

**ANNUAL REPORT
FISCAL YEAR 2021-2022**



**STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**

**Mark D. Boughton
Commissioner**

**Ned Lamont
Governor**



A MESSAGE FROM MARK D. BOUGHTON

January 2023

I am pleased to present the Annual Report of Taxes and Fees collected by the Department of Revenue Services (DRS) during fiscal year 2021-2022. While the Annual Report is a statistical compilation of the revenues that were collected by DRS, it is important to understand and note that the over \$25 billion in revenue that was collected during this fiscal year was the result of efforts of the hardworking employees of DRS.

As Commissioner, I am truly fortunate to work alongside such dedicated public servants. I can tell you that the employees of DRS work every day to meet the agency's core mission of instilling public confidence in the integrity and fairness of tax collection.

While I am certainly proud of the efforts of DRS, I am committed to continuously improve agency performance. To that end, the employees of DRS and I will work every day to provide taxpayers and practitioners with the information they need to understand and satisfy their tax obligations.

I hope the information contained in the Annual Report is helpful and informative. To the extent that anyone has any questions regarding the report, my staff and I stand ready to assist.

Mark D. Boughton
Commissioner of Revenue Services

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LEGISLATIVE HIGHLIGHTS FROM THE 2022 GENERAL ASSEMBLY REGULAR SESSION

Highlights of legislative changes from Public Act No. 22-118 and Public Act No. 22-117 are provided below.

Tax Credit Provisions:

- **Tax credit for employers making certain student loan payments:** Expands the scope of the tax credit for employers making certain student loan payments. Pursuant to this amendment, the scope of eligible loans has been expanded to include all loans issued by the Connecticut Higher Education Supplemental Loan Authority (CHESLA). Prior to this amendment, the credit was available only in connection with refinanced loans issued by CHESLA. In addition, the amendment allows certain small businesses (defined as those businesses that have gross receipts of \$5 million dollars or less in the applicable calendar or income year) that qualify for a credit to elect to have such credit issued in the form of refund. Previously, this credit could only be used to offset taxes owed under either Chapter 207 or Chapter 208 and was not refundable. The amendment is effective for calendar or income years commencing on and after January 1, 2022.
- **“Jobs CT” Tax Rebate Program:** This legislation establishes the “Jobs CT” tax rebate program. Under this program, qualified businesses that create jobs in this state may be allowed a tax rebate, which shall be treated as a credit against the tax imposed under Chapter 208 (corporation business) or 228z (pass-through entity tax) or as an offset of the tax imposed under Chapter 207 (insurance premiums) for reaching certain job creation targets. The rebate is based on the number of new full-time equivalent employees (FTEs) the business creates and maintains, the FTEs’ average wage, and the state income tax that would be paid on this average wage for a single filer. The amount of credits issued in any one fiscal year may not exceed \$40 million dollars. This legislation is effective for income years beginning on or after January 1, 2023.
- **Apprenticeship Tax Credit:** Expands the manufacturing apprenticeship tax credit so that credits earned thereunder can be applied against the tax imposed under Chapter 228z (pass-through entity tax). The legislation also specifies how an affected entity that applies a credit against the tax imposed under Chapter 228z (pass-through entity tax) is to be distributed to the members of said entity. The legislation is effective for taxable years beginning on or after January 1, 2022.

2022 LEGISLATIVE HIGHLIGHTS (cont.)

Income Tax:

- **Property tax credit:** Legislation increases the property tax credit from \$200 to \$300 and expands the scope of persons eligible for such credit. For taxable years 2017–2021, only persons 65 years of age or older and persons who validly claimed dependents on their federal income tax return in a given taxable year were eligible for the credit. These changes are effective upon passage and applicable to taxable years commencing on or after January 1, 2022.
- **Subtraction modification for pension and annuity income:** Legislation accelerates the phase-in of the subtraction modification for pension and annuity income. Subject to income thresholds, and effective for taxable years commencing on or after January 1, 2022, eligible persons are authorized to subtract from their adjusted gross income 100% of pension and annuity income when calculating their Connecticut income tax liability. Without this amendment, this subtraction modification would not have been fully available until the taxable year commencing on or after January 1, 2025. This change is effective upon passage.
- **Subtraction modification for enhanced earned income tax (EITC) payments:** Under this legislation, any person who received an enhanced EITC payment under the 2020 Earned Income Tax Credit enhancement program and any person who received an enhanced EITC payment under the 2021 Earned Income Tax Credit enhancement program is authorized to subtract such payments from their federal adjusted gross income when calculating their Connecticut income tax liability. This legislation is effective upon passage.
- **Credit for the birth of a stillborn child:** Legislation establishes a credit for the birth of a stillborn child. Eligible taxpayers may claim a credit of \$2,500 against their Connecticut income tax liability. This credit is effective for taxable years commencing on or after January 1, 2022.
- **Earned income tax credit (EITC):** Although H.B. No. 5506 as originally passed by the General Assembly provided for an increase in the EITC from 30.5% to 41.5% of the federal credit, the General Assembly through S.B. No. 9 eliminated this increase. As such the EITC remains unchanged at 30.5%.
- **Responsible person provision:** Legislation amends Conn. Gen. Stat. § 12-736 to impose a responsible person penalty that includes tax, penalty, and interest as opposed to just tax. Previously, the responsible person penalty assessed in connection with withholding tax was limited to a penalty for the amount of tax exclusive of penalty and interest. This legislation brings Conn. Gen. Stat. § 12-736 into conformity with Conn. Gen. Stat. § 12-414a and takes effect upon passage.

2022 LEGISLATIVE HIGHLIGHTS (cont.)

- **Expansion of credit for taxes paid to other jurisdictions:** Corresponding amendments to Conn. Gen. Stat. § 12-704 and Conn. Gen. Stat. § 12-732 serve to authorize claims for refund due to changes made by another jurisdiction impacting a taxpayer's Connecticut income tax liability on or before the ninetieth day after the final determination of said change, even if an original return was not filed. These provisions are effective for taxable years commencing on and after January 1, 2022.
- **Credit for real estate conveyance tax paid:** Legislation revises the income tax credit for individuals who pay the 2.25% real estate conveyance tax rate on properties in excess of \$2.5 million dollars. This change also comports with the adopted fiscal note.

Sales and Use Taxes:

- **Exemption for menstrual products:** Legislation modifies the exemption for feminine hygiene products set forth in Conn. Gen. Stat. § 12-412(122) to include an exemption for menstrual products. The legislation is effective upon passage.
- **Modification to exemption for beer manufacturers:** Legislation expands Conn. Gen. Stat. § 12-412m, which provides sales and use tax exemptions for certain beer manufacturers that also make substantial retail sales, to include manufacturers of wine, brandy, cider, and mead. In addition, this legislation also authorizes taxpayers who qualify for the exemptions provided under Conn. Gen. Stat. § 12-412m to file claims for refund of the taxes they paid on purchases that would have qualified for exemption under the provision of this legislation had said legislation been in effect from July 1, 2018, and June 30, 2023. The legislation is effective July 1, 2023.
- **Exemption for certain water companies:** Provides an exemption from the taxes imposed under Chapter 219 for sales of goods and services to a water company, as defined in Conn. Gen. Stat. § 16-1, for use by said water company to maintain, operate, manage, or control a pond, lake, reservoir, stream, well, distributing plant or system that supplies water to at least 50 customers. The legislation is effective to sales made on and after July 1, 2022.
- **Modification to marketplace facilitator statute:** This legislation modifies Conn. Gen. Stat. § 12-408e to exclude the facilitation of the rental of a passenger motor vehicle or rental truck on behalf of a rental company from the scope of this statute. The legislation is effective July 1, 2023.
- **Sales tax pilot:** Legislation authorizes the Department to audit and reaudit taxpayers for purposes of Chapter 219. This concept will allow the Audit Division to do more targeted desk audits and increase its coverage rates. These provisions are effective upon passage.

2022 LEGISLATIVE HIGHLIGHTS (cont.)

Motor Vehicle Fuels Tax:

- **Extends the “gas tax” holiday:** Section 1 of Special Act 22-2 suspended the application of the motor vehicle fuels tax to gasoline and gasohol between April 1, 2022, and June 30, 2022. This legislation extends the suspension through November 30, 2022.
- **Authorizes emergency medical service organizations to seek refunds of motor vehicle fuels tax:** This legislation authorizes an emergency medical service organization, as defined in Conn. Gen. Stat. § 19a-175, to seek a refund of motor vehicle fuels tax it paid on fuel that is used in an ambulance owned by such organization. This legislation is effective July 1, 2022.

