July 1, 2021; and
- Allows restaurants to keep 100% of their sales taxes collected on meals during one week during Fiscal Year 2022. The one week can be selected by the establishment from three different dates:
 1. August 1, 2021, to August 7, 2021;
 2. December 12, 2021, to December 18, 2021; or
 3. May 15, 2022, to May 21, 2022.

CONNECTICUT TAXES

The Department of Revenue Services collected \$21.8 billion in state taxes for fiscal year 2020-21.

The Personal Income, Pass-Through Entity, Sales and Use, and Corporation Business Taxes comprised 84% of all collections.



STATE REVENUE SOURCES

	FY 2018-2019	FY 2019-2020	FY 2020-2021
Admissions & Dues Tax <i>Ch. 225</i> and Transportation Network Company Fee <i>Ch. 244b</i>	\$46,690,427	\$44,228,033	\$40,017,155
Alcoholic Beverages Tax <i>Ch. 220</i>	64,145,818	73,082,328	79,111,165
Ambulatory Surgical Centers <i>Ch. 211a</i>	18,860,333	13,514,385	17,838,566
Attorney Occupational Tax <i>Ch. 876</i>	8,868,388	9,210,897	6,948,701
Beverage Container Deposits <i>Ch. 446d</i>	36,099,594	43,650,577	43,505,264
Business Entity Tax <i>Ch. 213a (repealed)</i>	67,873,462	(10,420,852)	6,550,175
Cable, Satellite & Video Companies Tax <i>Ch. 211</i>	46,295,532	49,819,514	45,010,159
Cigarette Tax <i>Ch. 214</i>	335,205,445	322,179,153	324,060,357
Controlled Substances Tax <i>Ch. 228d</i>	59,247	33,165	10,511
Controlling Interest Transfer Tax <i>Ch. 228b</i>	12,430,499	7,889,870	10,365,593
Corporation Business Tax <i>Ch. 208 & 209</i>	987,363,605	940,812,555	1,144,305,750
Dry Cleaning Surcharge <i>Ch. 211b</i>	605,518	562,182	335,472
Electric Distribution Companies <i>Ch. 212</i>	156,749,530	146,646,424	138,337,220
Electronic Cigarette Products <i>Ch. 214b</i>	0	3,371,121	5,205,231
Estate and Gift Tax <i>Ch. 217& 228c</i>	225,312,679	159,542,430	303,338,908
Gas Companies <i>Ch. 212</i>	66,665,641	64,553,262	69,081,934
Gift Tax <i>Ch. 228c (repealed)</i>	120,843	8,732	39,376
Health Care Centers Tax <i>Ch. 207</i>	2,815,820	3,197,628	1,911,391
Hospitals Tax <i>Ch. 211c</i>	909,319,650	870,562,036	911,989,853
Income Tax <i>Ch. 229</i>	9,640,161,331	9,398,681,702	10,273,322,918
Insurance Premiums Tax, Domestic <i>Ch. 207</i>	23,836,161	36,535,895	32,534,668
Insurance Premiums Tax, Foreign <i>Ch. 207</i>	138,306,491	155,220,722	158,792,653
Insurance: Non-admitted/Unauthorized <i>Ch. 698d</i>	7,381,718	7,541,881	9,025,345
Intermediate Care Facility User Fee <i>Ch. 211c</i>	6,756,512	7,115,759	6,573,159
Motor Carrier Road Tax - <i>Ch. 222</i>	12,138,677	14,241,516	11,455,267
Motor Vehicle Fuels Tax - Gasoline <i>Ch. 221</i>	383,029,136	342,204,670	339,398,960
Motor Vehicle Fuels Tax - Special Fuel <i>Ch. 221</i>	114,831,017	122,021,291	124,583,899
Nursing Home User Fee <i>Ch. 211c</i>	146,848,506	114,012,296	101,304,109
Paid Preparer Fee <i>Ch. 229</i>	168,000	112,900	93,976
Pass-Through Entity <i>Ch. 228z</i>	1,172,054,054	1,241,963,309	1,553,825,428
Petroleum Products Gross Earnings Tax <i>Ch. 227</i>	318,518,185	235,922,566	232,333,711
Prepaid Wireless E-9-1-1 Fee <i>Ch. 518a</i>	2,364,502	2,429,088	2,513,218
Public, Educ. & Gov. Programming Tax <i>Ch. 289</i>	3,333,321	4,961,607	1,959,971
Railroad Companies Tax <i>Ch. 210</i>	32,396	655,104	666,555

STATE REVENUE SOURCES (cont.)

	FY 2018-2019	FY 2019-2020	FY 2020-2021
Real Estate Conveyance Tax <i>Ch. 223</i>	200,792,382	168,686,812	374,662,454
Rental Surcharge <i>Ch. 228h</i>	213,605	373,961	366,300
Sales and Use Taxes <i>Ch. 219</i>	4,720,321,873	4,740,471,015	5,355,064,228
Solid Waste Tax <i>Ch. 446d</i>	2,709,403	2,968,891	2,877,298
Succession Tax <i>Ch. 216 (repealed)</i>	87,888	272,576	308,237
Tobacco Products Tax <i>Ch. 214a</i>	22,319,680	21,727,005	22,556,759
Tourism Surcharge <i>Ch. 228e</i>	5,370,895	4,870,452	3,708,471
Unrelated Business Income Tax <i>Ch. 208a</i>	5,697,312	4,082,151	3,392,999
Total	\$19,912,755,076	\$19,369,516,609	\$21,759,283,364

ADMISSIONS AND DUES TAX

	<u>Revenue *</u>
FY 2020-21	\$40,017,155
2019-20	44,228,033
2018-19	46,690,427

Exemptions:

Admissions

- Under \$1
- Non-profit organizations
- Motion pictures for not more than \$5.00
- Live performances at non-profit theaters or playhouses, Gateway's Candlewood Playhouse, and Ocean Beach Park
- Daily charges for sporting or athletic activities in which patrons participate
- Carnival or amusement rides
- Cabarets
- Interscholastic athletic events held at Rentschler Field
- As of July 1, 2020, admission charges to Dunkin' Donuts Park.

Dues:

- A club where the annual dues and any initiation fee of a fully privileged member are each \$100 or less;
- Lawn Bowling Clubs
- Locker Rental Fees
- Additional charges used to acquire open space land
- Charitable, religious, governmental or non-profit educational institution
- Society, order or association operating under the lodge system or local fraternal organizations among students of a college or university

Number of Taxpayers / Filing Frequency

524 taxpayers / Monthly

Admissions 400 taxpayers
Dues 237 taxpayers

Note: 113 taxpayers collect both taxes

* Includes revenue from the Transportation Network Company Fee.

ADMISSIONS AND DUES TAX (cont.)

Basis and Rate

Admissions

5% of sales occurring on or after July 1, 2019, but prior to July 1, 2020, for any event at Dunkin Donuts Park [Exempt as of July 1, 2020].

6% of the admissions charge to motion picture shows.

7.5% of the admission charges made on or after July 1, 2019, but prior to July 1, 2020, for the venues and events listed below:

- Any event at the XL Center in Hartford;
- Any event at Dillon Stadium in Hartford;
- Any athletic event presented by a member team of the Atlantic League of Professional Baseball at the New Britain Stadium;
- Any event at the Webster Bank Arena in Bridgeport;
- Any event at the Harbor Yard Amphitheater in Bridgeport;
- Any event at Dodd Stadium in Norwich;
- Any event at the Oakdale Theatre in Wallingford; and
- Any event other than an interscholastic athletic event at the stadium facility at Rentschler Field.

5% of the admission charges made between July 1, 2020 and June 30, 2021, for the venues and events listed above. Exempt as of July 1, 2021.

10% of the admission charge to any other place of amusement, entertainment, or recreation made on or before June 30, 2021. Exempt as of July 1, 2021.

Dues

10% of membership dues or initiation fees to any social, athletic or sporting club organization.

ALCOHOLIC BEVERAGES TAX

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

	<u>Revenue</u>
FY 2020-21	\$79,111,165
2019-20	73,082,328
2018-19	64,145,818

Exemption

Effective January 1, 2020, the first 15 barrels of malt beverages which are consumed on the premises of an establishment covered by a manufacturer's permit are exempt annually.

Number of Taxpayers/Filing Frequency

945 distributors/ Monthly

Basis and Rate - Through September 30, 2019

Beer	\$7.20 per barrel (31 gallons)
Beer	24¢ per gallon
Still Wines	72¢ per gallon
Small Wineries	18¢ per gallon
Sparkling Wines	\$1.80 per gallon
Alcohol	\$5.40 per proof gallon
Distilled Liquor	\$5.40 per gallon
Liquor Coolers	\$2.46 per gallon

ALCOHOLIC BEVERAGES TAX (cont.)

Basis and Rate – Effective October 1, 2019

Beer	\$7.20 per barrel (31 gallons)
Beer	24¢ per gallon*
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

*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.

Comparison of Gallonage

TYPE	FY 2018-19 (gallons)	FY 2019-20 (gallons)	FY 2020-21 (gallons)
Beer - barrels	189,115	141,247	115,929
Beer - gallons	46,796,274	49,197,760	50,035,440
Still Wine	12,703,018	12,825,497	12,475,890
Small Wineries	315,834	316,265	315,522
Sparkling Wine	726,396	812,562	848,910
Distilled Liquor	7,460,026	7,769,965	8,377,013
Liquor Cooler	105,576	298,847	899,670
Alcohol	64,994	93,687	83,531
Cider - barrels*		2,122	2357
Cider - gallons*		402,422	581,994

* Prior to 10/1/2019 cider was included in beer

AMBULATORY SURGICAL CENTERS TAX

A tax is imposed on the gross receipts of each ambulatory surgical center for each calendar quarter. Gross receipts do not include net patient revenue of a hospital that is subject to the Hospitals Tax.

Revenue	
FY 2020-21	\$17,838,566
2019-20	13,514,385
2018-19	18,860,333

Basis and Rate

6%

Number of Taxpayers/Filing Frequency

50/Quarterly

ATTORNEY OCCUPATIONAL TAX

An occupational tax is levied against any person who has been admitted as an attorney by the judges of the superior court, and who is engaged in the practice of law in Connecticut.

Revenue	
FY 2020-21	\$6,948,701
2019-20	9,210,897
2018-19	8,868,388

Exemptions

- Employees of the State of Connecticut including judges and referees;
- Probate court employees;
- Any attorney employed by a political subdivision of Connecticut;
- Employees of the federal government;
- Any attorney serving on active duty with the United States Armed Forces for more than six months of a given year;
- Attorneys who received less than \$1,000 in compensation during the calendar year;
- Those engaged in practice of law exclusively outside the state;
- Those removed from the roll of attorneys;
- Those who did not work or were not employed as an attorney; and
- Any attorney who has retired from the practice of law or died during the calendar year.

Basis and Rate

\$565 per practicing attorney.

Number of Taxpayers/Filing Frequency

11,785 Attorneys/ Annually

BEVERAGE CONTAINER DEPOSITS

Connecticut requires all deposit initiators, certain distributors or manufacturers who engage in the sale of beverages subject to the Connecticut bottle bill, to collect the five cent deposit per beverage container sold to any person within Connecticut. These deposit initiators must maintain a separate bank account in which to deposit the monies collected. The unclaimed amount is the amount left in the account after refunds paid to customers and bank fees have been deducted. Each deposit initiator files a quarterly report and remits the unclaimed deposits amount to the state.

Revenue	
FY 2020-21	\$43,505,264
2019-20	43,650,577
2018-19	36,099,594

Exemption

Any manufacturer which, on an annual basis, bottles and sells less than 250,000 noncarbonated beverage containers

Number of Taxpayers/Filing Frequency

143 Entities/Quarterly

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. The stamps are sold to licensed dealers and licensed distributors. Sales of cigarettes are also subject to the Sales and Use Tax.

Revenue

FY 2020-21	\$324,060,357
2019-20	322,179,153
2018-19	335,205,445

Exemptions

- Cigarettes sold to any state institution other than a correctional institution.
- Cigarettes sold on armed services bases.

Number of Taxpayers/ Filing Frequency

24 taxpayers/ Monthly

Basis and Rate

217.5 mills per cigarette or \$4.35 per pack of twenty

Note: The tax is reduced by 50% for any product the Secretary of the United States Department of Health and Human Services determines to be a “modified risk tobacco product” pursuant to 21 U.S.C. §387k.

CONTROLLED SUBSTANCES TAX

A tax is levied on marijuana and controlled substances which creates an economic burden on drug dealers. Payment of the tax is indicated by the affixing of stamps to the marijuana or controlled substance. The tax is due and payable immediately upon acquisition or possession of the drug in Connecticut by a dealer.

Revenue	
FY 2020-21	\$10,511
2019-20	33,165
2018-19	59,247

Basis and Rate

\$3.50 per gram of marijuana;
\$200 per gram of controlled substance; and
\$2,000 per 50-dosage unit of controlled substance not sold by weight.

Note: Effective July 1, 2021, the Controlled Substances Tax was repealed, per 2021 Conn. Pub. Acts 1, June Spec. Sess., *An Act Concerning the Responsible and Equitable Regulation of Adult-use Cannabis*.

CONTROLLING INTEREST TRANSFER TAX

A tax is imposed on the transfer of a controlling interest in a corporation, partnership, association, trust or other entity, where an entity owns an interest, directly or indirectly, in Connecticut real property with a value of at least \$2,000. In a corporation, "controlling interest" means more than 50% of the combined voting power of all classes of stock in the corporation. For all other entities, "controlling interest" is an amount greater than 50% of the capital, profits or beneficial interest in that entity.

Revenue	
FY 2020-21	\$10,365,593
2019-20	7,889,870
2018-19	12,430,499

Exemptions

- Sales or transfers that effectuate a mere change of identity or form of ownership or organization where there is no change in the beneficial ownership of the entity;
- Sale or transfer of a controlling interest in any entity which possesses an interest in real property located in an enterprise zone;
- Transfers of land resulting from eminent domain proceedings;
- Deeds releasing any property which is a security for a debt or other obligation;
- Mortgage deeds;
- Deeds to or by the United States of America, State of Connecticut or any political subdivision or agency thereof;
- Tax deeds; and
- Deeds to any corporation, trust or other entity, of land to be held in perpetuity for educational, scientific, aesthetic or other equivalent passive uses (pending determination by the Internal Revenue Service).

Filing Frequency / Number of Taxpayers

The month following the month in which the transfer was made.
62 transfers in FY 2020-21

Basis and Rate

1.11% on the sale or transfer of a controlling interest.

An additional tax which varies between 1% and 10% on the value of open space land, farmland, forestland, and maritime heritage land, depending on the holding period, may also be levied.