Captive Insurance:

- **Tax amnesty:** This legislation authorizes a tax amnesty program for captive insurance companies. To be eligible for this program, a captive insurance company must establish a branch captive insurance company in this state or transfer the domicile of its alien captive insurance company or foreign captive insurance company to this state. If such requirements are met by June 30, 2023, the Commissioner is authorized to waive any and all penalties that would otherwise be due from the captive insurance company under Conn. Gen. Stat. § 38a-277 for any taxable period beginning on or after July 1, 2019 and ending prior to July 1, 2022.

Collections Provisions:

- **Codification of ten-year statute of limitations on collections:** Legislation imposes a ten-year statute of limitations on all collections actions. Prior to its passage, Connecticut had no statute of limitations for collecting on a liability. It is important to note that this provision does not apply to any taxes for which the Commissioner has entered into an agreement under Conn. Gen. Stat. §§ 12-2d or 12-2e or to any taxes that have been secured by a lien. This provision is effective upon passage.
- **Study regarding the selling of tax debt:** This legislation requires the Commissioner to study the feasibility of selling outstanding tax liabilities that are owed to the state. The study must identify the current balance of outstanding state tax liabilities, a breakdown of said outstanding tax liabilities by tax type, and an analysis or projection of the amount of revenue the State could anticipate generating if it were to sell said outstanding tax liabilities. If the Commissioner concludes that the State should sell outstanding tax liabilities, the Commissioner must also identify any legislative changes that would be required to effectuate the sale of said outstanding tax liabilities. The study must be submitted to the Finance, Revenue, and Bonding Committee by January 1, 2023. This provision is effective upon passage.

2022 LEGISLATIVE HIGHLIGHTS (cont.)

- **Joint Study with the Office of the Attorney General:** This legislation requires the Commissioner and the Attorney General to submit a joint report detailing the enforcement efforts undertaken by the Attorney General under Conn. Gen. Stat. § 12-35c during the period January 1, 2021, through December 31, 2022. The report must include the number of suits the Attorney General instituted during said period, the states in which such suits were instituted, and the amount of taxes that were recovered as a result of said suits. Not later than February 15, 2023, the Attorney General and the Commissioner of Revenue Services shall jointly submit a report. This provision is effective upon passage.
- **Expansion of the grounds on which the Commissioner may withhold or not renew a permit or license:** This legislation allows the Commissioner to withhold or not renew a permit or license to any business if the owner of said business owes a tax debt. Prior to this legislation, the Commissioner was only authorized to withhold or not renew a permit or license to a business if the business itself had an outstanding tax debt. This provision is effective upon passage.

Admissions Tax:

- **Admissions tax eliminated on admission charges to movie theaters:** The admissions tax is eliminated on any admission charge of more than five dollars to any motion picture show effective January 1, 2023.

Ambulatory Surgical Centers Tax:

- **Sunset of the ambulatory surgical centers tax:** Legislation sunsets the ambulatory surgical centers tax effective July 1, 2022.

Utility Companies Tax:

- **Certain municipal power companies are excluded from the scope of the utility companies tax:** This legislation amends Conn. Gen. Stat. § 12-264 by excluding any municipality, or department or agency thereof, or district that manufactures, sells, or distributes gas to be used for light, heat or power from the scope of the utility companies tax. The legislation is effective July 1, 2022.

Child Tax Credit Rebate:

- **Child Tax Rebate:** This legislation establishes a child tax rebate. Under this legislation, Connecticut residents who claimed at least one child as a dependent on their 2021 federal income tax return who was 18 years of age or younger may be eligible for a one-time tax rebate of up to \$750. In order to receive a rebate, taxpayers must meet certain income limitations and make application to the Commissioner between June 1, 2022, and July 31, 2022. The legislation is effective upon passage.

2022 LEGISLATIVE HIGHLIGHTS (cont.)

Pass-Through Entity Tax:

- **Codification of composite return:** This legislation codifies that a pass-through entity may file a composite income tax return on behalf of its nonresident members or partners. The applicable provisions are effective upon passage.

Unified Estate and Gift Tax:

- **Technical changes:** Adds the definition of “federal basic exclusion amount” to both the Estate Tax (Chapter 217) and the Gift Tax (Chapter 228c). These changes conform the Estate and Gift Tax provisions with the thresholds in 2018 Conn. Pub. Acts 81. These provisions are effective October 1, 2022.

Miscellaneous:

- **Cap on interest paid on refunds:** This legislation places a cap on the payment of refund interest in all cases so that it does not exceed five million dollars. Prior to the passage of this legislation, there was no cap on refund interest and the Court had the ability to authorize the issuance of refund interest even in circumstances where the Department has no administrative ability to grant refund interest. Given that taxpayers have the ability to stop the running of interest on assessments through the filing of cash bonds, this legislation was intended to place the Department on equal footing with taxpayers. This legislation is effective on passage.
- **Tax incidence:** Legislation makes several modifications to Conn. Gen. Stat. § 12-7c. Specifically, the legislation moves the due date of the next incidence analysis from February 15, 2024, to December 15, 2023. The legislation also expands the scope of all future incidence reports so as to require the Commissioner to report on the overall incidence of the income tax, sales and excise taxes, the corporation business tax and property tax for each of the most recent ten tax years for which complete data are available. The legislation further requires the Commissioner to include incidence projections for each such tax and specifically report on the tax incidence of the top five per cent of all income taxpayers and the top one per cent of all income taxpayers.
- **Limitation of refund claims for closed periods:** This legislation prohibits the filing of claims for refund during an open statute of limitations period for issues for which the Department has already addressed through an audit or other investigation. Without this legislation, taxpayers had the ability to require the Commissioner to review the same issue twice, first when under audit and then again by the filing of a claim for refund after the results of the audit had become final. This legislation eliminates the ability to file a claim for refund for an issue for which the taxpayer has already received the due process rights associated with the audit. This legislation is effective upon passage.

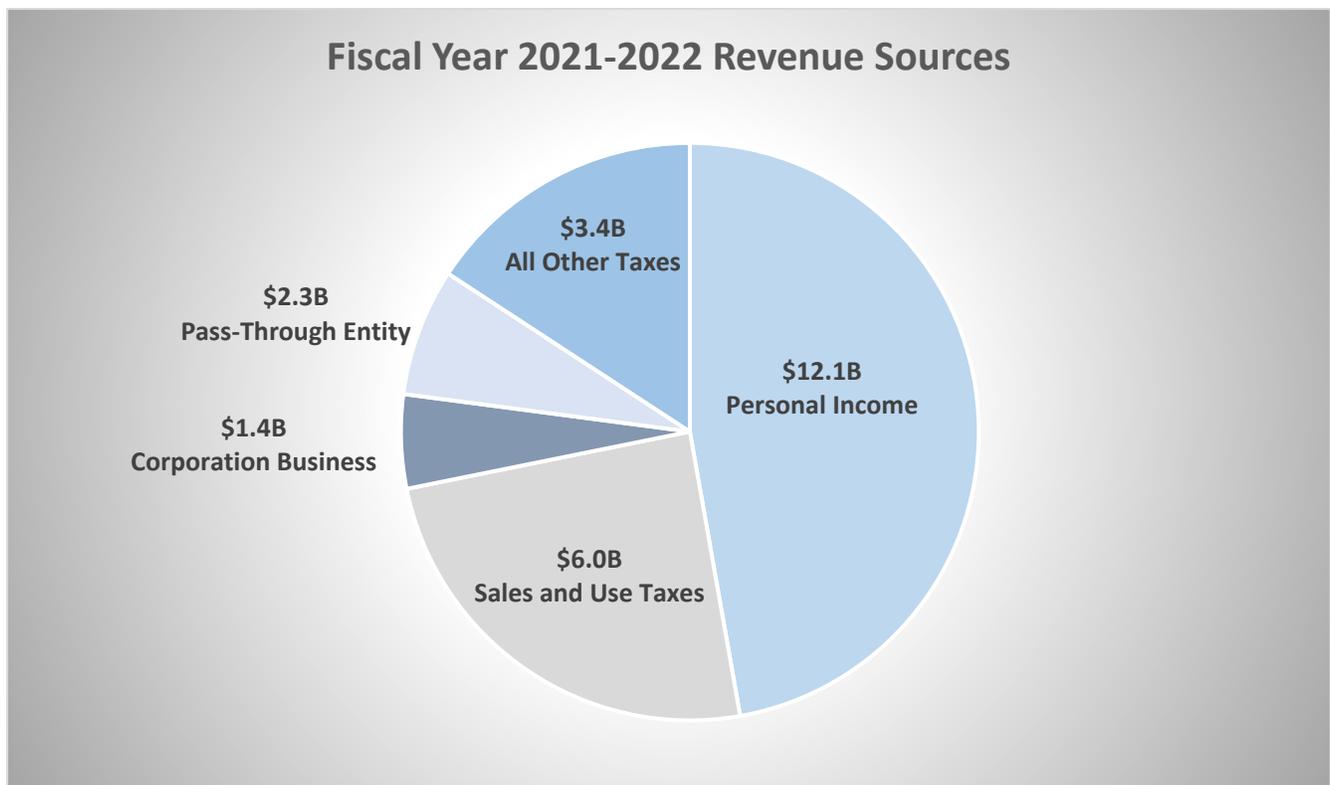
2022 LEGISLATIVE HIGHLIGHTS (cont.)

- **Study regarding the provisions of Chapter 229:** This legislation requires the Commissioner to study alternative approaches for the imposition of the tax under Chapter 229 with respect to the residency of individuals subject to such tax. The Commissioner is required to identify any legislative changes that may be made to improve the collection of such tax or to implement an alternative approach for the imposition of such tax. The study must be submitted to the Finance, Revenue, and Bonding Committee by January 1, 2023. This legislation is effective upon passage.
- **Study of the costs associated with administration of state taxes:** This legislation requires the Commissioner to study each tax and fee that the commissioner is statutorily responsible for administering to determine the overall effectiveness of each tax and fee and identify any legislative changes that may be made to improve the administration of each said tax and fee. The study must include information as to the amount of revenue generated by each such tax and fee for the most recent year for which the commissioner has complete records and the costs incurred by the commissioner in his administration of each such tax and fee for said year. The study must be submitted to the Finance, Revenue, and Bonding Committee by January 1, 2023. This legislation is effective upon passage.
- **Joint Study with the Department of Economic and Community Development:** This legislation requires the Commissioner and the Commissioner of Economic and Community Development to conduct a study regarding whether to extend research and development tax credits to pass-through entities. The study must be submitted to the Commerce Committee by January 1, 2023.
- **Authorizes special policeman at the Department to share tax return information in the course of their duties:** This legislation amends Conn. Gen. Stat § 29-18b to clarify that special policeman at the Department are authorized to disclose tax return information in the course of their duties. This provision is effective from passage.
- **Authorizes the Commissioner to share tax return information with local police departments:** This legislation provides the Commissioner with the discretionary authority to share tax return information with a local police department. This provision is effective from passage.
- **Special policeman at the Department included within the definition of peace officer:** This legislation includes special policeman at the department within the definition of “peace officer” set forth in Conn. Gen. Stat. § 53a-3. The applicable provisions are effective from passage.

CONNECTICUT'S TAXES AND FEES

The Department of Revenue Services collected \$25.2 billion in state taxes for fiscal year 2021-22.

The Personal Income, Pass-Through Entity, Sales and Use, and Corporation Business Taxes comprised 87% of all collections.



STATE REVENUE SOURCES

	FY 2019-2020	FY 2020-2021	FY 2021-2022
Admissions & Dues Tax <i>Ch. 225</i> and Transportation Network Company Fee <i>Ch. 244b</i>	\$44,228,033	\$40,017,155	\$44,945,636
Alcoholic Beverages Tax <i>Ch. 220</i>	73,082,328	79,111,165	78,915,528
Ambulatory Surgical Centers <i>Ch. 211a</i>	13,514,385	17,838,566	21,479,884
Attorney Occupational Tax <i>Ch. 876</i>	9,210,897	6,948,701	11,912,450
Beverage Container Deposits <i>Ch. 446d</i>	43,650,577	43,505,264	48,258,877
Business Entity Tax <i>Ch. 213a</i>	(10,420,852)	6,550,175	833,643
Cable, Satellite & Video Companies Tax <i>Ch. 211</i>	49,819,514	45,010,159	39,072,064
Cigarette Tax <i>Ch. 214</i>	322,179,153	324,060,357	301,655,083
Controlled Substances Tax <i>Ch. 228d</i>	33,165	10,511	12,008
Controlling Interest Transfer Tax <i>Ch. 228b</i>	7,889,870	10,365,593	15,604,331
Corporation Business Tax <i>Ch. 208</i> and Air Carriers Tax <i>Ch. 209</i>	940,812,555	1,144,305,750	1,397,484,273
Dry Cleaning Surcharge <i>Ch. 211b</i>	562,182	335,472	503,406
Electric Distribution Companies <i>Ch. 212</i>	146,646,424	138,337,220	167,554,267
Electronic Cigarette Products <i>Ch. 214b</i>	3,371,121	5,205,231	6,165,394
Estate and Gift Tax <i>Ch. 217 & Ch. 228c</i>	159,542,430	303,338,908	220,117,132
Gas Companies <i>Ch. 212</i>	64,553,262	69,081,934	96,084,499
Gift Tax <i>Ch. 228c</i>	8,732	39,376	154,128
Health Care Centers Tax <i>Ch. 207</i>	3,197,628	1,911,391	2,135,169
Health Care Provider Taxes and Fees <i>Ch. 211c</i>	991,690,091	1,019,867,122	933,602,663
Income Tax <i>Ch. 229</i>	9,398,681,702	10,273,322,918	12,130,517,104
Insurance Premiums Tax, Domestic <i>Ch. 207</i>	36,535,895	32,534,668	29,487,263
Insurance Premiums Tax, Foreign <i>Ch. 207</i>	155,220,722	158,792,653	163,866,266
Insurance: Non-admitted/Unauthorized <i>Ch. 698d</i>	7,541,881	9,025,345	9,212,643
Motor Carrier Road Tax - <i>Ch. 222</i>	14,241,516	11,455,267	8,768,694
Motor Vehicle Fuels Tax - Gasoline <i>Ch. 221</i>	342,204,670	339,398,960	267,102,572
Motor Vehicle Fuels Tax - Special Fuel <i>Ch. 221</i>	122,021,291	124,583,899	113,760,376
Paid Preparer Fee <i>Ch. 229</i>	112,900	93,976	69,538
Pass-Through Entity <i>Ch. 228z</i>	1,241,963,309	1,553,825,428	2,308,213,258
Petroleum Products Gross Earnings Tax <i>Ch. 227</i>	235,922,566	232,333,711	397,956,063
Prepaid Wireless E-9-1-1 Fee <i>Ch. 518a</i>	2,429,088	2,513,218	2,886,629
Public, Educ. & Gov. Programming Tax <i>Ch. 289</i>	4,961,607	1,959,971	2,690,191
Railroad Companies Tax <i>Ch. 210</i>	655,104	666,555	569,939
Real Estate Conveyance Tax <i>Ch. 223</i>	168,686,812	374,662,454	368,791,171
Rental Surcharge <i>Ch. 228h</i>	373,961	366,300	300,466
Sales and Use Taxes <i>Ch. 219</i>	4,740,471,015	5,355,064,228	5,964,057,746

STATE REVENUE SOURCES (cont.)

	FY 2019-2020	FY 2020-2021	FY 2021-2022
Solid Waste Tax <i>Ch. 446d</i>	2,968,891	2,877,298	5,156,088
Succession Tax <i>Ch. 216</i>	272,576	308,237	668,519
Tobacco Products Tax <i>Ch. 214a</i>	21,727,005	22,556,759	20,045,187
Tourism Surcharge <i>Ch. 228e</i>	4,870,452	3,708,471	4,304,899
Unrelated Business Income Tax <i>Ch. 208a</i>	4,082,151	3,392,999	3,407,581
Total	\$19,369,516,609	\$21,759,283,365	\$25,188,322,628

ADMISSIONS AND DUES TAX

A 6% tax is imposed on the admission charges to motion picture shows costing more than \$5.00. As of December 31, 2022, the admissions tax is effectively sunset. The dues tax remains and applies to membership dues or initiation fees for most social, athletic, or sporting club organizations in the state at the rate of 10%.