CORPORATION BUSINESS TAX

A corporation carrying on or doing business in Connecticut is subject to the Corporation Business Tax. Most corporations in Connecticut must file returns and pay corporation business tax although some corporations are exempt.

Corporations must calculate their tax under two alternate methods and remit the higher tax. If a corporation owes less than \$250 under both methods, it pays the minimum tax of \$250.

Revenue	
FY 2020-21	\$1,144,305,750
2019-20	940,812,555
2018-19	987,363,605

Basis and Rate

Net Income Base Method

The method under which most Corporation Business Tax revenue is derived is the net income base. Corporations compute their Connecticut net income by starting with federal taxable income and then applying the adjustments allowed or required by Connecticut.

For Connecticut net income purposes, corporations must add back certain items deducted in arriving at federal taxable income, such as:

- Exempt interest income
- State and local income taxes
- Royalties or interest paid to a related member
- Bonus depreciation

Certain other deductions are then allowed, such as:

- Certain dividends
- Capital loss carryovers not deducted in computing federal gain
- Deferred cancellation of debt income.

Companies that conduct business in multiple states are allowed to apportion their net income based upon the percentage of their sales made in Connecticut. Market-based sourcing rules consider sales of services and most intangible property to be made where the customer is located. Special apportionment rules are provided for certain industries such as financial service companies and broadcasters.

CORPORATION BUSINESS TAX (cont.)

Apportioned net operating losses incurred for income years beginning on or after January 1, 2000, may be carried forward for 20 successive income years. The net operating loss (NOL) deduction may not exceed 50% of the taxpayer's net income.

Connecticut net income is taxed at the rate of 7.5%.

Capital Base Method

Corporations must also compute their tax under the capital base method. The capital base is the total value of the average capital stock, surplus and undivided profits, and surplus reserves, less the average values of deficits and stockholdings in private corporations. Multi-state corporations multiply their capital base by an apportionment fraction.

The capital base is taxed at a rate of 3.1 mils (\$0.0031) per dollar. Under the capital base method, a corporation is limited to a maximum tax of \$1,000,000. Financial service companies are excluded from the capital base method, but are subject to the minimum tax.

Corporations are subject to tax on the greater of the net income base method or the capital base method calculations.

Minimum Tax

If a corporation's calculation of the tax is less than \$250 under both of the two previous methods, it pays a minimum tax, which is currently \$250. The majority of corporations pay the minimum tax.

Surtax

For income years 2018 through 2022, corporations, other than those paying the minimum tax of \$250, pay a surtax in an amount equal to 10% of the tax due before credits are applied. Corporations whose gross income is less than \$100 million are exempt from the surtax unless they file as part of a combined unitary return.

The total amount of surtax reported on income year 2019 returns was \$80.9M.

CORPORATION BUSINESS TAX (cont.)

Combined Unitary Reporting

Commonly owned corporations that are engaged in a unitary business, where at least one corporation is subject to the Corporation Business Tax, are required to file their Corporation Business Tax returns on a combined unitary basis.

Under combined unitary filing, a combined group's tax liability, prior to surtax and credits, cannot exceed the amount calculated on a nexus combined basis by more than \$2,500,000. This is referred to as the aggregate maximum tax. If the aggregate maximum tax is less than the tax on the standard combined unitary basis, the group is subject to the aggregate maximum tax. Otherwise, the group is subject to tax on the standard combined unitary basis.

Exemptions

- Cooperative housing corporations;
- Homeowners associations;
- Domestic international sales corporations;
- Insurance companies;
- Certain political organizations or associations exempt from federal income taxes under §527 of the Internal Revenue Code;
- Railroad companies subject to the gross earnings tax;
- Companies whose corporate headquarters are located in the insurance and financial services export zone in the City of Hartford and are conducting all of their business outside the United States;
- Connecticut passive investment companies formed by financial service companies to hold and manage loans secured by real property;
- Non-United States corporations whose sole activity conducted in Connecticut is the trading of stocks, commodities and securities; and
- Subchapter S corporations.

Pass-Through Entity Tax Credit

Members of a Pass-Through Entity (PE) are entitled to a credit based upon their respective shares of the PE's tax liability. For taxable years that began on or after January 1, 2018, but prior to January 1, 2019, the PE Tax Credit was 93.01% of the member's share of the PE Tax. For taxable years that begin on or after January 1, 2019, the PE Tax Credit is 87.5% of the member's share of the PE Tax.

A corporate member may claim the PE Tax Credit against the Corporation Business tax.

CORPORATION BUSINESS TAX (cont.)

Filing Frequency

Annually with four estimated installments.

Number of Taxpayers

2019 Corporation Business Tax Returns

	Number of Returns	Tax Due Before Tax Credits	Business Tax Credits	Pass- Through Entity Tax Credits	Tax Due After Tax Credits
Single Filers					
Net Income	7,436	\$124,252,134	\$21,979,248	\$5,410,920	\$96,861,966
Capital Base	3,360	23,012,170	3,876,068	289,673	18,846,429
Minimum Tax	15,419	3,851,520	41	57,155	3,794,324
Exempt	3,773	0	0	0	0
Combined Unitary					
Net Income	2,734	687,821,036	92,709,814	6,107,127	587,714,477
Minimum Base	3,352	63,563,100	15,391,804	721,325	47,553,219
Aggregate Max.	14	78,330,614	14,513,640	1,010,875	62,806,099
Total	36,088	\$980,830,574	\$148,470,614	\$13,597,075	\$817,576,514

CORPORATION BUSINESS TAX (cont.)

2019 Corporation Business Tax Returns

	Number of Taxable Returns	Tax Due Before Tax Credits	Business Tax Credits	Pass- Through Entity Tax Credits	Tax Due After Tax Credits
11 Agric. Forestry, Fishing & Hunting	121	\$1,457,060	\$84,051	\$0	\$1,373,009
21 Mining	33	103,329	22,333	0	80,997
22 Utilities	76	9,726,122	2,740,037	750	6,985,340
23 Construction	2,231	9,899,909	361,485	17,324	9,521,100
31-33 Manufacturing	3,114	166,889,222	42,870,710	1,195,279	122,842,541
42 Wholesale Trade	2,213	56,695,241	3,286,784	378,319	53,030,138
44-45 Retail Trade	2,609	90,260,881	12,348,922	487,033	77,424,925
48-49 Transporting and Warehousing	571	22,503,337	4,762,417	7,977	17,732,943
51 Information	1,076	55,131,970	9,725,904	380,561	45,065,393
52 Finance and Insurance	2,497	212,696,901	31,817,202	2,982,042	177,898,385
53 Real Estate and Rental & Leasing	1,789	14,971,368	376,416	685,390	13,909,561
54 Professional, Scientific and Tech	5,238	73,628,166	6,615,544	300,366	66,729,487
55 Management of Companies & Enterprises	1,106	150,739,279	22,293,686	3,522,875	124,922,715
56 Administrative & Support	994	13,500,418	421,375	103,434	12,975,609
61-62 Education, Health Care and Social Assistance	1,280	9,026,384	1,395,948	95,901	7,534,535
71 Arts, Entertain., and Recreation	355	1,219,627	446,905	84,637	735,984
72 Accom. & Food Services	871	5,695,959	89,097	133,200	5,473,662
81-92 Other Services	1,918	5,815,463	130,057	122,953	5,562,455
99 Not Yet Assigned	4,223	80,869,937	8,681,741	3,099,036	67,777,734
Total	32,315	\$980,830,574	\$148,470,614	\$13,597,075	\$817,576,514

CORPORATION BUSINESS TAX (cont.)

2019 Corporation Business Tax Returns

Tax Due Before Credits	Number of Returns	Tax Due Before Tax Credits	Business Tax Credits	Pass-Through Entity Tax Credits	Tax Due After Tax Credits
Exempt	3,773	\$0	\$0	\$0	\$0
\$250 or less	16,654	4,153,390	0	103,740	4,094,604
\$251 to \$999	5,177	2,877,972	69,757	88,594	2,740,525
\$1000 to \$24,999	8,122	46,088,201	2,439,279	1,129,762	42,579,971
\$25,000 to \$49,999	761	27,058,418	1,885,877	752,859	24,419,682
\$50,000 to \$99,999	564	40,033,506	2,910,694	1,168,143	35,981,340
\$100,000 to \$249,999	484	75,671,998	7,434,228	2,339,517	65,981,220
\$250,000 to \$499,999	221	78,839,826	8,025,429	1,743,289	69,071,109
\$500,000 to \$999,999	156	105,554,288	13,188,651	2,761,947	89,603,691
\$1M to \$2 million	91	122,669,113	16,726,473	959,315	103,560,645
\$2M to \$5 million	60	190,269,513	26,520,679	1,094,925	162,653,911
\$5 million and over	25	287,614,348	69,269,547	1,454,986	216,889,815
Total	36,088	\$980,830,573	\$148,470,614	\$13,597,077	\$817,576,513

CORPORATION BUSINESS TAX CREDITS

The State of Connecticut offers many Corporation Business Tax credits which a corporation may take advantage of to reduce its liability to the state.

Generally, the amount of tax credits allowable cannot exceed 50.01% of the amount of tax due or reduce the amount of tax to less than \$250.

Apprenticeship Training

Reference: Conn. Gen. Stat. §12-217g

A corporation that hires apprentices in the manufacturing trades may apply for a credit of up to \$7,500 per apprenticeship. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$6 up to a maximum of either \$7,500 or 50% of the total wages paid during the first half of a two-year program or three-quarters of a four year program.

Pass-through entities may also earn this tax credit for apprenticeships in manufacturing. Their credits may be sold, assigned or transferred in whole or part no more than three times and may be used to offset the Corporation Business, Utilities Companies and Petroleum Products Gross Earnings taxes.

A corporation that hires apprentices in the plastics trades may apply for a credit of up to \$4,800 per apprenticeship. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$4. The credit may not exceed 50% of the actual wages paid or \$4,800, whichever is less.

Corporations that hire apprentices in the construction trades may apply for a credit of up to \$4,000 per apprenticeship completed. The amount of the credit is computed by multiplying the total number of apprentice work hours by \$2. The credit may not exceed \$4,000 or 50% of the actual wages paid over the first four years of the apprenticeship, whichever is less.

CORPORATION BUSINESS TAX CREDITS (cont.)

Digital Animation Production

Reference: Conn. Gen. Stat. §12-217ll

A credit is available for digital animation production activity in the state. Any state-certified digital animation production company incurring production expenses or costs from \$100,000 up to \$500,000 will be eligible for a credit equal to 10% of the production expenses or costs. This credit percentage increases to 15% for costs more than \$500,000 up to \$1 million and a 30% credit for costs over \$1 million.

This tax credit is administered by the Department of Economic and Community Development (DECD). Credits may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred.

Donation of Land

Reference: Conn. Gen. Stat. §§ 12-217dd and 12-217ff

This credit is available in an amount equal to 50% of the use value of the donation of land to be permanently preserved as protected open space or for educational use. Donations of land must be made to the state, a political subdivision of the state, or a nonprofit land conservation organization and may include any discount in the sales price.

Unused credit for donations of land for educational use made prior to the 2013 income year may be carried forward for 15 succeeding income years. All other unused credits for donations of land may be carried forward for up to 25 years.

Electronic Data Processing Equipment

Reference: Conn. Gen. Stat. §12-217t

The Electronic Data Processing Equipment Property Tax credit provides a 100% credit for property tax owed and paid on electronic data processing equipment.

Unused credits may be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Film Production

Reference: Conn. Gen. Stat. §12-217jj

Any eligible film production company incurring qualified production expenses or costs from \$100,000 up to \$500,000 is eligible for a credit equal to 10% of the production expenses or costs. This credit percentage increases to 15% for costs more than \$500,000 up to \$1 million and a 30% credit for costs over \$1 million. This tax credit is administered by the Department of Economic and Community Development (DECD).

Credit vouchers may be claimed in the year the costs were incurred or the five succeeding years after the year the costs were incurred. Tax credit vouchers issued before July 1, 2015 may be claimed in the year the expenses were incurred or in the next three income years. These may be sold, assigned or transferred in whole or part no more than three times.

Film Production Infrastructure

Reference: Conn. Gen. Stat. §12-217kk

A tax credit is available to any taxpayer that invests in a capital project to provide basic buildings, facilities, or installations needed for the functioning of the digital media and motion picture industry in this state, provided that the project has been approved by DECD.

A 20% credit is allowed for costs \$3 million and over. Credits may be claimed in the year the costs were incurred or the next three succeeding income years. These may be sold, assigned or transferred in whole or part no more than three times.

Fixed Capital Investments

Reference: Conn. Gen. Stat. §12-217w

This credit is based on 5% of the amounts paid or incurred for any new tangible personal property that has a class life of more than four years, is not sold or leased within 12 months, and will be held and used in Connecticut for at least five years. Inventory, land, buildings and mobile transportation equipment are not included. Unused credits may be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Green Buildings

Reference: Conn. Gen. Stat. §12-217mm

This tax credit had been available for eligible construction, renovation, or rehabilitation projects designed to meet the applicable requirements for LEED Green Building Rating System gold or platinum certification or another equivalent certification determined by DEEP.

Credit percentages ranged between 5% and 11% and depended on the location and certification level of the project. Credits may be assigned to another taxpayer or taxpayers. Unused credits may be carried forward for five succeeding income years.

The Green Buildings tax credit is sunset as of December 1, 2017.

Historic Homes Rehabilitation

Reference: Conn. Gen. Stat. §10-416

The Department of Economic and Community Development (DECD) may allocate up to \$3 million in vouchers for this credit during any fiscal year. Owners of historic homes must incur qualified rehabilitation expenditures that exceed \$15,000 in order to qualify.

After the work is performed and verified, a tax credit is allowed for 30% of the qualified rehabilitation expenditures. The credit is limited to \$30,000 per dwelling. This maximum is increased to \$50,000 for owners that are nonprofit corporations. Unused credits may be carried forward for four succeeding income years.

Historic Preservation

Reference: Conn. Gen. Stat. §10-416b

This tax credit was available to owners rehabilitating certified historic buildings with mixed residential and nonresidential uses. After the rehabilitation work was performed and verified, a credit of 25% of the qualified rehabilitation expenditures was allowed. The credit increased to 30% of the qualified expenditures if the rehabilitated building contained affordable housing.

DECD no longer reserves Historic Preservation tax credits. Unused credits could be carried forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Historic Rehabilitation

Reference: Conn. Gen. Stat. §10-416c

This tax credit, which effectively consolidated the provisions of the Historic Preservation and the Historic Structures Rehabilitation tax credits, provides for a 25% credit for income years beginning on or after January 1, 2014. The credit is based on the qualified rehabilitation expenditures associated with the rehabilitation of a certified historic structure for either 1) residential use of five units or more, 2) mixed residential and nonresidential use or 3) nonresidential use consistent with the historic character of such property or the district in which such property is located.