	<u>Revenue *</u>
FY 2021-22	\$44,945,636
2020-21	40,017,155
2019-20	44,228,033

Exemptions

Admissions

Motion pictures for not more than \$5.00. All motion picture shows are exempt as of January 1, 2023.

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

399 Admissions and Dues taxpayers / Monthly

Admissions 230 taxpayers
Dues 242 taxpayers

Note: 73 taxpayers collect both taxes

* Includes revenue from the Transportation Network Company Fee.

ADMISSIONS AND DUES TAX (cont.)

Basis and Rate

Admissions

6% of the admissions charge to motion picture shows.
Exempt as of January 1, 2023.

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.

Revenue	
FY 2021-22	\$78,915,528
2020-21	79,111,165
2019-20	73,082,328

Exemption

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

Number of Taxpayers/Filing Frequency

1,098 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 2019-20 (gallons)	FY 2020-21 (gallons)	FY 2021-22 (gallons)
Beer - barrels	141,247	115,929	140,909
Beer - gallons	49,197,760	50,035,440	46,907,523
Still Wine	12,825,497	12,475,890	11,682,437
Small Wineries	316,265	315,522	278,292
Sparkling Wine	812,562	848,910	862,672
Distilled Liquor	7,769,965	8,377,013	8,534,983
Liquor Cooler	298,847	899,670	1,450,495
Alcohol	93,687	83,531	82,700
Cider - barrels*	2,122	2,357	3,959
Cider - gallons*	402,422	581,994	568,979

* 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. On and after July 1, 2019, but prior to July 1, 2022, such tax shall not be imposed on any amount of such gross receipts that constitutes any of the following: (i) The first million dollars of gross receipts of the ambulatory surgical center in the applicable fiscal year, excluding Medicaid and Medicare payments, (ii) net revenue of a hospital that is subject to the tax imposed under section 12-263q, (iii) Medicaid payments received by the ambulatory surgical center, and (iv) Medicare payments received by the ambulatory surgical center.

Revenue	
FY 2021-22	\$21,479,884
2020-21	17,838,566
2019-20	13,514,385

Basis and Rate

6%

Number of Taxpayers/Filing Frequency

50/Quarterly

Note: Effective July 1, 2022, the Ambulatory Surgical Centers Tax was repealed, per 2022 Conn. Pub. Acts 118.

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 2021-22	\$11,912,450
2020-21	6,948,701
2019-20	9,210,897

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

12,804 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 2021-22	\$48,258,877
2020-21	43,505,264
2019-20	43,650,577

Exemption

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

Number of Taxpayers/Filing Frequency

149 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 2021-22	\$301,665,083
2020-21	324,060,357
2019-20	322,179,153

Exemptions

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

Number of Taxpayers/ Filing Frequency

30 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.

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 2021-22	\$15,604,331
2020-21	10,365,593
2019-20	7,889,870

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.
106 transfers in FY 2021-22

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 2021-22	\$1,397,484,273
2020-21	1,144,305,750
2019-20	940,815,555

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 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 2020 returns was \$69.7M.

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, 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

2020 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	7,019	\$106,607,571	\$4,686,929	\$11,275,354	\$90,645,288
Capital Base	3,642	24,533,142	4,010,901	471,308	20,050,933
Minimum Tax	17,076	4,106,366	0	64,890	4,041,726
Exempt	3,025	0	0	0	0
Combined Unitary					
Net Income	3,017	784,487,825	112,937,097	5,972,338	665,578,390
Minimum Base	3,494	74,139,764	20,417,229	740,380	52,982,155
Aggregate Max.	12	83,719,951	20,314,802	1,879,806	61,525,343
Total	37,285	\$1,077,594,618	\$162,366,958	\$20,404,076	\$894,823,585

CORPORATION BUSINESS TAX (cont.)

2020 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	117	\$2,370,830	\$215,142	\$1,112	\$2,154,576
21 Mining	30	44,229	21,225	0	23,004
22 Utilities	79	6,484,095	1,773,491	130,411	4,580,193
23 Construction	2,192	10,766,109	581,592	96,791	10,087,725
31-33 Manufacturing	3,161	178,873,525	46,064,402	2,214,231	130,594,892
42 Wholesale Trade	2,282	57,094,007	4,820,599	433,104	51,840,304
44-45 Retail Trade	2,688	104,806,072	8,694,033	297,690	95,814,349
48-49 Transporting and Warehousing	561	17,592,928	2,343,576	1,459	15,247,894
51 Information	1,197	58,856,061	10,077,989	508,500	46,269,572
52 Finance and Insurance	2,413	222,227,230	30,820,815	5,251,939	186,154,475
53 Real Estate and Rental & Leasing	2,111	15,187,613	212,635	1,078,873	13,896,104
54 Professional, Scientific and Tech	5,304	89,367,533	16,414,551	460,647	72,492,335
55 Management of Companies & Enterprises	1,144	152,375,350	24,739,679	4,323,506	123,312,165
56 Administrative & Support	1,015	16,202,287	236,879	79,546	15,885,862
61-62 Education, Health Care and Social Assistance	1,286	12,361,797	1,514,278	98,144	10,749,375
71 Arts, Entertain., and Recreation	344	1,174,573	484,628	4,343	685,602
72 Accom. & Food Services	875	3,993,259	98,817	619	3,893,822
81-92 Other Services	2,133	8,571,914	181,030	331,941	8,058,943
99 Not Yet Assigned	5,328	121,245,206	13,071,596	5,091,219	103,082,391
Total	34,260	\$1,077,594,618	\$162,366,958	\$20,404,076	\$894,823,585

CORPORATION BUSINESS TAX (cont.)

2020 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	3,025	\$0	\$0	\$0	\$0
\$250 or less	18,361	4,579,335	0	66,441	4,512,894
\$251 to \$999	4,999	2,701,494	51,695	78,357	2,571,442
\$1000 to \$24,999	8,300	48,763,986	2,092,809	1,607,703	45,063,474
\$25,000 to \$49,999	830	29,634,385	1,623,154	968,947	27,042,284
\$50,000 to \$99,999	621	42,540,924	3,143,259	1,953,081	37,444,584
\$100,000 to \$249,999	540	85,161,507	8,396,025	2,425,411	74,340,071
\$250,000 to \$499,999	252	88,201,974	8,678,432	1,790,935	77,732,607
\$500,000 to \$999,999	154	107,444,754	13,186,656	3,438,392	90,819,706
\$1M to \$2 million	114	153,366,822	20,088,285	2,778,272	129,500,265
\$2M to \$5 million	61	186,450,490	23,879,022	5,256,122	157,315,346
\$5 million and over	28	329,748,948	81,227,621	40,414	248,480,913
Total	37,285	\$1,077,594,618	\$162,366,958	\$20,404,076	\$894,823,585

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. However, Research & Experimental Expenditures tax credits and Research & Development tax credits may be used up to 60% of the tax due in income year 2022, and up to 70% of the tax due in income year 2023 and thereafter.

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.

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.

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).

CORPORATION BUSINESS TAX CREDITS (cont.)

Credit vouchers may be claimed in the year the costs were incurred or the five succeeding years after the year the costs were incurred. 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.

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.

CORPORATION BUSINESS TAX CREDITS (cont.)

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 Rehabilitation

Reference: Conn. Gen. Stat. § 10-416c

This tax credit, provides for a 25% credit 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.

CORPORATION BUSINESS TAX CREDITS (cont.)

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.

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).

CORPORATION BUSINESS TAX CREDITS (cont.)

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.

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 that were earned during income years that begin before January 1, 2021 may be carried forward until fully taken. R&D credits that are earned during income years that begin on or after January 1, 2021 may be carried forward for up to 15 years.

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 2020 returns and any credits carried forward from prior years and used in 2020.

Tax Credits Claimed on 2020 Corporation Business Returns

Type of Credit	Number of Credits	Amount Claimed
Apprenticeship Training	12	\$117,295
Digital Animation	1	58,666
Donation of Land	4	33,750
Electronic Data Processing	1,107	21,849,398
Film Production	2	45,451,819
Film Production Infrastructure	34	947,483
Fixed Capital Investments	1,374	44,735,436
Historic Structures Rehabilitation	1	4,633,833
Housing Program Contribution	5	4,617
Human Capital Investments	100	2,275,516
Machinery and Equipment	37	585,264
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	9	474,939
Neighborhood Assistance	36	1,494,744
Research & Development Expenditures	185	8,786,853
Research & Experimental Expenditures	352	26,520,464
Urban and Industrial Site Reinvestment	9	4,396,832
Total	3,268	\$162,366,958

CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the unused credit amounts reported on 2020 corporation business tax returns as being carried forward to the 2021 income year.

Credits Carried Forward to 2021 Income Year

Type of Credit	Carryforward Amount
Donation of Land	\$2,054,998
Electronic Data Processing	74,905,667
Fixed Capital Investments	431,356,385
Historic Homes	332
Historic Rehabilitation	337
Housing Program Contribution	423,816
Human Capital Investments	10,571,058
Research & Development	1,838,137,490
Research & Experimental Expenditures	759,197,957
Urban and Industrial Site Reinvestment	14,441,273
Total Carryforward Credits	\$3,131,089,313

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 2021-22	\$503,406
2020-21	335,472
2019-20	562,182

Basis and Rate

1% of gross receipts at retail.

Number of Taxpayers/Filing Frequency

315 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 2021-22	\$6,165,394
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:

376 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 at \$0.40 per milliliter of the e-cig liquid	Tax at 10% of the wholesale sales price
2021-2022	\$4,819,941	\$1,319,549
2020-2021	\$ 4,210,694	\$ 951,429
2019-2020	\$ 2,798,128	\$ 557,800

ESTATE AND GIFT TAX

Resident and nonresident estates of decedents dying during 2022 are liable for the Connecticut Estate Tax on the amount of the Connecticut taxable estate that exceeds \$9.1 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, 2022, exceeds \$9.1 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 2021-22	\$220,117,132
2020-21	303,338,908
2019-20	159,542,430

ESTATE AND GIFT TAX (cont.)

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

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 2021-22, total Estate and Gift Tax revenue collected was \$220,117,132. Much of this revenue is attributable to prepayments that apply against upcoming tax returns. A breakdown of returns from estates received during Fiscal Year 2021-22 follows.

ESTATE AND GIFT TAX RETURNS FROM ESTATES OF DECEDENTS RECEIVED DURING FY 2021-22

Amount of Taxable Estate		Number of Returns	Tax Due	Tax Due After Credits *
More Than	Not Over			
	\$6 Million	32	\$1,231,567	\$1,208,103
\$6 Million	\$7 Million	21	2,405,230	2,261,461
\$7 Million	\$8 Million	27	3,160,632	2,628,206
\$8 Million	\$9 Million	16	2,672,818	2,541,739
\$9 Million	\$10 Million	18	5,463,659	5,333,655
\$10 Million	\$15 Million	60	33,762,153	31,492,956
\$ 15 Million	\$25 Million	18	22,995,735	20,498,243
\$25 Million		25	311,945,653	141,009,417
Total		217	\$383,637,447	\$206,973,780

* 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 2021-22, an additional amount of the estate and gift tax was attributable to gift tax returns filed by non-decedents.

ESTATE AND GIFT TAX RETURNS 2021 GIFT TAX ONLY

Amount of 2021 Taxable Gifts		Number of Returns	Tax Due
More Than	Not Over		
	\$2 Million	16	\$126,659
\$2 Million	\$3 Million	35	1,172,387
\$3 Million	\$4 Million	18	2,845,254
\$4 Million	\$5 Million	22	4,175,659
\$5 Million	\$6 Million	14	2,771,640
\$6 Million	\$7 Million	12	3,479,239
\$7 Million	\$8 Million	18	2,503,585
\$8 Million	\$10 Million	20	7,771,097
\$10 Million		11	10,931,370
Total		166	\$35,776,890

HEALTHCARE PROVIDER TAXES AND FEES

The following are the three components of the healthcare provider taxes and fees established under Chapter 211c of the Connecticut General Statutes: hospital user fee, intermediate care facility, and nursing home user fee. Each of the three healthcare provider taxes and fees are outlined below.

Revenue	
FY 2021-22	\$ 933,602,663
2020-21	1,019,867,122
2019-20	991,690,091

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.

Exemptions

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

Basis and Rate

The effective user fee rate on inpatient hospital services is 6%, and the effective user fee rate on outpatient hospital services is 11.7503%

Number of Taxpayers/Filing Frequency

26 taxpayers/Quarterly

HEALTHCARE 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.

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

65 taxpayers/Quarterly

NURSING HOME USER FEE

A 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.

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

298 taxpayers/Quarterly

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 2021-22	\$12,130,517,104
2020-21	10,273,322,918
2019-20	9,398,681,702

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 by the 15th of the month (April, June, September & January).

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;
- 50% 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, 2022;
- 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 by 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;
 - 100% for taxable years commencing on or after January 1, 2022.
- * Legislation accelerates the phase-in of the subtraction modification for pension and annuity income. Subject to income thresholds, and effective for taxable years commencing on or after January 1, 2022, eligible persons are authorized to subtract from their adjusted gross income 100% of pension and annuity income when calculating their Connecticut income tax liability.
- 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. Clarification of interplay between subtraction modification for pension and annuity income and subtraction modification for teachers' pension. The legislation clarifies that, with respect to taxable year 2021 and thereafter, teachers who qualify for the general pension and annuity exemption may take either the teachers' 50% pension exemption or the general pension and annuity exemption, whichever is greater.
 - Subtraction modification for income from certain IRAs. New legislation phases out, over four years, the income tax on income from IRAs, other than Roth IRAs, for taxpayers with qualifying incomes. The phase-out begins in taxable year 2023.

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.

- * Legislation amends Conn. Gen. Stat. § 12-736 to impose a responsible person penalty that includes tax, penalty, and interest as opposed to just tax. Previously, the responsible person penalty assessed in connection with withholding tax was limited to a penalty for the amount of tax exclusive of penalty and interest. This

INCOME TAX (cont.)

legislation brings Conn. Gen. Stat. § 12-736 into conformity with Conn. Gen. Stat. § 12-414a.

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.

Tax Credits

Tax Credit for Property Taxes Paid to a Political Subdivision

Connecticut residents 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.

Property Tax Credit

Legislation increased the property tax credit from \$200 to \$300 and expanded the scope of persons eligible for such credit. This credit is now available to all Connecticut residents claiming property tax credit. For taxable years 2017 through 2021, only persons 65 years of age or older and persons who validly claimed dependents on their federal income tax return in a given taxable year were eligible for the credit.

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.

- * Corresponding amendments to Conn. Gen. Stat. § 12-704 and Conn. Gen. Stat. § 12-732 serve to authorize claims for refund due to changes made by another jurisdiction impacting a taxpayer's Connecticut income tax liability on or before

INCOME TAX (cont.)

the ninetieth day after the final determination of said change, even if an original return was not filed.

Credit for the Birth of a Stillborn Child

Legislation establishes a credit for the birth of a stillborn child. Eligible taxpayers may claim a credit of \$2,500 against their Connecticut income tax liability. This credit is effective for taxable years commencing on or after January 1, 2022.

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.

Any person who received an enhanced EITC payment under the 2020 Earned Income Tax Credit enhancement program and any person who receives an enhanced EITC payment under the 2021 Earned Income Tax Credit enhancement program is authorized to subtract such payments from their federal adjusted gross income when calculating their Connecticut income tax liability.

Earned Income Tax Credit			
Year	Number of Credits	Amount of Credit	EITC Rate
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%
2021	260,358	147,629,615	30.5%

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, 2024.

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 by an angel investor. Prior to taxable year 2019, the credit was 25% of such investor's cash investment not to exceed \$250,000 per investor, and was claimed in the taxable year in which the cash investment was made. Effective July 1, 2019, the total credits allowed to any one investor increased from \$250,000 to \$500,000.

The credits may be assigned, transferred, or sold.

The new recreational cannabis law extends this angel investor tax credit program to include eligible "cannabis businesses," thus allowing eligible investors to receive income tax credits for investing in these businesses. The credits equal 40% of their investment, up to \$500,000. As under existing law, investments in other approved businesses continue to qualify for a 25% credit, subject to the same minimum investment and maximum credit requirements.

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

For taxable year 2018, a member in a Pass-Through Entity (PE) was entitled to a credit equal to 93.01% of the member's direct and indirect 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 reduced from 93.01% to 87.5% effective for taxable years beginning on or after January 1, 2019. The credit claimed in taxable year 2020 was \$801,307,652. The credits claimed in 2021 totaled \$1,296,255,325.