The amount of the available credit increases to 30% of the qualified expenditures if at least 20% of the units are rental units and qualify as affordable housing or at least 10% of the units are individual homeownership units and qualify as affordable housing.

Unused credits may be carried forward for five succeeding income years or may be sold, assigned or transferred in whole or part no more than three times.

Historic Structures Rehabilitation

Reference: Conn. Gen. Stat. §10-416a

This tax credit was available to owners rehabilitating certified historic structures for residential use. DECD could allocate up to \$15 million in vouchers for this credit during any fiscal year. After the rehabilitation work was performed and verified, a tax credit was allowed for 25% of the qualified rehabilitation expenditures not to exceed \$2.7 million.

DECD no longer reserves Historic Structures Rehabilitation tax credits. Unused credits could be carried forward for five succeeding income years.

Housing Program Contribution

Reference: Conn. Gen. Stat. §8-395

This tax credit program enables corporations to contribute to housing programs that benefit low and moderate income individuals and families. These programs are sponsored, developed or managed by nonprofit corporations and must be approved by the Connecticut Housing Finance Authority. The credit is the amount of the contribution, not to exceed \$75,000 per business. Unused credits may be carried back to the five preceding income years and forward for five succeeding income years.

CORPORATION BUSINESS TAX CREDITS (cont.)

Human Capital Investments

Reference: Conn. Gen. Stat. §12-217x

The Human Capital Investments credit is based on 5% of the amounts paid or incurred for various job training and work education programs, child care subsidies to Connecticut employees, day care facility establishment costs and donations to institutions of higher education for improvements to technology. Unused credits may be carried forward for five succeeding income years.

Insurance Reinvestment Fund

Reference: Conn. Gen. Stat. §38a-88a

A credit may be applied against the corporation business tax for investments made through a fund manager registered with the Commissioner of Economic and Community Development (DECD). These investments must be specifically earmarked for insurance businesses incorporated in Connecticut that occupy new facilities and create new jobs. The credit is 10% of amounts invested in qualified insurance businesses, beginning 3 years but not later than 7 years from the date of investment. For years 7 through 10, the credit increases to 20% of the invested amounts. Unused credits may be carried forward for five succeeding income years or assigned to another taxpayer.

New eligibility certificates for insurance businesses which enable investors to claim a corporation tax credit cannot be issued on or after July 1, 2010. Any new eligibility certificates issued on or after July 1, 2010 now qualify investors for the Second Insurance Reinvestment Fund tax credit applicable against the insurance premiums tax (Chapter 207); health care centers tax (Chapter 207); and surplus lines brokers tax (Section 38a-743).

Machinery and Equipment

Reference: Conn. Gen. Stat. §12-217o

This credit is based upon the incremental increase in expenditures for machinery and equipment acquired for and installed in Connecticut. The rate of credit is either 5% or 10% depending on the number of full time employees in Connecticut.

CORPORATION BUSINESS TAX CREDITS (cont.)

Manufacturing Facility in a Targeted Investment Community/Enterprise Zone

Reference: Conn. Gen. Stat. §12-217e

A business may earn a credit of 50% of its allocable tax for operating a manufacturing facility which meets certain employment criteria and is located within a designated enterprise zone or other area designated as having enterprise zone level benefits. A credit of 25% may be applied against the portion of the Corporation Business tax allocable to a manufacturing facility located within a Targeted Investment Community, but not in an Enterprise Zone.

Certification was required from the Department of Economic and Community Development. Corporations may claim this credit for 10 years beginning with the first year following the year of certification.

This tax credit is being sunset. Only those companies that first claimed the credit on a return for an income year beginning before 2018, may continue to claim the credit.

Neighborhood Assistance Act Program

Reference: Chapter 228a of the Conn. Gen. Stat.

The Connecticut Neighborhood Assistance Act (NAA) tax credit program is designed to provide funding for municipal and non-profit organizations. Businesses are granted a tax credit of 60% of the amount contributed to certain approved programs (or 100% in the case of energy conservation programs) conducted by municipal and non-profit organizations. Unused credits may be carried back to the two preceding income years.

The NAA program has several statutory limits. A business is limited to receiving \$150,000 in tax credit annually. A non-profit organization is limited to receiving \$150,000 in contributions in the aggregate. The minimum contribution on which credit can be granted is \$250. The program has a \$5M cap, which if exceeded, results in proration of approved donations.

CORPORATION BUSINESS TAX CREDITS (cont.)

Research and Development Expenditures

Reference: Conn. Gen. Stat. §12-217n

A credit may be applied against the Corporation Business Tax for expenses of research and development conducted in Connecticut. The amount allowed as credit increases ratably from 1% of the annual research and development expenses paid or incurred, where such expenses equal \$50 million or less, to 6% where expenses exceed \$200 million. The 6% credit is extended to qualified small businesses with a gross income that does not exceed \$100 million.

Qualified small businesses may exchange unused amounts of this credit with the state for a cash payment of 65% of the value of the credit or carry these amounts forward at full value. Credit refunds are limited to \$1.5 million in any one income year. Unused credits may be carried forward until fully taken.

Research and Experimental Expenditures

Reference: Conn. Gen. Stat. §12-217j

This is a tax credit based on the incremental increase in expenditures for research and experiments conducted in Connecticut. The amount of the credit equals 20% of the amount spent by the corporation directly on research and experimental expenditures that exceeds the amount spent in the preceding income year. Unused credits may be carried forward for fifteen succeeding income years.

Qualified small businesses may exchange unused amounts of this credit with the state for a cash payment of 65% of the value of the credit or carry these amounts forward at full value. Credit refunds are limited to \$1.5 million in any one income year.

Service Facility

Reference: Conn. Gen. Stat. §12-217e

This credit is available to companies with a service facility located in a Connecticut targeted investment community which hire new employees and have an eligibility certificate issued by the Commissioner of Economic and Community Development (DECD). The credit is based on the portion of tax allocable to such facility and the number of new employees working there. Credit percentages range from 15% to 50% depending on the number of new employees. The credit period is ten years.

This tax credit is being sunset. Only those companies that first claimed the credit on a return for an income year beginning before 2018, may continue to claim the credit.

CORPORATION BUSINESS TAX CREDITS (cont.)

Traffic Reduction Programs

Reference: Conn. Gen. Stat. §12-217s

This is a 50% credit for traffic reduction program expenses related to the attainment of federal Clean Air Act standards. The credit cannot exceed \$250 per participating employee. This credit is available for corporations employing 100 or more people located in a severe non-attainment area. Currently, no such area is designated in Connecticut.

Urban and Industrial Site Reinvestment

Reference: Conn. Gen. Stat. §32-9t

This credit is available for investments in eligible urban reinvestment projects and industrial site investment projects. Investments may be made directly or through a registered fund manager and must be certified by the Commissioner of Economic and Community Development. The credit is 10% of the qualified investments, beginning 4 years but not later than 7 years from the date of investment. For years 8 through 10, the credit increases to 20% of the invested amounts. Unused credits may be carried forward for five succeeding income years or assigned to another taxpayer.

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the number and amount of corporation tax credits claimed by businesses. The figures represent credit claimed on 2019 returns and any credits carried forward from prior years and used in 2019.

Tax Credits Claimed on 2019 Corporation Business Returns

Type of Credit	Number of Credits	Amount Claimed
Apprenticeship Training	12	\$109,471
Digital Animation	1	65,280
Donation of Land	3	94,079
Electronic Data Processing	852	11,355,760
Film Production	25	45,683,200
Fixed Capital Investments	1,341	39,788,920
Green Buildings	1	959,128
Historic Preservation	2	332
Historic Structures Rehabilitation	1	1,297,041
Housing Program Contribution	2	3,938
Human Capital Investments	72	2,471,485
Machinery and Equipment	8	780,564
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	15	736,178
Neighborhood Assistance	54	1,573,204
Research & Development Expenditures	171	6,948,083
Research & Experimental Expenditures	270	32,947,819
Urban and Industrial Site Reinvestment	8	3,656,132
Total	2,838	\$148,470,614

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the unused credit amounts reported on 2019 corporation business tax returns as being carried forward to the 2020 income year.

Credits Carried Forward to 2020 Income Year

Type of Credit	Carryforward Amount
Donation of Land	\$2,438,889
Electronic Data Processing	84,504,326
Fixed Capital Investments	373,564,589
Historic Preservation	499
Housing Program Contribution	1,143,858
Human Capital Investments	8,525,184
Research & Development	1,802,465,730
Research & Experimental Expenditures	777,412,089
Urban and Industrial Site Reinvestment	9,338,409
Total Carryforward Credits	\$3,059,393,573

DRY CLEANING ESTABLISHMENT SURCHARGE

The Dry Cleaning Establishment Surcharge is used to provide grants to dry cleaning establishments for the containment and removal or mitigation of environmental pollution resulting from dry cleaning activity. Revenue is deposited into the Dry Cleaning Remediation Account, which is used to provide these grants and fund other measures undertaken to prevent pollution.

Dry cleaning establishments are required to renew their registration with DRS each October 1st. Establishments that fail to register or renew their registration are subject to a penalty.

Revenue	
FY 2020-21	\$335,472
2019-20	562,182
2018-19	605,518

Basis and Rate

1% of gross receipts at retail.

Number of Taxpayers/Filing Frequency

346 taxpayers/Quarterly

ELECTRONIC CIGARETTE PRODUCTS TAX

A tax is imposed on electronic cigarette liquid and electronic cigarette products. "Electronic cigarette liquid" is a liquid that, when used in an electronic nicotine delivery system or vapor product, produces a vapor that includes nicotine and is inhaled by the user of such electronic nicotine delivery system or vapor product. "Electronic cigarette products" are defined as electronic nicotine delivery systems, liquid nicotine containers, vapor products and electronic cigarette liquids. The tax went into effect October 1, 2019.

Revenue	
FY 2020-21	\$5,205,231
2019-20	3,371,121

Exemptions:

- A device used by a patient, as prescribed or directed by a licensed health care provider in any setting;
- Any biological product, as described in 42 USC 262, and 21 CFR 600.3 authorized for sale by the United States Food and Drug Administration;
- Any drug or device, as defined in the federal Food, Drug and Cosmetic Act, 21 USC 321;
- Any combination product, as described in in the federal Food, Drug and Cosmetic Act, 21 USC 353(g); or
- Any biological product, as described in 42 USC 262, and 21 CFR 600.3 authorized for sale by the United States Food and Drug Administration.

Number of Taxpayers/Filing Frequency:

176 distributors/ Monthly

Basis and Rate:

The tax is imposed on the first sale or use in Connecticut of any electronic cigarette product at a rate of either:

- \$0.40 per milliliter of the electronic cigarette liquid contained within an electronic cigarette product that is prefilled, sealed by the manufacturer and not intended to be refillable, or
- 10% of the wholesale sales price of any other electronic cigarette product.

Fiscal Year	Tax collected at \$0.40 per milliliter of the e-cig liquid	Tax collected at 10% of the wholesale sales price
2020-2021	\$ 4,210,694	\$ 951,429
2019-2020	\$ 2,798,128	\$ 557,800

**Tax effective October 1, 2019*

ESTATE AND GIFT TAX

Resident and nonresident estates of decedents dying during 2021 are liable for the Connecticut Estate Tax on the amount of the Connecticut taxable estate that exceeds \$7.1 million.

“Connecticut taxable estate” is defined as the sum of the total value of the decedent’s federal gross estate, less allowable deductions, plus the aggregate amount of Connecticut taxable gifts made on or after January 1, 2005. A credit is granted for gift taxes paid on Connecticut taxable gifts made on or after January 1, 2005; however, the credit cannot exceed the amount of the Connecticut estate tax.

For Connecticut taxable gifts, a donor must pay Connecticut gift tax if the aggregate amount of Connecticut taxable gifts made between January 1, 2005 and December 31, 2021, exceeds \$7.1 million. A credit is allowed against the Connecticut gift tax for Connecticut gift taxes paid on Connecticut taxable gifts made during calendar years beginning on or after January 1, 2005; however, the credit cannot exceed the amount of the Connecticut gift tax.

“Connecticut taxable gifts” are defined as taxable gifts as determined for federal gift tax purposes. These include:

- Gifts of Connecticut real property;*
- Gifts of tangible personal property situated within Connecticut; or*
- Gifts of intangible personal property made by Connecticut residents.*

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

The maximum amount of tax paid by the estates of decedents who die on or after January 1, 2019 is \$15 million. This payment cap also applies to the gift tax amount paid by donors who make taxable gifts on or after January 1, 2019. The payment cap is reduced by the amount of any gift taxes paid on taxable gifts made on or after January 1, 2016.

Revenue	
FY 2020-21	\$303,338,908
2019-20	159,542,430
2018-19	225,312,679

ESTATE AND GIFT TAX (cont.)

For gifts made, or the estates of decedents dying **on or after January 1, 2020** to **December 31, 2020** the table below is used to compute the Estate and Gift tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over \$5,100,000	None
Over \$5,100,000 but not over \$6,100,000	10.0% of the excess over \$5,100,000
Over \$6,100,000 but not over \$7,100,000	\$100,000 plus 10.4% of the excess over \$6,100,000
Over \$7,100,000 but not over \$8,100,000	\$204,000 plus 10.8% of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$312,000 plus 11.2% of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$424,000 plus 11.6% of the excess over \$9,100,000
Over \$10,100,000	\$540,000 plus 12% of the excess over \$10,100,000

For gifts made, or the estates of decedents dying **on or after January 1, 2021** to **December 31, 2021** the table below is used to compute the Estate and Gift tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over \$7,100,000	None
Over \$7,100,000 but not over \$8,100,000	10.8% of the excess over \$7,100,000
Over \$8,100,000 but not over \$9,100,000	\$108,000 plus 11.2% of the excess over \$8,100,000
Over \$9,100,000 but not over \$10,100,000	\$220,000 plus 11.6% of the excess over \$9,100,000
Over \$10,100,000	\$336,000 plus 12% of the excess over \$10,100,000

ESTATE AND GIFT TAX (cont.)

For gifts made, or the estates of decedents dying **on or after January 1, 2022** to **December 31, 2022** the table below is used to compute the Estate and Gift tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over \$9,100,000	None
Over \$9,100,000 but not over \$10,100,000	11.6% of the excess over \$9,100,000
Over \$10,100,000	\$116,000 plus 12% of the excess over \$10,100,000

For gifts made, or the estates of decedents dying **on or after January 1, 2023**, the table below is used to compute the Estate and Gift tax:

Aggregate Amount of Connecticut Taxable Gifts or Connecticut Taxable Estate	Tax
Not over the federal basic exclusion amount	None
Over the federal basic exclusion amount	12% of the excess over the federal basic exclusion amount

ESTATE AND GIFT TAX (cont.)