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

2021 Personal Income Tax Credits		
Credit	Number of Credits Claimed	Amount of Credit
Angel Investor	285	\$4,060,443
Insurance Reinvestment Fund	36	107,928
Prior Year CT Minimum Tax	214	1,106,032
Total	535	\$5,274,403

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

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 2021-22	\$204,701,341
2020-21	202,264,058
2019-20	202,496,126

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

1,357 insurance companies/ Annually with four estimated payments:
90 Domestic companies
1,119 Foreign companies
10 Health Care Centers
110 Non-admitted/Risk Retention Groups
28 Captive Insurers

INSURANCE PREMIUMS TAX (cont.)

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
- 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 2019-20	FY 2020-21	FY 2021-22
Domestic	\$36,535,895	\$32,534,669	\$29,487,263
Foreign	155,220,722	158,792,653	163,866,266
Health Care Center	3,197,628	1,911,391	2,135,169
Non-admitted/ Unauthorized/Captive	7,541,881	9,025,345	9,212,643
Total	\$202,496,126	\$202,264,058	\$204,701,341

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.

Captive Insurance Credit

Reference: Conn. Gen. Stat. § 38a-277

Tax Amnesty for establishing a branch captive insurance company in this state or transferring the domicile of its alien captive insurance company or foreign captive insurance company to this state. If such requirements are met by June 30, 2023, the Commissioner is authorized to waive any and all penalties that would otherwise be due from the captive insurance company for any taxable period beginning on or after July 1, 2019, and ending prior to July 1, 2022.

INSURANCE PREMIUMS TAX (cont.)

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

Calendar Year 2020 Insurance Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	55	\$10,135,946.00
Insurance Department Assessment	0	0.00
Insurance Reinvestment	28	14,737,239.00
Second Insurance Reinvestment	49	24,980,187.00
Neighborhood Assistance	12	838,925.00
Urban & Industrial Site Reinvestment	8	652,513.00
Film Production	62	44,337,997.00
Film Production Infrastructure	3	312,000.00
Digital Animation	13	4,380,000.00
Total Credits	230	\$100,374,807.00

INSURANCE PREMIUMS TAX (cont.)

Calendar Year 2021 Insurance Tax Credits Preliminary

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	42	\$7,295,214
Insurance Department Assessment	4	329,332
Insurance Reinvestment	27	15,821,977
Second Insurance Reinvestment	35	16,746,471
Neighborhood Assistance	12	719,739
Urban & Industrial Site Reinvestment	6	443,574
Film Production	45	44,499,783
Film Production Infrastructure	1	266,520
Digital Animation	2	400,000
Total Credits	174	\$86,512,610

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 2021-22	\$8,436,711
2020-21	11,455,267
2019-20	14,241,516

Exemption

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

Number of Taxpayers/Filing Frequency

3,385 IFTA filers/Quarterly
2,823 Intrastate Motor Carriers

Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel 7/1/20 through 6/30/21*	44.6¢
Diesel Fuel 7/1/21 through 6/30/22*	40.1¢
Diesel Fuel 7/1/22 through 6/30/23*	49.2¢
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 2021-22	\$380,862,948
2020-21	463,982,859
2019-20	464,225,961

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 7/1/20 through 6/30/21*	44.6¢
Diesel Fuel 7/1/21 through 6/30/22*	40.1¢
Diesel Fuel 7/1/22 through 6/30/23*	49.2¢
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 2019-20	FY 2020-21	FY 2021-22
Special Fuel*	247,156,061	255,677,243	284,645,120
Gasohol	1,380,022,956	1,324,535,051	1,060,726,161
Alternative Fuels**	2,489,720	2,458,591	2,516,214
Total Gallons	1,629,668,737	1,582,670,885	1,347,887,495

* 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).

Motor Vehicle Fuels Tax:

- **Extends the “gas tax” holiday:** Section 1 of Special Act 22-2 suspended the application of the motor vehicle fuels tax to gasoline and gasohol between April 1, 2022, and June 30, 2022. Additional legislation extends the suspension through December 31, 2022, and gradually phases the tax in at 5¢ per month beginning January 1, 2023.

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 2021-22	\$2,308,213,258
2020-21	1,553,825,428
2019-20	1,241,963,309

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

126,115 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 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).

Composite Personal Income Tax

Pass-Through Entities can remit composite income tax in connection with the PE's taxable year on behalf of each of its members who are nonresident individuals. Pass-Through Entities remitted \$16,262,192 in Personal Income tax in 2020.

Detail of Revenue

2020 Pass-Through Entity Tax Returns

Tax Due	Number of Returns	Tax Due
Zero	69,626	\$0
\$1 to \$999	15,426	5,942,017
\$1000 to \$24,999	34,115	224,758,260
\$25,000 to \$49,999	3,342	117,527,781
\$50,000 to \$99,999	1,876	129,994,833
\$100,000 to \$249,999	1,041	162,074,938
\$250,000 to \$499,999	327	111,024,696
\$500,000 to \$999,999	179	121,508,456
\$1 million to \$2 million	95	131,055,514
\$2 million to \$3 million	17	41,760,057
\$3 million to \$4 million	11	39,893,301
\$4 million and over	24	198,771,695
Total	126,115	1,284,311,548

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 2021-22	\$397,956,063
2020-21	232,333,711
2019-20	235,922,566

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

644 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 \$10.9M was deposited into the account in FY22.

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 2021-22	\$2,886,629
2020-21	2,513,218
2019-20	2,429,088

Basis and Rate

\$0.70 for sales made on or after July 1, 2022.

\$0.66 for sales made between July 1, 2021 and June 30, 2022.

Number of Taxpayers / Filing Frequency

242 Retailers

233 / Monthly

9 / Quarterly

PUBLIC SERVICE COMPANIES TAX

There are four statutory components to the public service companies taxes under Chapters 210, 211, 212, and 212a of the Connecticut General Statutes. Included under these tax chapters are: Gas Companies, Electric & Power Distribution Companies, Municipal Electric Utilities, Community Antenna TV & Certified Competitive Video Provider, Satellite TV Companies and Railroad Companies taxes.

Revenue	
FY 2021-22	\$305,970,960
2020-21	255,055,839
2019-20	266,635,911

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 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

74 taxpayers:

59 Public Utility Companies/Quarterly

3 Community Antenna TV & Certified Competitive Video Provider
Companies/Quarterly

8 Satellite TV Companies /Quarterly

4 Railroad Companies/Annually (July 1)

PUBLIC SERVICE COMPANIES TAX (cont.)

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.

Residential Credit

Companies claimed \$8,771,458 in Fiscal Year 2021-22 under the one-percent credit attributable to the sale of gas and electric power for residential use.

Manufacturing Companies Credit

\$10,298,234 was claimed in credit for Fiscal Year 2021-22 for gas sales used directly by a company engaged in a manufacturing production process.

Comparative Data

	FY 2019-20	FY 2020-21	FY 2021-22
Cable, Satellite & Video	\$49,819,514	\$45,010,159	\$39,072,064
Electric & Power Companies	146,646,424	138,337,220	167,554,267
Gas Companies	64,553,262	69,081,934	96,084,499
Public, Educational & Governmental Programming Tax*	4,961,607	1,959,971	2,690,191
Railroad Companies	655,104	666,555	569,939
Total Tax	\$266,635,911	\$255,055,839	\$305,970,960

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

PUBLIC SERVICE COMPANIES TAX (cont.)

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

Fiscal Year 2021-22 Public Service Companies Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	1	\$65,681
Neighborhood Assistance	7	17,101,441
Historic Structures Rehabilitation	3	18,666,985
Historic Homes	1	41,540
Urban & Industrial Site Reinvestment	2	6,200,000
Total Credits	14	\$42,075,647

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 2021-22	\$368,791,171
2020-21	374,662,454
2019-20	168,686,812

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 2021-22 Conveyances

Amount of Consideration	Number of Taxable Conveyances	Number of Non-Taxable Conveyances	Number of Exempt Conveyances	Tax Due
Under \$2,000	0	30,572	5,187	\$ 0
\$ 2,000 to \$ 29,999	1,603	0	39	148,128
\$ 30,000 to \$ 39,999	431	0	*	112,761
\$ 40,000 to \$ 49,999	444	0	21	150,253
\$ 50,000 to \$ 59,999	529	0	11	217,398
\$ 60,000 to \$ 69,999	610	0	11	299,440
\$ 70,000 to \$ 79,999	697	0	16	397,498
\$ 80,000 to \$ 89,999	722	0	26	466,279
\$ 90,000 to \$ 99,999	738	0	17	526,944
\$100,000 to \$109,999	910	0	28	719,675
\$110,000 to \$119,999	927	0	28	801,392
\$120,000 to \$129,999	1,156	0	34	1,096,093
\$130,000 to \$139,999	1,181	0	29	1,198,532
\$140,000 to \$149,999	1,159	0	31	1,257,180
\$150,000 to \$159,999	1,458	0	33	1,698,081
\$160,000 to \$169,999	1,413	0	64	1,753,889
\$170,000 to \$179,999	1,493	0	38	1,972,446
\$180,000 to \$189,999	1,565	0	39	2,167,703
\$190,000 to \$199,999	1,442	0	30	2,115,614
\$200,000 to \$249,999	9,289	0	138	15,755,654
\$250,000 to \$299,999	9,397	0	128	19,320,145
\$300,000 to \$399,999	13,656	0	105	35,568,367
\$400,000 to \$499,999	7,759	0	69	26,049,839
\$500,000 to \$599,999	4,391	0	37	18,176,234

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

REAL ESTATE CONVEYANCE TAX

Fiscal Year 2021-22 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	2,918	0	18	14,440,342
\$700,000 to \$799,999	1,876	0	19	10,802,346
\$800,000 to \$899,999	1,297	0	*	8,833,959
\$900,000 to \$999,999	829	0	11	6,700,116
\$1,000,000 to \$1,099,999	481	0	*	4,461,917
\$1,100,000 to \$1,199,999	466	0	*	4,919,218
\$1,200,000 to \$1,299,999	503	0	*	5,946,234
\$1,300,000 to \$1,399,999	415	0	*	5,439,503
\$1,400,000 to \$1,499,999	334	0	*	4,777,034
\$1,500,000 to \$1,999,999	1,150	0	19	20,269,520
\$2,000,000 to \$2,499,999	644	0	*	15,284,592
\$2,500,000 to \$2,999,999	416	0	*	12,981,732
\$3,000,000 to \$3,499,999	282	0	*	11,630,388
\$3,500,000 to \$3,999,999	195	0	*	9,923,189
\$4,000,000 to \$4,499,999	125	0	*	7,639,334
\$4,500,000 to \$4,999,999	121	0	*	8,346,407
\$5,000,000 and over	513	0	12	84,562,319
Total	75,535	30,572	6,307	\$368,927,699

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

* Less than 10 conveyances.

FY 2021-22 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
ANDOVER	44	72	\$19,729,914	\$184,257
ANSONIA	189	390	101,799,789	1,002,088
ASHFORD	60	79	16,685,434	226,617
AVON	248	470	215,081,323	2,613,699
BARKHAMSTED	46	74	17,248,849	166,545
BEACON FALLS	75	191	57,714,575	455,145
BERLIN	253	407	116,811,624	1,250,409
BETHANY	58	111	39,173,282	342,018
BETHEL	191	434	175,689,465	1,706,128
BETHLEHEM	83	89	49,143,378	371,232
BLOOMFIELD	239	407	100,783,496	1,254,731
BOLTON	62	100	30,578,587	278,508
BOZRAH	25	52	11,599,650	168,201
BRANFORD	410	669	244,771,011	2,571,064
BRIDGEPORT	1,122	2,273	588,217,793	5,575,034
BRIDGEWATER	35	48	28,382,221	300,942
BRISTOL	634	1,412	314,435,560	3,041,207
BROOKFIELD	162	396	174,185,855	1,719,814
BROOKLYN	129	194	54,072,187	439,897
BURLINGTON	106	254	100,322,704	798,431
CANAAN	19	48	15,194,119	151,820
CANTERBURY	75	99	25,583,756	211,539
CANTON	115	230	74,093,587	637,129
CHAPLIN	41	39	8,217,400	77,785
CHESHIRE	271	540	207,117,596	1,842,831
CHESTER	62	72	24,728,212	349,979
CLINTON	231	327	114,518,941	1,080,457
COLCHESTER	205	360	103,257,353	933,485
COLEBROOK	14	45	12,859,500	109,436
COLUMBIA	70	121	36,567,639	300,591
CORNWALL	45	49	22,818,750	243,962
COVENTRY	209	293	78,140,359	603,421
CROMWELL	183	384	94,771,375	886,141
DANBURY	652	1,691	588,853,127	10,536,689
DARIEN	226	468	871,332,246	11,403,015
DEEP RIVER	73	111	32,286,301	465,852
DERBY	143	329	81,707,742	705,565
DURHAM	99	124	41,429,450	354,565
EASTFORD	36	59	11,857,687	98,790
EAST GRANBY	82	140	37,344,540	505,620
EAST HADDAM	165	266	76,055,856	724,651
EAST HAMPTON	210	347	96,978,756	999,461
EAST HARTFORD	324	977	193,646,848	2,699,957

FY 2021-22 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
EAST HAVEN	350	604	\$153,630,477	\$1,783,272
EAST LYME	280	474	192,110,530	2,900,340
EASTON	93	151	118,800,942	1,023,086
EAST WINDSOR	128	289	63,506,540	899,878
ELLINGTON	178	310	88,678,058	876,866
ENFIELD	403	909	205,184,812	2,423,664
ESSEX	113	210	112,453,231	1,110,253
FAIRFIELD	548	1,234	1,076,939,913	13,325,908
FARMINGTON	423	663	223,928,739	2,356,719
FRANKLIN	29	51	10,426,109	169,674
GLASTONBURY	406	735	284,894,456	3,549,568
GOSHEN	59	98	33,700,102	319,525
GRANBY	118	235	73,294,141	783,248
GREENWICH	614	1,427	3,228,768,448	50,653,889
GRISWOLD	171	283	59,411,389	1,116,077
GROTON	389	684	228,487,597	2,611,992
GUILFORD	268	552	274,007,469	2,809,455
HADDAM	106	183	60,498,833	605,588
HAMDEN	470	1,287	336,904,770	3,586,764
HAMPTON	18	52	13,915,873	113,042
HARTFORD	584	1,346	249,544,346	4,326,891
HARTLAND	32	41	10,524,200	81,935
HARWINTON	83	152	49,616,114	431,761
HEBRON	126	190	60,223,708	866,250
KENT	64	96	47,554,855	519,901
KILLINGLY	279	502	111,633,798	1,117,699
KILLINGWORTH	82	141	66,813,942	594,795
LEBANON	105	165	44,208,903	352,897
LEDYARD	184	447	112,099,695	1,002,156
LISBON	71	114	25,722,414	209,498
LITCHFIELD	125	235	104,529,219	956,274
LYME	56	55	43,147,107	410,323
MADISON	205	374	254,496,991	2,381,436
MANCHESTER	441	1,159	260,246,534	3,529,213
MANSFIELD	128	309	75,884,076	926,517
MARLBOROUGH	68	161	54,242,127	432,831
MERIDEN	526	1,318	277,526,974	2,800,814
MIDDLEBURY	118	239	100,317,241	1,106,994
MIDDLEFIELD	34	100	29,584,152	255,776
MIDDLETOWN	438	952	228,944,729	2,360,242
MILFORD	588	1,220	479,322,686	6,574,246
MONROE	184	422	177,150,726	1,852,894
MONTVILLE	197	407	102,822,743	914,501