Detail of Revenue

For Fiscal Year 2020-21, total Estate and Gift Tax revenue collected was \$303,338,908. Much of this revenue is attributable to prepayments that apply against upcoming tax returns. A breakdown of returns from estates received during Fiscal Year 2020-21 follows.

ESTATE AND GIFT TAX RETURNS FROM ESTATES OF DECEDENTS RECEIVED DURING FY 2020-21

Amount of Taxable Estate		Number of Returns	Tax Due	Tax Due After Credits *
More Than	Not Over			
	\$3 Million	59	\$219,880	\$219,423
\$3 Million	\$4 Million	31	617,723	572,283
\$4 Million	\$5 Million	41	2,388,117	2,163,369
\$5 Million	\$6 Million	64	5,152,133	4,689,135
\$6 Million	\$7 Million	42	7,865,952	7,166,173
\$7 Million	\$8 Million	29	7,382,180	6,765,432
\$ 8 Million	\$10 Million	34	14,586,544	13,868,226
\$10 Million	\$15 Million	40	25,465,937	23,195,389
\$15 Million	\$25 Million	23	32,989,046	30,292,543
\$25 Million		20	73,940,079	58,738,111
Total		413	\$156,413,197	\$147,670,084

* Reflects credits for real or tangible personal property located in other jurisdictions and prior gift tax payments.

ESTATE AND GIFT TAX (cont.)

For Fiscal Year 2020-21, an additional amount of the estate and gift tax was attributable to gift tax returns filed by non-decedents. A breakdown of calendar year 2020 gift tax returns is shown below.

ESTATE AND GIFT TAX RETURNS 2020 GIFT TAX ONLY

Amount of 2020 Taxable Gifts		Number of Returns	Tax Due
More Than	Not Over		
	\$2 Million	28	515,687
\$2 Million	\$3 Million	53	2,093,755
\$3 Million	\$4 Million	24	2,638,064
\$4 Million	\$5 Million	23	3,862,351
\$5 Million	\$6 Million	35	5,823,926
\$6 Million	\$7 Million	26	10,702,667
\$7 Million	\$8 Million	11	4,978,514
\$8 Million	\$10 Million	9	5,595,065
\$10 Million		13	11,235,278
Total		222	\$47,445,307

INCOME TAX

Connecticut imposes a tax on income earned by resident individuals, trusts, and estates. Nonresidents and part-year resident individuals, trusts and estates are also subject to the tax on income derived from or connected with sources within the State. Connecticut taxable income is defined as adjusted gross income for federal tax purposes with certain modifications and exemptions described below.

Revenue	
FY 2020-21	\$ 10,273,322,918
2019-20	9,398,681,702
2018-19	9,640,161,331

Number of Taxpayers/Filing Frequency

1.7 million taxpayers/ Annually

Taxpayers who expect to owe more than \$1,000 in income tax, in addition to income tax withheld, are required to file four estimated tax payments.

Basis and Rate

Connecticut's tax is levied upon Connecticut taxable income, as defined above.

Effective for taxable years commencing on or after January 1, 2015:

Filing Status	Rate and Basis
Single and Married Filing Separately	3% on the first \$10,000 of Connecticut Taxable Income
	5% on the excess over \$10,000, but not over \$50,000
	5.5% on the excess over \$50,000, but not over \$100,000
	6% on the excess over \$100,000, but not over \$200,000
	6.5% on the excess over \$200,000, but not over \$250,000
	6.9% on the excess over \$250,000, but not over \$500,000
	6.99% on the excess over \$500,000
Head of Household	3% on the first \$16,000 of Connecticut Taxable Income
	5% on the excess over \$16,000, but not over \$80,000
	5.5% on the excess over \$80,000, but not over \$160,000
	6% on the excess over \$160,000, but not over \$320,000
	6.5% on the excess over \$320,000, but not over \$400,000
	6.9% on the excess over \$400,000, but not over \$800,000
	6.99% on the excess over \$800,000
Joint Filers	3% on the first \$20,000 of Connecticut Taxable Income
	5% on the excess over \$20,000, but not over \$100,000
	5.5% on the excess over \$100,000, but not over \$200,000
	6% on the excess over \$200,000, but not over \$400,000
	6.5% on the excess over \$400,000, but not over \$500,000
	6.9% on the excess over \$500,000, but not over \$1,000,000
	6.99% on the excess over \$1,000,000

INCOME TAX (cont.)

Exemptions

- \$15,000 for single filers. For taxpayers with Connecticut AGI in excess of \$29,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$44,000;
- \$12,000 for married persons filing separately and filing separately for Connecticut only. For taxpayers with Connecticut AGI in excess of \$24,000, the exemption decreases by \$1,000 for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$35,000;
- \$19,000 for heads of household. For taxpayers with a Connecticut AGI in excess of \$38,000, the exemption decreases by \$1,000 for each additional \$1,000 of Connecticut AGI. There is no exemption if the taxpayer earns more than \$56,000; and
- \$24,000 for married persons filing jointly, filing jointly for Connecticut only, or qualifying widow(er) with dependent child. The exemption for joint filers decreases by \$1,000, for taxpayers whose Connecticut AGI exceeds \$48,000, for each \$1,000 increase in Connecticut AGI. The exemption is phased out at \$71,000.

Benefit Recapture

For taxpayers whose annual Connecticut Adjusted Gross Income exceeds specified thresholds, a recapture provision is imposed to eliminate the benefits they receive from having a portion of their taxable income taxed at lower marginal rates.

The recapture provision starting point is:

- \$400,000 for taxpayers filing jointly;
- \$200,000 for taxpayers filing single and married filing separately; and
- \$320,000 for taxpayers filing as head of household.

The recapture amount is

- \$180 per \$10,000 of Connecticut adjusted gross income over the starting point for taxpayers filing jointly, with a maximum total recapture of \$6,300;
- \$90 per \$5,000 of Connecticut adjusted gross income over the starting point for taxpayers filing single or married filing separately with a maximum total recapture of \$3,150; and
- \$140 per \$8,000 of Connecticut adjusted gross income over the starting point for taxpayers filing as head of household, with a maximum total recapture of \$4,920.

INCOME TAX (cont.)

Common Additions

- * Interest on state and local obligations other than Connecticut;
- * Exempt-interest dividends (other than those derived from obligations of the State of Connecticut or its municipalities);
- * Cancellation of debt income;
- * The total taxable amount of a lump sum distribution for the taxable year deductible from gross income in calculating federal adjusted gross income; and
- Loss on sale of Connecticut bonds.

Common Subtractions

- Interest on U.S. obligations;
- Dividends from certain mutual funds consisting of U.S. obligations;
- Social Security Benefit Adjustment;
- Refunds on state and local income taxes;
- Tier 1 and Tier 2 railroad retirement benefits and supplemental annuities;
- Gain on sale of Connecticut bonds;
- For taxable years commencing on or after January 1, 2019, social security benefits for single filers and married individuals filing separately whose federal adjusted gross income for the taxable year is less than \$75,000. And social Security benefits for married individuals filing jointly and head of household filers whose federal adjusted gross income for the taxable year is less than \$100,000. Prior to January 1, 2019, the subtraction threshold for social security benefits was \$50,000 for single filers and married individuals filing separately, and \$60,000 for married individuals filing jointly and head of household filers;
- Federally taxable military retirement pay received from the United States government for a retired member of the Armed Forces of the United States as defined in Section 101 of Title 10 of the U.S. Code or the National Guard, as defined in Section 101 of Title 10 of the U.S. Code;
- Connecticut Higher Education Trust (CHET) contributions of up to \$5,000 for each individual taxpayer whose filing status is single, head of household, married filing separately or up to \$10,000 for individuals whose filing status is married filing jointly, or qualifying widow(er) with dependent child;
- 25% of the pension payments received from the Connecticut teacher's retirement system, provided it was properly included in federal adjusted gross income for federal income tax purposes. For taxable years commencing on or after January 1, 2021, the subtraction modification increases to 50% of pension payments;
- Taxpayers are allowed a subtraction modification for the amount of lost wages, medical, travel, and housing expenses incurred in connection with the donation of an organ for transplantation on or after January 1, 2017. The amount is not to exceed \$10,000; and

INCOME TAX (cont.)

- Effective for taxable years commencing on or after January 1, 2017, a subtraction modification is allowed for amounts received related to certain crumbling foundation relief.

Subtraction Modification for Certain Pensions and Annuities

Effective for the taxable year commencing January 1, 2019, any pension or annuity income received, except for tier 1 railroad retirement benefits and Armed Forces or National Guard retirement pay, may be subtracted at the percentages below:

- 14% for taxable years commencing on or after January 1, 2019;
- 28% for taxable years commencing on or after January 1, 2020;
- 42% for taxable years commencing on or after January 1, 2021;
- 56% for taxable years commencing on or after January 1, 2022;
- 70% for taxable years commencing on or after January 1, 2023;
- 84% for taxable years commencing on or after January 1, 2024;
- 100% for taxable years commencing on or after January 1, 2025.

For the 2021 tax year and thereafter, taxpayers with teacher pension income may take the 50% teacher pension exemption or, if they have qualifying incomes, the general pension and annuity exemption (42% in 2021), or whichever is greater.

Withholding Requirement

Connecticut requires anyone who maintains an office or transacts business in Connecticut, and who is considered an employer for federal income tax withholding purposes, to withhold Connecticut income tax whether or not the payroll department is located in Connecticut.

Estimated Tax Payments

Taxpayers must make estimated payments if their Connecticut income tax (after tax credits) minus Connecticut tax withheld is more than \$1,000.

Connecticut Alternative Minimum Tax

Taxpayers who are subject to, and required to pay, the federal alternative minimum tax are subject to the Connecticut Alternative Minimum Tax. The alternative minimum tax is computed on the lesser of 19% of the adjusted federal tentative minimum tax, or 5½% of adjusted federal alternative minimum taxable income.

INCOME TAX (cont.)

Tax Credits

Tax Credit for Property Taxes Paid to a Political Subdivision

Effective with the 2017 taxable year, Connecticut residents who attained the age of 65 before the close of the applicable tax year, or who filed a federal income tax return for the applicable year and validly claimed one or more dependents are eligible for an income tax credit for property taxes paid to a Connecticut political subdivision on a primary residence and/or privately owned or leased motor vehicle. The maximum credit is \$200 per return. The credit cannot exceed the amount of qualifying property taxes paid or the income tax liability.

Credit for Income Taxes Paid to Qualifying Jurisdictions

Connecticut residents may claim an income tax credit if any part of their income was taxed by a qualifying jurisdiction. A qualifying jurisdiction includes another state of the United States, a local government within another state or the District of Columbia. A qualifying jurisdiction does not include the State of Connecticut, the United States or a foreign country or its provinces.

Connecticut Earned Income Tax Credit

A Connecticut resident taxpayer may claim an earned income tax credit (CT EITC) against the Connecticut income tax due for the taxable year. Starting with taxable year 2021, the EITC increased from 23% to 30.5% of the federal credit. If the CT EITC exceeds the taxpayer's Connecticut income tax liability, the excess is considered an overpayment and will be refunded without interest.

Earned Income Tax Credit			
Year	Number of Credits	Amount of Credit	EITC Rate
2013	191,760	\$96,303,193	25%
2014	193,052	107,515,761	27.5%
2015	194,115	108,359,437	27.5%
2016	195,137	111,864,353	27.5%
2017	194,279	94,284,692	23%
2018	193,281	95,433,979	23%
2019	195,912	95,693,420	23%
2020	186,174	87,578,501	23%

INCOME TAX (cont.)

Angel Investor Tax Credit

Reference: Conn. Gen. Stat. §12-704d

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

The angel investor must apply to Connecticut Innovations, Inc. (CII) to reserve a tax credit. The angel investor must choose from a list of Connecticut businesses that CII has determined qualified to receive the cash investment. Tax credits cannot be reserved for any investments made on or after July 1, 2028.

The angel investor credit provides for a tax credit for a cash investment of not less than \$25,000 in the qualified securities of a Connecticut business or a cannabis business by an angel investor. The credit is 25% of such investor's cash investment in a Connecticut business, or, as of July 1, 2021, 40% of such investor's cash investment in a cannabis business. The total tax credits allowed to any angel investor shall not exceed \$500,000. The credit shall be claimed in the taxable year in which such cash investment is made by the angel investor.

The credits may be assigned, transferred, or sold.

Credit for Prior Year Connecticut Minimum Tax for Individuals

Taxpayers may be able to claim a credit for an alternative minimum tax paid in a prior year.

Credit for Pass-Through Entity Taxes Paid

Members in a Pass-Through Entity (PE) are entitled to a credit based upon their respective share of the PE's tax liability. The PE tax credit can be used against the member's Corporation Business Tax liability or Income Tax liability.

The Pass-Through Entity Tax credit is 87.5% of the member's share of the PE Tax, effective for taxable years beginning on or after January 1, 2019. For taxable year 2018, the credit was 93.01%.

The credits claimed in taxable year 2020 totaled \$801,307,652. The credit claimed in taxable year 2019 was \$688,642,000.

INCOME TAX (cont.)

In addition to the above referenced credits, the following credit is no longer available, however, taxpayers who previously earned the credit may still be claiming it:

Insurance Reinvestment Fund

The insurance reinvestment fund credit is no longer available to individuals under the personal income tax. The new **Second Insurance Reinvestment Fund Tax Credit** replaces the original credit and is only available against insurance premiums taxes. Any credits previously earned under the old insurance reinvestment act are able to be used until they expire, not to exceed 10 years.

Personal Income Tax Credits

2020 Personal Income Tax Credits		
Credit	Number of Credits Claimed	Amount of Credit
Angel Investor	280	3,785,208
Insurance Reinvestment Fund	26	275,447
Prior Year CT Minimum Tax	213	637,554
Total	519	\$4,698,209

Personal Income Tax Credits

2019 Personal Income Tax Credits		
Credit	Number of Credits Claimed	Amount of Credit
Angel Investor	216	\$2,671,490
Insurance Reinvestment Fund	27	30,829
Prior Year CT Minimum Tax	246	734,147
Total	489	\$3,436,466

INSURANCE PREMIUMS TAX

Insurance companies, domestic and foreign, are taxed in Connecticut on the total net direct premiums received from policies written on property or risks within the State. Total net direct subscriber charges received on any new or renewal contract or policy by a health care center are also taxed. The State also imposes a tax on premiums for unauthorized insurance. Specifically, insureds who procure non-admitted insurance are required to remit tax on premiums paid to a non-admitted insurer. Additionally, risk retention groups are required to pay tax on premiums collected on coverages within the State. Captive insurance companies are now allowed to operate within Connecticut. A captive insurance company is a company that is created and wholly owned by one or more non-insurance companies to insure the risks of its owners as a type of self-insurance.

Revenue	
FY 2020-21	\$202,264,058
2019-20	202,496,126
2018-19	172,340,190

Exemptions

- Premiums sold for ocean and inland marine insurance of nonresident and foreign companies;
- Medicaid, Medicare, HUSKY Plan, and State Employee Health plans from health care centers subscriber charges; and
- New or renewal contracts or policies written to provide health care coverage to retired teachers, spouses or a surviving spouse, employees and retired members and their dependents, of a Connecticut municipality, nonprofit organizations or employees of community action agencies and their dependents, and small employer's employees and their dependents under a plan procured pursuant to Conn. Gen. Stat. §5-259(i), from net direct subscriber charges of health care centers.

Number of Taxpayers/Filing Frequency

1,193 insurance companies/ Annually with four estimated payments:

- 91 Domestic companies
- 988 Foreign companies
- 10 Health Care Centers
- 89 Non-admitted/Risk Retention Groups
- 15 Captive Insurers

Basis and Rate

- 1.5% of net direct premiums by domestic and foreign insurance companies. Prior to January 1, 2018, the rate was 1.75% of net direct premiums received by domestic and foreign insurance companies.
- 4% of gross premiums charged by non-admitted and unauthorized insurers; and

INSURANCE PREMIUMS TAX (cont.)

- 1.5% of net direct subscriber charges of health care centers. Prior to January 1, 2018, the rate was 1.75% of net direct subscriber charges of health care centers.

Comparative Data

	FY 2018-19	FY 2019-20	FY 2020-21
Domestic	\$23,836,161	\$36,535,895	\$32,534,669
Foreign	138,306,491	155,220,722	158,792,653
Health Care Center	2,815,820	3,197,628	1,911,391
Non-admitted/ Unauthorized/Captive	7,381,718	7,541,881	9,025,345
Total	\$172,340,190	\$202,496,126	\$202,264,058

Tax Credits

The State of Connecticut provides for several tax credits which may be applied against the Insurance Premiums Tax. Described below is the credit unique to the Insurance Premiums Tax. Please turn to the Corporation Business Tax section of this report for additional information on tax credits.

Insurance Department Assessment Credit

Reference: Conn. Gen. Stat. §12-202

Certain local domestic insurance companies are allowed a credit against the insurance premiums tax in the amount of 80% of the Connecticut Insurance Department assessment paid during the calendar year if their admitted assets do not exceed amounts specified in Conn. Gen. Stat. §12-202.

INSURANCE PREMIUMS TAX

Calendar Year 2019 Insurance Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	79	\$18,403,763
Insurance Department Assessment	8	674,740
Insurance Reinvestment	19	12,487,530
Second Insurance Reinvestment	40	20,510,570
Neighborhood Assistance	13	1,045,249
Urban & Industrial Site Reinvestment	12	7,850,033
Film Production	74	62,222,911
Film Production Infrastructure	1	283,837
Digital Animation	21	7,830,000
Total Credits	267	\$131,308,633

INSURANCE PREMIUMS TAX (cont.)

Calendar Year 2020 Insurance Tax Credits Preliminary

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	47	\$ 10,054,069
Insurance Department Assessment	4	325,981
Insurance Reinvestment	27	12,440,945
Second Insurance Reinvestment	38	18,502,410
Neighborhood Assistance	12	935,396
Urban & Industrial Site Reinvestment	9	3,894,731
Film Production	47	25,630,278
Film Production Infrastructure	3	645,000
Digital Animation	3	799,363
Total Credits	190	\$73,228,173

MOTOR CARRIER ROAD TAX

Connecticut has participated in the International Fuel Tax Agreement (IFTA) since 1996. IFTA is a cooperative agreement among most states and provinces of Canada that simplifies the collection and reporting of fuel use tax by interstate motor carriers. Under IFTA, fuel tax returns are filed in the base jurisdiction of the motor carrier. The base jurisdiction of a motor carrier is where the vehicle is based for registration purposes and where operations are controlled and the vehicle is operated. For IFTA fuel tax reporting, a qualified motor vehicle is a vehicle that is designed to transport persons or property and that has: two axles and a gross vehicle weight or registered gross vehicle weight over 26,000 pounds; or three or more axles regardless of weight; or when used in combination, a combined gross vehicle weight over 26,000 pounds. Motor carriers who meet this qualification, and who travel solely within the State, are not required to file a return, but instead are subject to the tax at the time of purchase.

Revenue	
FY 2020-21	\$11,455,267
2019-20	14,241,516
2018-19	12,138,677

Exemption

- Any vehicle owned by the United States, the state, any political subdivision thereof, or any school bus.

Number of Taxpayers/Filing Frequency

2,980 IFTA filers/Quarterly
2,783 Intrastate Motor Carriers

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel 7/1/19 through 6/30/20*	46.5¢
Diesel Fuel 7/1/20 through 6/30/21*	44.6¢
Diesel Fuel 7/1/21 through 6/30/22*	40.1¢
Natural Gas or Propane	26¢

*Each fiscal year the Department is required to calculate the new diesel fuel rate using the average wholesale price per gallon of diesel fuel for the 12 month period ending on the preceding March 31st, as determined by statute.

MOTOR VEHICLE FUELS TAX

Motor fuel used or sold in Connecticut is subject to the Motor Vehicle Fuels Tax. "Fuel" includes gasoline, diesel, gasohol, propane, or any combustible gas or liquid that generates the power needed to propel a motor vehicle.

Revenue	
FY 2020-21	\$463,982,859
2019-20	464,225,961
2018-19	497,860,153

Exemptions

- Fuel sold to United States Government, the State of Connecticut, any Connecticut municipality or transit district, when such fuel is used in vehicles owned and operated, or leased and operated by any of the aforementioned entities;
- Fuel sold exclusively for heating purposes and to furnish gas, water, steam or electricity, if delivered to consumers through mains, lines or pipes;
- Aviation fuel and fuel sold to owners or operators of an aircraft, or to a licensed aviation fuel dealer whose place of business is located at an airport;
- Fuel sold to a municipality for use in a school bus;
- Diesel fuel sold exclusively for use in portable power system generators that are larger than one hundred fifty kilowatts;
- Fuel sold to a farmer who is the holder of a farmer's exemption permit;
- A company that uses or consumes motor fuels exclusively for hauling waste for the Connecticut Resource Recovery Authority, Mid-Connecticut Project;
- Fuels sold for use to any vessels displacing over 4,000 dead weight tons or fuel sold for use to any vessels primarily engaged in interstate commerce; and
- Dyed diesel sold to marine fuel docks for marine purposes. However, the fuel is now subject to sales tax at the rate of 2.99%.

Number of Taxpayers/Filing Frequency

910 taxpayers/Monthly

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel 7/1/19 through 6/30/20*	46.5¢
Diesel Fuel 7/1/20 through 6/30/21*	44.6¢
Diesel Fuel 7/1/21 through 6/30/22*	40.1¢
Natural Gas or Propane	26¢

*Each fiscal year the Department is required to calculate the new diesel fuel rate using the average wholesale price per gallon of diesel fuel for the 12 month period ending on the preceding March 31st, as determined by statute.

MOTOR VEHICLE FUELS TAX (cont.)

Comparative Data

	Number of Gallons Sold		
	FY 2018-19	FY 2019-20	FY 2020-21
Special Fuel*	254,693,112	247,156,061	255,677,243
Gasohol	1,518,805,882	1,380,022,956	1,324,535,051
Alternative Fuels**	3,072,233	2,489,720	2,458,591
Total Gallons	1,776,571,227	1,629,668,737	1,582,670,885

* Gallons reported under Special Fuel primarily contain diesel fuel, however, there are minimal amounts of Natural Gas and Propane reported under this category.

** Alternative fuels consist of Compressed Natural Gas (CNG), Liquefied Natural Gas (LNG), and Liquefied Petroleum Gas (Propane).

PAID PREPARER FEE

The Connecticut General Assembly enacted a comprehensive law which established professional practice standards for all tax preparers and facilitators. In addition, any person that prepares federal or state personal income tax returns for a fee or other consideration, and is not expressly exempt, must have a permit as of January 1, 2019. The permit must be renewed every two years.

Revenue	
FY 2020-21	\$93,976
2019-20	112,900
2018-19	168,000

Fee

Effective January 1, 2019, all tax preparers who are not exempt will be required to have a permit. The initial application fee is \$100. The permit expires after two years. The renewal fee is \$50.

Exempt Preparers

- Attorneys;
- Certified Public Accountants;
- Enrolled Agents;
- IRS qualified volunteer tax preparers participating in either a Volunteer Income Tax Assistance (VITA) or Tax Counseling for the Elderly (TCE) program;
- Employee of an attorney preparing tax returns under the supervision of the attorney;
- Employee of a local, state or federal governmental agency preparing returns in the performance of official duties;
- Employee of, or assistant to, a tax preparer or person exempted from the permit requirements, in the performance of official duties for such tax preparer or exempt person; and
- Individuals employed, full-time or part-time, to act as a tax preparer solely for the business purposes of such individual's employer.

PASS-THROUGH ENTITY TAX

The Pass-Through Entity tax is imposed on the following entities that do business in Connecticut or have income derived from or connected with Connecticut sources:

- Partnerships, including limited liability companies that are treated as partnerships for federal income tax purposes, but excluding publicly-traded partnerships; and
- S corporations, including limited liability companies that are treated as S corporations for federal income tax purposes.

Revenue	
FY 2020-21	\$1,553,825,428
2019-20	1,241,963,309
2018-19	1,172,054,054

Basis and Rate

There are two methods that pass-through entities (PE) may use to calculate their tax. The tax rate of 6.99% is applied to the applicable base to determine the amount of tax due.

Standard Base

The Standard Base is equal to a PE's Connecticut source income from its own activities. The Standard Base does not include income from subsidiary PE's.

Alternative Base

The Alternative Base is equal to the portion of a PE's CT source income from its own activities that flows through to members who are chapter 229 taxpayers (income tax) plus the portion of the PE's income that flows through to members who are Connecticut residents and that is not sourced to any state.

Filing Frequency

Annually with four estimated installments.

Number of Taxpayers

122,836 taxpayers

PASS-THROUGH ENTITY (cont.)

Pass-Through Entity Tax Credit

Members of a PE are entitled to a credit based upon their respective shares of the PE's tax liability. For taxable years that began on or after January 1, 2018, but prior to January 1, 2019, the PE Tax Credit was 93.01% of the member's share of the PE Tax. For taxable years that begin on or after January 1, 2019, the PE Tax Credit is 87.5% of the member's share of the PE Tax.

A member may claim the PE Tax Credit against taxes imposed under chapter 208 (corporation business tax) or chapter 229 (income tax).

Detail of Revenue

2019 Pass-Through Entity Tax Returns

Tax Due	Number of Returns	Tax Due
Zero	60,444	\$0
\$1 to \$999	18,152	6,805,365
\$1000 to \$24,999	37,431	241,946,510
\$25,000 to \$49,999	3,427	119,290,251
\$50,000 to \$99,999	1,793	124,221,053
\$100,000 to \$249,999	1,034	155,582,319
\$250,000 to \$499,999	293	100,569,529
\$500,000 to \$999,999	159	107,916,123
\$1 million to \$2 million	69	98,689,657
\$2 million to \$3 million	16	39,195,549
\$3 million and over	18	90,705,010
Total	122,836	\$1,084,921,366

PETROLEUM PRODUCTS GROSS EARNINGS TAX

A tax is levied on the gross earnings from the first sale of companies distributing petroleum products in Connecticut. Petroleum products include but are not limited to gasoline, aviation fuel, kerosene, diesel fuel, number 2 heating oil, greases, lubricants, mineral oils, and motor oil.

Revenue	
FY 2020-21	\$232,333,711
2019-20	235,922,566
2018-19	318,518,185

Exemptions

- Number 2 heating oil used exclusively for heating purposes or in a commercial fishing vessel;
- Bunker fuel oil, intermediate fuel, marine diesel oil and marine gas oil used in vessels displacing over 4,000 dead weight tons, and used in vessels primarily engaged in interstate commerce;
- Kerosene used exclusively for heating purposes, when the fuel is delivered via a truck with a metered delivery ticket, or to a centrally metered system serving a group of homes;
- Propane gas primarily used for heating purposes;
- Paraffin and microcrystalline waxes;
- Gross earnings from the sale or use of Number 2 heating oil used exclusively in vessels engaged in interstate commerce and Number 6 fuel oil used by manufacturers;
- Commercial heating oil blend containing not less than 10% alternative fuels derived from agricultural produce, food waste, waste vegetable oil or municipal solid waste, including, but not limited to biodiesel or low sulfur dyed diesel fuel and kerosene. Such blended products must be used for commercial heating;
- Diesel fuel other than diesel fuel to be used in an electric generating facility to generate electricity;
- Cosmetic grade mineral oil; and
- Propane used as a fuel for school buses.

Number of Taxpayers/Filing Frequency

622 taxpayers/Quarterly

Basis and Rate

8.1%

PETROLEUM PRODUCTS GROSS EARNINGS TAX (cont.)

Cap on Petroleum Products Gross Earnings Tax

The petroleum products gross earnings 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 said amount and any consideration received by the distributor in excess of \$3.00 is exempt from tax.

Connecticut Airport and Aviation Account

The Department of Revenue Services is required to deposit 75.3% of the petroleum products gross earnings tax received from aviation fuel sources into the Connecticut Airport and Aviation Account. Just under \$3.3M was deposited into the account in FY21.

PREPAID WIRELESS E-9-1-1 FEE

A Prepaid Wireless E 9-1-1 Fee is levied on each sale of prepaid wireless telecommunications service by a retailer. A prepaid wireless telecommunications service is a wireless telephone service that a consumer pays for in advance, and that is sold in predetermined units or dollars that decline with use. Prepaid wireless telecommunications include prepaid wireless phone cards, recharge or refill authorization codes, and prepaid cell phones or other prepaid wireless devices preloaded with airtime minutes.

The fee is determined each June for the upcoming fiscal year by the Connecticut Public Utility Regulatory Authority (PURA). All monies collected are deposited in the Enhanced 9-1-1 Telecommunications Fund. Retailers may retain 1% of the Prepaid Wireless E 9-1-1 Fees they collect. Beginning July 1, 2022, marketplace facilitators are required to begin collecting and remitting the E 9-1-1 fee.

Revenue	
FY 2020-21	\$2,513,218
2019-20	2,429,088
2018-19	2,364,502

Basis and Rate

\$0.66 for sales made on or after July 1, 2021.

\$0.68 for sales made between July 1, 2020 and June 30, 2021.

Number of Taxpayers / Filing Frequency

273 Retailers

253 / Monthly

20 / Quarterly

PROVIDER TAXES

There are three components to the provider taxes established under Chapter 211c of the Connecticut General Statutes. They include: hospital user fee, intermediate care facility and nursing home user fees. The previous fees for the Hospitals, Intermediate Care Facility User, and Nursing Home User were sunset as of June 30, 2017. Each of the three provider types are outlined below.

HOSPITALS

A quarterly user fee is imposed on each hospital's net revenue for the provision of inpatient hospital services and for the provision of outpatient hospital services.

Revenue	
FY 2020-21	\$911,989,853
2019-20	870,562,036
2018-19	909,319,650

Exemptions

- Specialty hospitals;
- Hospitals which are licensed by the Department of Public Health as children's general hospitals;
- Short-term acute hospitals operated exclusively by the State of Connecticut (other than short-term acute hospitals operated by the state as a receiver); and
- Financial hardship (outpatient services).

Basis and Rate

Effective July 1, 2017 through June 30, 2019, based upon a statutory formula, the effective user fee rate on inpatient hospital services is 6%, and the effective user fee rate on outpatient hospital services is 12.3325%. Effective July 1, 2019, based upon a statutory formula, the effective user fee rate on inpatient hospital services is 6%, and the effective user fee rate on outpatient hospital services is 12.0942%

Number of Taxpayers/Filing Frequency

26 taxpayers/Quarterly

PROVIDER TAXES (cont.)

INTERMEDIATE CARE FACILITY USER FEE

An intermediate care user fee is established on each residential facility for individuals with intellectual disabilities that meet certain federal requirements, and, in the case of a private facility, is licensed by the Department of Developmental Services.

Revenue	
FY 2020-21	\$6,573,159
2019-20	7,115,759
2018-19	6,756,512

Basis and Rate

The intermediate care facility user fee is \$27.76. The amount due from each facility is determined by multiplying the user fee by the facility's resident days for the calendar quarter.

Number of Taxpayers/Filing Frequency

66 taxpayers/Quarterly

NURSING HOME USER FEE

An nursing home user fee is established on each chronic and convalescent nursing home or rest home with nursing supervision that is licensed as a nursing home by the Connecticut Department of Public Health.

Revenue	
FY 2020-21	\$101,304,109
2019-20	114,012,296
2018-19	146,848,506

Basis and Rate

The user fee is \$16.13 for municipally-owned facilities and facilities with over 230 beds and \$21.02 for all other nursing homes. The amount due from each nursing home is determined by multiplying the appropriate user fee by the home's resident days for the calendar quarter.

Number of Taxpayers/ Filing Frequency

204 taxpayers/Quarterly

PUBLIC SERVICE COMPANIES TAX

Revenue	
FY 2020-21	\$255,055,839
2019-20	266,635,911
2018-19	273,076,420

Exemptions

- All sales for resale of water, steam, gas, and electricity to public service corporations and municipal utilities;
- Gas and Electric sales to manufacturing in SIC codes 2000 through 3999 or NAICS code sectors 31-33;
- Natural Gas sold to out-of-state users or entities;
- Sales by a gas company of natural gas or propane used as a motor vehicle fuel; and
- Retail sales of steam by utility companies.

Number of Taxpayers/Filing Frequency

75 taxpayers:

- 60 Public Utility Companies/Quarterly
- 8 Community Antenna TV & Certified Competitive Video Provider Companies/Quarterly
- 3 Satellite TV Companies /Quarterly
- 4 Railroad Companies/Annually (July 1)

Basis and Rate

Community Antenna TV*	5.25%
Certified Competitive Video Service Provider*	5.25%
Satellite TV*	5.25%
Railroad	2 - 3.5%
Gas Companies	5%
Gas sales to residential customers	4%
Electric Distribution Companies & Municipal Electric Utilities	6.8% for residential customers 8.5% for nonresidential customers (other than manufacturers)

* Certified Competitive Video Service Providers, Community Antenna TV, and Satellite TV service providers are subject to an additional 0.25% tax for a total tax rate equal to 5.25%. The additional tax is used to fund the Public, Educational and Governmental Programming and Education Technology Investment Account.

PUBLIC SERVICE COMPANIES TAX (cont.)

Residential Credit

Companies claimed \$7,551,499 in Fiscal Year 2020-21 under the one-percent credit attributable to the sale of gas and electric power for residential use.

Manufacturing Companies Credit

\$5,599,521 was claimed in credit for Fiscal Year 2020-21 for gas sales used directly by a company engaged in a manufacturing production process.

Comparative Data

	FY 2018-19	FY 2019-20	FY 2020-21
Cable, Satellite & Video	\$46,295,532	\$49,819,514	\$45,010,159
Electric & Power Companies	156,749,530	146,646,424	138,337,220
Gas Companies	66,665,641	64,553,262	69,081,934
Public, Educational & Governmental Programming Tax*	3,333,321	4,961,607	1,959,971
Railroad Companies	32,396	655,104	666,555
Total Tax	\$273,076,420	\$266,635,911	\$255,055,839

* Additional tax on cable, satellite and video for deposit in the public, educational and governmental programming and education technology investment account.

Fiscal Year 2020-21 Public Service Companies Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	4	\$29,612,305
Neighborhood Assistance	1	46,783
Historic Structures Rehabilitation	1	19,935,316
Historic Homes	1	1,132,523
Urban & Industrial Site Reinvestment	1	22,394,550
Total Credits	8	\$73,121,477

REAL ESTATE CONVEYANCE TAX

Connecticut imposes a tax on the conveyance of real property. The tax is assessed on the full purchase price of the property and is determined by the classification of the property being conveyed. Payment of the tax is the responsibility of the seller of the property and must be paid before the deed can be recorded.

Revenue	
FY 2020-21	\$374,662,454
2019-20	168,686,812
2018-19	200,792,382

Exemptions

- Deeds which this state is prohibited from taxing under the constitution or laws of the United States;
- Deeds which secure a debt or other obligation;
- Deeds to which this state or any of its political subdivisions or their respective agencies is a party;
- Deeds of release of property which is security for a debt or other obligation;
- Deeds of partition;
- Deeds made pursuant to mergers of corporations;
- Deeds made by subsidiary corporation to its parent corporation for no consideration other than the cancellation or surrender of the subsidiary's stock;
- Conveyance of an interest in real property pursuant to a decree of the superior court; as the result of:
 - A. An annulment, dissolved marriage, or legal separation; or
 - B. Partition of joint and common estates;
 - C. Foreclosure by sale;
- Certain exempt corporation transfers;
- Transfers between spouses;
- Instruments conveying property located in an enterprise zone or entertainment district;
- Conveyances of burial rights;
- Land development rights to agricultural land under the state farmland preservation program;
- Transfers or conveyances of real estate to effectuate a mere change of identity or form of ownership or organization where there is no change in beneficial ownership;
- Employee relocation company or employer re-sales within six months of conveyance from relocated employee;

REAL ESTATE CONVEYANCE TAX (cont.)

Exemptions (cont.)

- Deeds of sale in lieu of foreclosure that transfer the transferor's principal residence;
- Deeds pursuant to a judgment of foreclosure by market sale; and
- Conveyances made pursuant to a judgment of loss mitigation;
- Any instrument transferring a transferor's principal residence where the gross purchase price is insufficient to pay the sum of: the mortgages encumbering the property transferred and any real property taxes and municipal utility or other charges for which the municipality may place a lien on the property (such as sewer taxes) and which have priority over the mortgages encumbering the property transferred.
- An instrument that conveys a transferor's principal residence with a deteriorated concrete foundation caused by pyrrhotite, as determined by a professional engineer. The exemption applies only to the first transfer after the engineer's written evaluation has been obtained by the transferor and is not available to any seller who received financial assistance from the Crumbling Foundations Assistance Fund.

Basis and Rate

Conveyances made on or after July 1, 2020:

Classification	Rate
Unimproved Land	0.75%
Nonresidential property other than Unimproved Land	1.25%
Residential Dwelling:	
Portion \$800,000 or less	0.75%
Portion between \$800,000 and \$2.5 million	1.25%
Portion that exceeds \$2.5 million	2.25%
Residential Property other than Residential Dwelling	0.75%
Delinquent Mortgage	0.75%

REAL ESTATE CONVEYANCE TAX (cont.)
Fiscal Year 2020-21 Conveyances

Amount of Consideration	Number of Taxable Conveyances	Number of Non-Taxable Conveyances	Number of Exempt Conveyances	Tax Due
Under \$2,000	0	23,424	5,653	\$ 0
\$ 2,000 to \$ 29,999	1,571	438	81	178,710
\$ 30,000 to \$ 39,999	517	0	20	136,713
\$ 40,000 to \$ 49,999	649	0	*	219,527
\$ 50,000 to \$ 59,999	657	0	*	268,856
\$ 60,000 to \$ 69,999	780	0	*	381,250
\$ 70,000 to \$ 79,999	840	0	*	479,790
\$ 80,000 to \$ 89,999	914	0	18	581,882
\$ 90,000 to \$ 99,999	886	0	18	635,857
\$100,000 to \$109,999	1,022	0	13	812,475
\$110,000 to \$119,999	1,104	0	20	957,166
\$120,000 to \$129,999	1,340	0	14	1,263,838
\$130,000 to \$139,999	1,362	0	23	1,381,046
\$140,000 to \$149,999	1,341	0	26	1,459,412
\$150,000 to \$159,999	1,680	0	26	1,964,421
\$160,000 to \$169,999	1,714	0	30	2,123,597
\$170,000 to \$179,999	1,971	0	31	2,595,752
\$180,000 to \$189,999	2,030	0	22	2,825,597
\$190,000 to \$199,999	1,798	0	18	2,626,610
\$200,000 to \$249,999	10,518	0	*	17,824,138
\$250,000 to \$299,999	9,532	0	83	19,600,402
\$300,000 to \$399,999	13,069	0	67	34,032,968
\$400,000 to \$499,999	7,260	0	86	24,407,693
\$500,000 to \$599,999	4,234	0	34	17,593,307

Note that conveyances for no consideration or consideration of less than \$2,000 are non-taxable.

REAL ESTATE CONVEYANCE TAX
Fiscal Year 2020-21 Conveyances (cont.)

Amount of Consideration	Number of Taxable Conveyances	Number of Non- Taxable Conveyances	Number of Exempt Conveyances	Tax Due
\$600,000 to \$699,999	2,701	0	18	13,311,911
\$700,000 to \$799,999	1,845	0	10	10,594,722
\$800,000 to \$899,999	1,326	0	15	8,894,006
\$900,000 to \$999,999	855	0	*	6,801,793
\$1,000,000 to \$1,100,000	478	0	*	4,443,976
\$1,100,000 to \$1,199,999	538	0	*	5,632,100
\$1,200,000 to \$1,299,999	551	0	*	6,444,907
\$1,300,000 to \$1,399,999	420	0	*	5,397,585
\$1,400,000 to \$1,499,999	338	0	*	4,799,962
\$1,500,000 to \$1,999,999	1,190	0	*	20,842,939
\$2,000,000 to \$2,499,999	654	0	*	15,552,542
\$2,500,000 to \$2,999,999	419	0	*	13,273,193
\$3,000,000 to \$3,499,999	240	0	*	10,030,023
\$3,500,000 to \$3,999,999	196	0	*	10,170,546
\$4,000,000 to \$4,499,999	111	0	*	6,684,875
\$4,500,000 to \$4,999,999	81	0	*	5,750,841
\$5,000,000 and over	333	0	*	49,657,147
Total	79,065	23,862	6,417	\$332,634,075

Note that conveyances for no consideration or consideration of less than \$2,000 are non-taxable.

* Less than 10 conveyances.

FY 2020-21 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
ANDOVER	32	64	\$17,111,964	\$128,340
ANSONIA	139	315	77,608,982	586,742
ASHFORD	44	117	25,613,177	194,738
AVON	221	497	215,147,550	1,713,721
BARKHAMSTED	59	101	25,113,043	193,758
BEACON FALLS	65	143	40,434,462	323,017
BERLIN	211	402	124,613,133	1,002,288
BETHANY	33	133	48,899,448	374,908
BETHEL	178	525	223,644,751	1,797,416
BETHLEHEM	52	103	34,878,143	268,186
BLOOMFIELD	179	414	147,801,426	1,336,043
BOLTON	41	107	29,335,356	222,115
BOZRAH	26	50	14,639,671	125,909
BRANFORD	324	767	276,740,523	2,298,026
BRIDGEPORT	860	2,169	579,250,078	4,644,721
BRIDGEWATER	26	64	45,454,195	385,334
BRISTOL	515	1,372	354,389,387	2,808,709
BROOKFIELD	174	440	193,653,621	1,594,018
BROOKLYN	102	206	52,012,233	394,192
BURLINGTON	90	250	88,853,969	670,474
CANAAN	10	45	15,520,182	122,416
CANTERBURY	105	106	24,296,551	183,574
CANTON	88	267	91,431,715	717,572
CHAPLIN	20	48	9,721,621	77,223
CHESHIRE	238	528	231,881,573	1,969,069
CHESTER	47	96	36,301,365	290,330
CLINTON	184	414	154,628,119	1,245,062
COLCHESTER	126	342	109,103,950	860,036
COLEBROOK	11	56	15,978,102	120,836
COLUMBIA	67	129	40,671,739	336,258
CORNWALL	25	72	36,345,013	308,113
COVENTRY	177	343	88,317,449	670,018
CROMWELL	123	368	177,730,885	1,757,316
DANBURY	589	1,561	674,836,917	5,901,827
DARIEN	132	652	1,121,065,341	12,620,620
DEEP RIVER	57	129	41,388,361	339,664
DERBY	85	277	69,340,520	564,520
DURHAM	63	150	49,448,966	373,087
EASTFORD	32	57	18,939,669	176,470
EAST GRANBY	74	139	41,255,861	338,799
EAST HADDAM	116	287	79,224,645	616,064
EAST HAMPTON	192	404	115,782,930	885,174
EAST HARTFORD	250	902	245,299,882	2,057,869

FY 2020-21 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
EAST HAVEN	292	676	\$185,792,264	\$1,439,772
EAST LYME	289	520	198,890,357	1,616,503
EASTON	85	231	157,690,017	1,271,590
EAST WINDSOR	100	283	69,690,115	563,609
ELLINGTON	124	334	96,868,754	746,925
ENFIELD	329	911	254,997,039	2,214,101
ESSEX	87	229	132,843,438	1,135,340
FAIRFIELD	403	1,666	1,425,245,686	13,044,692
FARMINGTON	331	678	287,094,102	2,413,706
FRANKLIN	36	66	15,121,124	117,684
GLASTONBURY	334	844	356,250,651	2,877,429
GOSHEN	49	160	78,502,447	702,896
GRANBY	157	282	95,705,441	731,481
GREENWICH	528	1,704	3,899,938,995	51,446,013
GRISWOLD	114	299	78,883,268	672,215
GROTON	355	747	278,956,837	2,361,718
GUILFORD	261	578	280,920,639	2,329,383
HADDAM	85	218	79,149,038	642,448
HAMDEN	423	1,206	338,435,668	2,746,573
HAMPTON	27	50	13,003,697	106,028
HARTFORD	397	1,049	375,511,090	3,151,083
HARTLAND	20	48	12,449,900	93,374
HARWINTON	64	136	42,063,559	318,227
HEBRON	86	211	66,441,716	510,263
KENT	33	141	65,187,290	560,534
KILLINGLY	186	447	100,790,282	786,397
KILLINGWORTH	67	171	59,986,500	457,319
LEBANON	79	171	40,306,053	308,880
LEDYARD	127	395	97,507,380	732,155
LISBON	47	107	25,883,912	205,129
LITCHFIELD	137	286	119,771,743	976,938
LYME	34	94	57,024,842	494,204
MADISON	199	535	318,786,285	2,659,017
MANCHESTER	380	1,074	277,352,974	2,335,146
MANSFIELD	102	288	82,354,704	633,133
MARLBOROUGH	67	168	51,446,462	387,098
MERIDEN	379	1,120	288,409,292	2,354,768
MIDDLEBURY	108	262	107,451,106	853,388
MIDDLEFIELD	29	101	26,177,349	201,785
MIDDLETOWN	302	949	234,649,938	1,878,091
MILFORD	471	1,251	498,575,534	4,069,869
MONROE	167	497	203,409,752	1,586,133
MONTVILLE	178	419	94,969,595	730,788

FY 2020-21 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
MORRIS	38	88	\$33,567,787	\$257,008
NAUGATUCK	243	713	157,887,621	1,229,975
NEW BRITAIN	435	1,089	226,333,699	1,788,142
NEW CANAAN	174	693	1,087,131,168	11,764,541
NEW FAIRFIELD	171	421	202,925,460	1,675,983
NEW HARTFORD	74	170	49,829,624	391,622
NEW HAVEN	761	1,228	482,213,315	3,957,261
NEWINGTON	291	667	189,532,197	1,486,973
NEW LONDON	147	408	102,027,937	897,124
NEW MILFORD	273	796	293,910,458	2,419,211
NEWTOWN	271	805	370,632,004	2,909,444
NORFOLK	25	52	22,210,862	187,676
NORTH BRANFORD	121	264	83,264,506	658,508
NORTH CANAAN	25	83	25,367,708	215,009
NORTH HAVEN	211	517	181,587,795	1,430,936
NORTH STONINGTON	99	130	45,551,846	397,614
NORWALK	578	1,836	1,271,896,468	11,127,494
NORWICH	347	907	169,441,930	1,325,898
OLD LYME	181	288	142,713,680	1,173,954
OLD SAYBROOK	187	395	207,260,359	1,775,235
ORANGE	143	250	130,124,314	1,116,507
OXFORD	119	313	131,627,106	1,057,653
PLAINFIELD	162	394	98,897,247	775,725
PLAINVILLE	155	432	109,126,783	895,969
PLYMOUTH	97	279	54,397,259	412,920
POMFRET	57	82	28,744,140	230,119
PORTLAND	95	228	62,295,961	508,097
PRESTON	73	157	35,959,738	271,073
PROSPECT	83	218	64,556,532	489,299
PUTNAM	111	249	60,053,338	488,003
REDDING	81	300	199,282,665	1,636,953
RIDGEFIELD	222	851	650,286,389	5,793,937
ROCKY HILL	190	377	110,232,499	885,789
ROXBURY	49	96	85,557,602	826,887
SALEM	52	141	35,231,577	269,262
SALISBURY	75	180	156,063,800	1,526,496
SCOTLAND	19	39	8,991,849	67,439
SEYMOUR	138	375	145,739,599	1,333,350
SHARON	57	136	89,328,114	986,546
SHELTON	346	920	390,784,576	3,178,929
SHERMAN	69	133	81,158,188	681,105
SIMSBURY	215	628	218,752,766	1,699,839
SOMERS	127	229	77,728,229	628,428

FY 2020-21 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
SOUTHBURY	207	724	\$226,275,633	\$1,721,607
SOUTHINGTON	467	992	312,357,681	2,470,229
SOUTH WINDSOR	226	678	366,750,128	3,632,614
SPRAGUE	32	58	12,944,951	97,087
STAFFORD	125	347	63,710,191	521,087
STAMFORD	785	2,507	1,847,808,225	15,530,185
STERLING	42	107	22,735,035	170,628
STONINGTON	272	551	262,368,901	2,268,846
STRATFORD	452	1,357	490,224,789	3,981,360
SUFFIELD	170	375	137,021,998	1,109,446
THOMASTON	68	196	42,170,851	338,244
THOMPSON	134	245	55,875,812	423,969
TOLLAND	151	327	96,690,460	733,332
TORRINGTON	307	1,003	181,894,848	1,449,304
TRUMBULL	304	768	439,014,650	3,340,080
UNION	23	25	4,582,001	34,365
VERNON	176	604	132,438,749	1,029,935
VOLUNTOWN	41	80	19,828,525	151,048
WALLINGFORD	339	796	285,318,262	2,511,847
WARREN	34	75	63,363,233	667,439
WASHINGTON	60	163	170,160,062	1,818,210
WATERBURY	744	2,143	383,016,591	3,115,339
WATERFORD	228	610	189,003,677	1,518,325
WATERTOWN	264	478	138,542,234	1,102,669
WESTBROOK	229	314	104,473,449	844,635
WEST HARTFORD	526	1,336	618,648,949	5,226,283
WEST HAVEN	332	955	270,483,384	2,146,600
WESTON	82	379	352,628,881	3,164,944
WESTPORT	282	921	1,430,295,470	15,557,909
WETHERSFIELD	249	629	188,833,445	1,481,893
WILLINGTON	48	102	23,760,454	185,928
WILTON	118	573	561,424,538	4,930,956
WINCHESTER	108	283	71,514,832	558,430
WINDHAM	134	331	89,856,007	870,668
WINDSOR	232	599	175,608,508	1,363,476
WINDSOR LOCKS	88	265	76,975,065	673,927
WOLCOTT	136	398	105,774,080	820,500
WOODBIDGE	76	178	80,515,358	616,028
WOODBURY	126	317	126,612,732	989,689
WOODSTOCK	105	233	63,008,782	483,141
TOWN UNKNOWN	120	273	121,560,406	1,093,541
TOTAL	30,279	79,065	\$36,450,471,819	\$332,634,075

RENTAL SURCHARGE

The Rental Surcharge is imposed on the rental of machinery by a rental company. The surcharge is imposed on machinery rented for a period of less than 365 days, or under an open-ended contract for an undefined period.

Revenue	
FY 2020-21	\$366,300
2019-20	373,961
2018-19	213,605

Exemptions

- Rentals by an agency of United States Government; and
- Rentals by a person that is not a rental company.

Number of Taxpayers / Filing Frequency

43 taxpayers / Annually

Basis and Rate

2.75% of the total rental charges on machinery.

Comparative Data

Gross collections of the surcharge by rental companies during 2020 amounted to \$2,054,258. Rental companies retained the difference between gross collections and the amounts remitted to reimburse personal property taxes and titling and registration fees paid in Connecticut.

REPEALED TAXES

BUSINESS ENTITY TAX

The following business entities were subject to a Business Entity Tax if they were formed under Connecticut law or were foreign entities that were transacting business in Connecticut and required to register with or obtain a certificate of authority from the Connecticut Secretary of the State:

- *S corporations (Qualified subchapter S subsidiaries (QSSS) were not liable);*
- *Limited liability companies (LLCs or SMLLCs) that, for federal income tax purposes, were either:*
 - *Treated as a partnership, if it had two or more members; or*
 - *Disregarded as an entity separate from its owner, if it had a single member;*
- *Limited liability partnerships (LLPs); and*
- *Limited partnerships (LPs).*

Public Act 19-117 sunset the Connecticut Business Entity Tax with the 2017 and 2018 biennial period.

Revenue collected for Fiscal Year 2020-21: \$ 6,550,175

GIFT TAX

The Connecticut Gift Tax applied to Connecticut taxable gifts made prior to January 1, 2005, that had been taxable for federal purposes. The Gift Tax was replaced by the Estate and Gift Tax for taxable gifts made on or after January 1, 2005.

Revenue collected for Fiscal Year 2020-21: \$ 39,376

SUCCESSION TAX

The Succession Tax was levied on the transfer of property after death, with rates that varied depending on the size of the estate and the relationship of the decedent to the beneficiary. The Connecticut Succession Tax does not apply to estates of decedents dying on or after January 1, 2005.

Revenue collected for Fiscal Year 2020-21: \$ 308,237

SALES AND USE TAXES

Connecticut levies sales and use taxes on the gross receipts of retailers from the sale of tangible personal property at retail, from the rental or leasing of tangible personal property, and on the gross receipts from the rendering of certain services.

Revenue	
FY 2020-21	\$ 5,355,064,228
2019-20	4,740,471,015
2018-19	4,720,321,873

Basis and Rate

6.35%	on the gross receipts from the sale, rental or leasing of tangible personal property, and the rendering of certain services (general rate);
<hr/>	
7.35%	on the sale of meals and certain drinks;
<hr/>	
7.75%	This tax rate applies to: <ul style="list-style-type: none"> • Most motor vehicles with a sales price of more than \$50,000; • Items of jewelry with a sales price of more than \$5,000; and; • Articles of clothing or footwear or a handbag, luggage, umbrella, wallet or watch, with a price of more than \$1,000.
<hr/>	
1.0%	on computer and data processing services;
<hr/>	
2.99%	for sales and purchases of vessels, motors for vessels, and trailers used for transporting a vessel;
<hr/>	
4.5%	on the sale of a motor vehicle to a nonresident member of the United States armed forces serving on active duty in Connecticut;
<hr/>	
9.35%	for the rental or leasing of a passenger motor vehicle for a period of 30 consecutive calendar days or less;
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11.0%	for occupancy in bed and breakfast establishments;
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15.0%	for the rental of rooms in a hotel or lodging house

SALES AND USE TAXES (cont.)

Exemptions

Conn. Gen. Stat. §12-412 provides for various exemptions from the sales and use taxes for the sale of, storage, use or other consumption of numerous goods and services. The following table provides a summary of the major exemptions claimed by businesses during Fiscal Year 2020-21.

FY 2020-21 SALES TAX EXEMPTIONS (In Millions)

Deductible Item	Total Deductions	Revenue Forgone
Sale for Resale – Goods	\$104,800.2	\$6,659.6
Sale for Resale – Leases and Rentals	2,658.6	179.2
Sale for Resale – Labor and Services	2,964.6	188.3
Magazines by Subscription and All Newspapers	152.1	9.7
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Interstate Freight	178.5	11.3
Food Products for Human Consumption	10,103.4	646.1
Fuel for Motor Vehicles	5,382.2	341.8
Electricity/Gas/Heating Fuel (residential)	2,826.7	179.5
Electricity (\$150 monthly per business)	77.3	4.9
Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	854.5	54.3
Aviation Fuel	94.4	6.0
Sales of Tangible Personal Property to Farmers	180.0	11.4
Machinery/Materials/ Tools/Fuel – Mfg. Product	2,040.6	129.6
Machinery/Materials/ Equip. – Printing	68.3	4.3
Machinery/Materials/ Tools/Fuel – Comm. Fishing	9.0	0.6

SALES AND USE TAXES (cont.)

FY 2020-21 SALES TAX EXEMPTIONS (cont.)

(In Millions)

Deductible Item	Total Deductions	Revenue Forgone
Out-of-State – Sale of Goods	35,951.0	2,284.8
Out-of-State - Leases/Rentals	559.3	36.4
Out-of-State – Labor and Services	15,378.3	976.5
Sales of Motor Vehicles, Vessels to Nonresidents	1,793.9	120.8
Prescription Medicines	8,719.5	553.7
Nonprescription Drugs and Medicines	148.3	9.4
Charitable/Religious – Sale of Goods	1,268.7	81.2
Charitable/Religious – Leases and Rentals	63.3	4.0
Charitable/Religious – Labor and Services	1,016.2	64.5
Government – Sale of Goods	13,272.5	843.3
Government– Leases and Rentals	85.0	5.4
Government– Labor and Services	7,770.2	493.4
Pollution Abatement	7.2	0.5
Non-Taxable Labor and Services	22,751.7	1,444.7
Business Services/Parent Owned Subs.	883.0	56.1
Trade-ins of Like-Kind Personal Property	1,345.5	89.5
Taxed Goods returned within 90 days	159.8	10.1
Oxygen, Plasma, Prostheses, etc.	333.0	21.1
Funeral Expenses up to \$2,500	103.2	6.5
Repair or Replacement Parts/Repair Services to Aircraft	1,222.2	77.6
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the Full and 3% Rates)	27.1	1.7

SALES AND USE TAXES (cont.)

FY 2020-21 SALES TAX EXEMPTIONS (cont.) (In Millions)

Deductible Item	Total Deductions	Revenue Forgone
Sales of Machinery, Equipment, Tools, Fuel, and Supplies used in the Biotechnology Industry	24.1	1.6
Sales of Repair and Maintenance Service to Vessels	73.2	4.7
Computer and Data Processing Services (Difference between the Full and 1% Rates)	6,662.8	423.1
Renovation Services to Residential Property	923.2	58.6
Sales to Direct Payment Permit Holders	1,008.2	64.0
Sales of College Textbooks	16.4	1.0
Sales Tax Holidays	23.3	1.5
Motor Vehicles Sold to Armed Forces (Difference between the Full and 4.5% Rates)	3.5	0.2
Purchases of Cigarettes Taxed by a Distributor	750.6	47.7
Sales of Vessels and Motors or Trailers for Vessels (Difference between the Full and 2.99% Rates)	167.3	10.6
Other Adjustments - Sales of Goods	14,838.7	943.2
Other Adjustments - Leases and Rentals	448.6	28.8
Other Adjustments - Labor and Services	1,936.8	123.0
TOTAL	\$272,126.0	\$17,315.8

SALES AND USE TAXES (cont.)

Number of Taxpayers / Filing Frequency

174,124 Sales and Use Taxpayers
 81,533 / Monthly
 49,274 / Quarterly
 43,317 / Annual

570 Room Occupancy Taxpayers
 522 / Monthly
 48 / Quarterly

Comparative Data

Table I provides a summary of collection amounts attributed to each component of the Sales and Use taxes. Revenue from required license payments are included in both Sales and Use and Room Occupancy collections.

TABLE I:

Sales and Use Tax Collections - Fiscal Years 2019 - 2021

	FY 2018-19	FY 2019-20	FY 2020-21
Sales and Use	\$4,581,549,885	\$4,620,921,987	\$5,265,802,338
Individual Use	7,484,811	19,632,208	8,621,592
Room Occupancy	131,287,177	99,916,820	80,640,298
Total Tax	\$4,720,321,873	\$4,740,471,015	\$5,355,064,228

SALES AND USE TAXES (cont.)

Table II provides a summary of all gross receipts reported under the sales and use taxes attributable to various components. Note that the figures are gross, and do not necessarily represent taxable receipts.

Table II:

Gross Receipts Reported on Sales Tax Returns Periods Ending in Fiscal Year 2020-21 (In Millions)

Tax Rate	Sales of Tangible Personal Property	Leasing/Rental of Tangible Personal Property	Sales of Services
6.35% - General Rate	\$239,070.4	\$3,777.5	\$54,664.4
7.35% - Meals and Beverages	8,031.1	0	0
7.75% - Luxury Goods	2,657.6	452.3	0
9.35% - Motor Vehicle Rental	0	213.6	0

Table III provides a summary of taxable receipts reported under the sales and use taxes attributable to room occupancy and the rental or leasing of passenger motor vehicles for a period of 30 consecutive calendar days or less.

Table III:

Taxable Receipts Periods Ending in Fiscal Year 2020-21 (In Millions)

Taxable Receipts Attributable to:	Tax Rate	Taxable Receipts
Room Occupancy in Hotel or Lodging House	15%	\$522.1
Room Occupancy in Bed and Breakfast Establishments	11%	3.6
Rental or Leasing of Motor Vehicles for 30 days or Less	9.35%	213.6

SALES AND USE TAXES (cont.)

Table IV provides a summary of taxable purchases subject to business use taxes.

Table IV:

Purchases Subject to Business Use Tax Periods Ending in Fiscal Year 2020-21 (In Millions)

Tax Rate	Purchases of Tangible Personal Property	Leasing/Rental of Tangible Personal Property	Purchases of Services
6.35% - General Rate	\$5,859.3	\$36.8	\$1,175.6
7.35% - Meals and Beverages	\$7.6	0	0
7.75% - Luxury Goods	\$7.3	1.7	0
9.35% - Motor Vehicle Rental	0	0.3	0

Table V provides a summary of the fees collected for the Single-Use Plastic Bag Fee through sales and use tax returns. Beginning August 1, 2019, retailers making sales in Connecticut of tangible personal property to the public were required to collect a \$0.10 fee per single-use plastic checkout bag. The fee was effective through June 30, 2021, after which date, single-use plastic checkout bags are banned.

Table V:

Single-Use Plastic Bag Fees Periods Ending in Fiscal Year 2020-21 (In Millions)

	Number of Plastic Bags	Single-Use Plastic Bag Fees
Single-Use Plastic Bag Fee	96.2	\$9.6

Table VI on the following page provides total sales and use taxes revenues by the economic activities sectors of the North American Industry Classification System (NAICS) for Fiscal Year 2020-21. The revenues are from regular payments and represent 96% of the total sales and use taxes collected in FY 2020-21.

SALES AND USE TAXES (cont.)

TABLE VI: Sales & Use Tax - From Periods Ending in Fiscal Year 2020-21
(In Millions)

	Tax Due at 6.35%	Tax Due at 7.35%	Tax Due at 7.75%	Total Tax Due (Includes 9.35% Rate and Plastic Bag Fees)
22 Utilities	\$135.0	\$0.0	\$0.0	\$135.0
23 Construction	177.1	1.1	0.0	178.3
31-33 Manufacturing	256.8	10.0	0.3	267.2
42 Wholesale Trade	269.1	0.9	0.6	270.7
441 Motor Vehicle and Parts Dealers	457.4	0.0	69.6	527.3
442 Furniture and Home Furnishings	135.3	0.0	0.0	135.4
443 Electronics and Appliance Stores	93.4	0.0	0.0	93.4
444 Building Material & Garden Equipment	236.7	0.0	0.0	236.8
445 Food and Beverage Stores	204.4	46.5	0.0	253.7
446 Health and Personal Care Stores	42.3	1.2	0.0	43.8
447 Gasoline Stations	25.6	4.9	1.0	31.5
448 Clothing and Clothing Accessories Stores	182.0	0.2	12.5	195.2
451 Sporting Goods, Hobby, Book Stores	56.5	0.2	0.0	56.7
452 General Merchandise Stores	243.3	1.1	0.3	249.1
453 Miscellaneous Store Retailers	251.8	6.8	6.5	265.9
454 Non-store Retailers	420.6	2.3	0.8	423.8
44-45 Retail Sector Subtotal	2,349.3	63.2	90.7	2,512.6
51 Information	300.2	16.8	2.3	319.3
52 Finance and Insurance	76.5	0.0	0.6	77.1
53 Real Estate and Rental and Leasing	128.7	0.7	14.1	160.1
54 Professional, Scientific and Technical Services	217.4	12.3	0.1	229.9
56 Administrative and Support	220.3	1.2	0.0	221.5
71 Arts, Entertainment & Recreation	24.4	8.5	0.0	33.0
72 Accommodation and Food Services	21.1	412.6	0.2	434.2
81 Other Services (except Public Admin)	188.0	2.6	5.6	196.1
All Other Businesses	116.5	3.3	2.4	124.2
TOTAL SALES & USE TAX	\$4,480.4	\$533.2	\$116.9	\$5,159.2

SOLID WASTE ASSESSMENT

The Solid Waste Assessment is levied on the owners of commercial resources recovery facilities that process municipal solid waste to reclaim energy.

Revenue	
FY 2020-21	\$2,877,298
2019-20	2,968,891
2018-19	2,709,403

Number of Taxpayers / Filing Frequency

5 taxpayers / Quarterly

Basis and Rate

\$1.50 per ton of solid waste processed.

TOBACCO PRODUCTS TAX

An excise tax is imposed on all non-cigarette tobacco products such as cigars, stogies, snuff, pipe and chewing tobacco. The tax is imposed when the tobacco products are manufactured, imported, or purchased by distributors. Distributors must be licensed annually and remit the tax on a monthly basis.

Revenue	
FY 2020-21	\$22,556,759
2019-20	21,727,005
2018-19	22,319,680

Exemptions

- Tobacco products exported from the State; and
- Tobacco products sold to the federal government.

Number of Taxpayers/Filing Frequency

226 distributors/Monthly

Basis and Rate

Tobacco products are taxed at 50% of the wholesale sales price, except for cigars 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.

Note: The tax on tobacco products is reduced by 50% for any product the Secretary of the United States Department of Health and Human Services determines to be a “modified risk tobacco product” pursuant to 21 U.S.C. §387k.

Type	FY 2018-19	FY 2019-20	FY 2020-21
Other Tobacco Products*	\$8,539,063	\$8,461,423	\$9,237,449
Snuff Tobacco Products	12,101,112	11,996,673	11,451,600
Cigars in excess of \$1.00 per cigar	1,158,720	1,152,520	1,461,830

* Other Tobacco Products consists of all taxable tobacco products other than snuff and cigars in excess of \$1.00 per cigar.

TOURISM SURCHARGE

A surcharge is levied on the rental and leasing of passenger motor vehicles for a period of thirty consecutive calendar days or less. Revenues generated by the surcharge are deposited into the General Fund.

Revenue	
FY 2020-21	\$3,708,471
2019-20	4,870,452
2018-19	5,370,895

Exemption

The rental or leasing of a motor vehicle pursuant to a written agreement, which has a term of more than thirty days.

Number of Taxpayers / Filing Frequency

22 taxpayers / Monthly
75 taxpayers / Quarterly

Basis and Rate

\$1.00 per day or portion of a day, for the rental or lease of a passenger motor vehicle delivered to a lessee in Connecticut (regardless of where the vehicle is subsequently used) for a term of 30 consecutive calendar days or less.

TRANSPORTATION NETWORK COMPANY FEE

Each transportation network company pays a fee on each prearranged ride that originates in this state. The fee is paid over to the Department of Revenue Services and the revenue is reported with the Admissions and Dues taxes.

Number of Taxpayers/Filing Frequency

4 /Quarterly

Basis and Rate

30¢ on each prearranged ride that originates in this state.

UNRELATED BUSINESS INCOME TAX

The Unrelated Business Income Tax is imposed on any trade or business conducted by a tax-exempt organization that does not substantially relate to its tax-exempt purpose. The tax is paid at the same rate as the Corporation Business Tax.

Revenue	
FY 2020-21	\$3,392,999
2019-20	4,082,151
2018-19	5,697,312

Number of Taxpayers / Filing Frequency

442 organizations / Annually

Basis and Rate

7.5% of the unrelated business income of the organization. A surtax of 10% applies to organizations whose gross income is \$100 million or more for income years 2018 through 2022.

No minimum tax is required.

Credits

For the 2019 income year, 34 taxpayers claimed \$31,303 in electronic data processing equipment property tax credits.

PENALTY AND INTEREST RECEIPTS

Failure to pay taxes or file tax returns in a timely manner generally results in a penalty to the taxpayer of \$50 or 10% of the tax due, whichever is greater. If the taxpayer is subject to a penalty for late payment, the late filing penalty is not applicable.

The penalty for the late payment of Sales and Use taxes is 15% of the amount due, or \$50, whichever is greater. The penalty for failure to pay the use tax with the Connecticut income tax return is 10%, reduced from 15%, to parallel the rate for the income tax.

Interest is also charged on any amount of tax due that is not paid on or before the due date or on the underpayment of estimated tax requirements. Interest is charged on a monthly basis at a rate of 1% per month from the due date.

Generally, tax payments satisfy penalty first, then interest, then tax, in that order. There was a period starting July 1, 2018, that applied partial payments first to penalties, then to tax and lastly to interest on such tax. This ordering remained in effect until 2019 legislation was passed reverting back to the pre-July 2018 application of payments. For periods ending on or after December 31, 2019, payments again satisfy penalty first, then interest, then tax.

Penalty and Interest Revenue By Tax Source

Tax Type		FY 2018-19	FY 2019-20	FY 2020-21
Corporation	Penalty	\$2,635,494	\$2,572,677	\$3,508,796
Business Tax	Interest	14,184,087	11,718,261	15,070,432
Income Tax and Pass-Through Entity Tax	Penalty	30,998,784	23,131,504	32,800,974
	Interest	55,454,492	48,746,393	56,504,430
Sales & Use Taxes	Penalty	18,711,861	18,496,122	23,516,740
	Interest	26,337,665	21,857,867	17,523,052
All Other Taxes	Penalty	6,446,668	6,465,325	7,585,570
	Interest	7,991,873	5,015,440	6,068,424
Total	Penalty	\$58,792,807	\$50,665,627	\$67,412,080
	Interest	\$103,968,117	\$87,337,962	\$95,166,338

TAX REFUNDS

The Department of Revenue Services issues refunds to taxpayers when an overpayment of tax liability has been made. The refund is charged to the fund to which such tax, penalty or interest was previously credited. Due to statutory allowances, refunds for Motor Fuel Taxes are allowed in certain cases involving fuel sold to a Connecticut motorbus company or company engaged in livery service.

Refunds of the Personal Income Tax owed to any person or entity with a debt obligation to Connecticut, the Internal Revenue Service or another reciprocating state may be withheld to offset the outstanding debt. There were 35,018 external offsets totaling \$14,263,027 in Fiscal Year 2020-21, compared to 38,685 external offsets that totaled \$17,673,327 in Fiscal Year 2019-20.

AMOUNT OF TAXES REFUNDED			
	FY 2018-19	FY 2019-20	FY 2020-21
Admissions & Dues Tax	\$100,397	\$100,137	\$210,888
Alcoholic Beverages	286,693	69,755	165,400
Ambulatory Surgical Center	1,872	8,014	73,144
Beverage Container Deposits	45,622	162,914	33,660
Business Entity Tax	785,620	388,233	165,040
Business Use Tax	6,589,907	3,227,385	20,303
Cable, Satellite & Video Companies Tax	9,214,946	151,961	407,589
Cigarette Tax	365,908	500,536	381,838
Controlling Interest Transfer Tax	1,280,289	821,428	3,107,867
Corporation Business	160,515,152	103,249,089	84,007,370
Corporation R&D Credit Buyback	5,370,344	9,081,125	7,093,191
Dry Cleaning Establishment Surcharge	9,493	15,775	10,357
Electric & Power Companies	141,731	101,467	480,837
Electronic Cigarette Products	0	6,156	7,372
Estate & Gift Tax	15,603,596	12,891,881	17,560,219
Gas Companies	15,745	5,783	2,668
Gift Tax (Repealed)	34,823	4,703	0
Health Care Centers Tax	0	24,666	38,721
Hospitals Tax	2,425,948	715,540	70,985,185
Income Tax	1,182,932,242	1,210,432,320	1,534,020,497
Insurance Premiums Tax, Domestic	9,954,260	3,030,078	154,032
Insurance Premiums Tax, Foreign	8,775,329	9,206,836	20,736,885
Insurance, Non-admitted/Unauthorized	8,871	51,424	24,988
Intermediate Care Facility	2,200	30,953	19,027
Motor Carrier Road Tax	937,064	1,140,681	1,140,268
Motor Vehicle Fuels Tax - Gasoline	7,632,479	4,266,589	3,961,518
Motor Vehicle Fuels Tax - Special Fuel	34,546	44,061	202,068
Nursing Home User Fee	283,045	320,654	154,754
Occupational Tax	338,464	287,835	118,608
Pass-Through Entity	15,339,924	78,627,638	86,813,955
PEG Account	167,081	5,524	17,283

TAX REFUNDS (cont.)

AMOUNT OF TAXES REFUNDED (cont.)			
	FY 2018-19	FY 2019-20	FY 2020-21
Petroleum Products Gross Earnings	23,544,615	24,946,385	6,492,230
Real Estate Conveyance Tax	825,031	728,203	3,711,096
Room Occupancy Tax	206,900	66,055	163,444
Sales & Use Taxes	37,106,316	53,882,943	19,305,219
Solid Waste Tax	44,445	40,573	0
Tobacco Products Tax	77,577	54,939	159,217
Unrelated Business Income Tax	484,260	1,456,014	3,195,383
Withholding	11,445,670	10,793,643	12,605,978
Miscellaneous	13,440	4,991	6,167
Total	\$1,502,941,845	\$1,530,944,888	\$1,877,754,269

**FY 2020-21 ANNUAL REPORT
STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**

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