FY 2021-22 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
MORRIS	54	65	\$24,337,019	\$231,441
NAUGATUCK	310	724	161,390,694	1,460,787
NEW BRITAIN	611	1,243	256,004,563	2,617,512
NEW CANAAN	210	518	862,964,539	10,046,219
NEW FAIRFIELD	149	314	144,557,580	1,369,883
NEW HARTFORD	104	155	42,558,934	471,525
NEW HAVEN	941	1,359	388,642,667	4,983,328
NEWINGTON	293	712	168,551,603	2,624,639
NEW LONDON	235	519	106,185,237	1,272,030
NEW MILFORD	322	737	232,460,798	2,322,038
NEWTOWN	272	656	319,626,920	3,322,338
NORFOLK	33	44	16,057,879	168,279
NORTH BRANFORD	144	234	75,489,753	764,562
NORTH CANAAN	44	81	17,606,229	168,948
NORTH HAVEN	261	486	172,148,950	2,498,594
NORTH STONINGTON	101	152	39,960,218	372,455
NORWALK	691	1,754	1,029,320,889	12,878,274
NORWICH	439	932	167,181,300	1,727,859
OLD LYME	180	237	116,253,944	997,258
OLD SAYBROOK	194	300	155,905,379	2,022,140
ORANGE	182	240	102,892,564	1,277,496
OXFORD	167	258	104,079,363	923,651
PLAINFIELD	171	412	91,656,080	1,144,409
PLAINVILLE	189	378	79,405,901	1,107,786
PLYMOUTH	171	268	54,185,842	441,200
POMFRET	46	89	26,722,146	226,371
PORTLAND	98	222	54,986,551	766,592
PRESTON	85	136	29,773,409	243,189
PROSPECT	110	193	55,711,132	450,009
PUTNAM	92	262	57,170,598	590,210
REDDING	105	209	148,162,330	1,273,973
RIDGEFIELD	238	584	467,094,938	4,719,801
ROCKY HILL	210	376	105,600,935	1,693,805
ROXBURY	40	71	68,149,040	739,474
SALEM	57	109	24,275,716	218,925
SALISBURY	83	112	95,161,671	1,083,512
SCOTLAND	22	41	10,414,050	80,385
SEYMOUR	171	349	89,729,739	696,938
SHARON	68	109	64,913,062	856,185
SHELTON	411	860	336,192,843	4,337,932
SHERMAN	53	100	67,441,011	595,203
SIMSBURY	249	549	206,748,958	2,092,288
SOMERS	108	187	64,775,330	525,614

FY 2021-22 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
SOUTHBURY	259	580	\$188,604,915	\$1,806,491
SOUTHINGTON	545	963	303,910,738	2,600,360
SOUTH WINDSOR	292	655	185,424,701	1,969,051
SPRAGUE	38	64	14,644,800	129,630
STAFFORD	169	380	66,695,643	548,735
STAMFORD	928	2,431	1,393,571,630	21,500,435
STERLING	58	102	21,859,755	189,341
STONINGTON	310	484	233,430,637	2,429,735
STRATFORD	546	1,290	397,305,096	4,075,477
SUFFIELD	172	347	130,515,672	1,097,809
THOMASTON	62	197	42,696,441	351,574
THOMPSON	136	206	51,386,670	432,055
TOLLAND	136	312	91,806,976	1,066,333
TORRINGTON	370	1,005	180,804,841	2,223,163
TRUMBULL	309	662	334,707,846	2,661,779
UNION	17	18	3,479,000	35,309
VERNON	230	625	127,908,748	1,983,587
VOLUNTOWN	42	65	15,240,129	149,645
WALLINGFORD	426	839	229,317,434	3,740,089
WARREN	31	33	15,004,261	169,256
WASHINGTON	78	101	87,236,626	976,867
WATERBURY	987	2,304	423,344,620	5,796,017
WATERFORD	305	521	151,740,843	1,526,931
WATERTOWN	245	461	124,876,976	1,110,729
WESTBROOK	262	274	80,780,735	848,443
WEST HARTFORD	621	1,384	502,237,099	5,403,873
WEST HAVEN	476	993	243,206,746	2,271,569
WESTON	123	245	274,800,880	2,657,832
WESTPORT	338	728	1,292,791,961	16,728,439
WETHERSFIELD	280	602	168,734,611	1,983,579
WILLINGTON	73	103	21,076,112	478,417
WILTON	141	432	420,513,960	4,131,904
WINCHESTER	152	280	64,531,776	732,612
WINDHAM	181	351	60,330,311	646,697
WINDSOR	321	662	160,230,494	3,243,819
WINDSOR LOCKS	120	284	57,653,916	1,114,685
WOLCOTT	176	366	103,479,319	846,233
WOODBIDGE	96	190	95,690,894	805,801
WOODBURY	167	283	108,474,241	894,886
WOODSTOCK	128	220	69,645,864	568,989
TOWN UNKNOWN	216	340	110,051,196	1,181,105
TOTAL	36,879	75,535	\$30,663,680,967	\$368,927,699

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 2021-22	\$300,466
2020-21	366,300
2019-20	373,961

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

20 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 2021 amounted to \$368,400. 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 2021-22: \$ 833,643

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 2021-22: \$ 154,128

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 2021-22: \$ 668,519

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 2021-22	\$5,964,057,746
2020-21	5,355,064,228
2019-20	4,740,471,015

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);

7.35% on the sale of meals and certain drinks;

7.75% This tax rate applies to:

- 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.

1.0% on computer and data processing services;

2.99% for sales and purchases of vessels, motors for vessels, and trailers used for transporting a vessel;

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;

9.35% for the rental or leasing of a passenger motor vehicle for a period of 30 consecutive calendar days or less;

11.0% for occupancy in bed and breakfast establishments;

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 2021-22.

FY 2021-22 SALES TAX EXEMPTIONS

(In Millions)

Deductible Item	Total Deductions	Revenue Forgone
Sale for Resale – Goods	\$102,139.0	\$6,491.1
Sale for Resale – Leases and Rentals	1,912.1	129.0
Sale for Resale – Labor and Services	2,891.0	183.6
Magazines by Subscription and All Newspapers	115.0	7.3
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Interstate Freight	152.7	9.7
Food Products for Human Consumption	9,426.2	603.4
Fuel for Motor Vehicles	8,129.9	516.2
Electricity/Gas/Heating Fuel (residential)	3,187.5	202.4
Electricity (\$150 monthly per business)	57.9	3.7
Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	989.6	62.8
Aviation Fuel	210.9	13.4
Sales of Tangible Personal Property to Farmers	137.2	8.7
Machinery/Materials/ Tools/Fuel – Mfg. Product	1,956.0	124.2
Machinery/Materials/ Equip. – Printing	60.3	3.8
Machinery/Materials/ Tools/Fuel – Comm. Fishing	4.8	0.3

SALES AND USE TAXES (cont.)

FY 2021-22 SALES TAX EXEMPTIONS (cont.)

(In Millions)

Deductible Item	Total Deductions	Revenue Forgone
Out-of-State - Sale of Goods	34,448.7	2,189.5
Out-of-State - Leases/Rentals	808.3	52.0
Out-of-State - Labor and Services	15,115.3	959.8
Sales of Motor Vehicles, Vessels to Nonresidents	1,640.0	111.9
Prescription Medicines	8,280.1	525.8
Nonprescription Drugs and Medicines	131.7	8.4
Charitable/Religious - Sale of Goods	1,177.3	75.6
Charitable/Religious - Leases and Rentals	62.2	4.0
Charitable/Religious - Labor and Services	976.4	62.0
Government - Sale of Goods	11,042.8	701.5
Government- Leases and Rentals	70.1	4.5
Government- Labor and Services	6,731.3	427.4
Pollution Abatement	6.3	0.4
Non-Taxable Labor and Services	21,140.0	1,342.4
Business Services/Parent Owned Subs.	706.6	44.9
Trade-ins of Like-Kind Personal Property	1,348.6	91.1
Taxed Goods returned within 90 days	145.2	9.2
Oxygen, Plasma, Prostheses, etc.	322.7	20.5
Funeral Expenses up to \$2,500	108.6	6.9
Repair or Replacement Parts/Repair Services to Aircraft	1,362.3	86.5
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the Full and 3% Rates)	14.3	0.9

SALES AND USE TAXES (cont.)

FY 2021-22 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	37.1	2.4
Sales of Repair and Maintenance Service to Vessels	64.7	4.1
Computer and Data Processing Services (Difference between the Full and 1% Rates)	6,509.9	413.4
Renovation Services to Residential Property	953.7	60.6
Sales to Direct Payment Permit Holders	1,033.7	65.6
Sales of College Textbooks	5.0	0.3
Sales Tax Holidays	53.8	3.4
Motor Vehicles Sold to Armed Forces (Difference between the Full and 4.5% Rates)	2.8	0.2
Purchases of Cigarettes Taxed by a Distributor	630.2	40.0
Sales of Vessels and Motors or Trailers for Vessels (Difference between the Full and 2.99% Rates)	740.2	47.0
Other Adjustments - Sales of Goods	15,539.2	987.8
Other Adjustments - Leases and Rentals	395.3	25.4
Other Adjustments - Labor and Services	2,012.9	127.8
Deduction for one week of taxable gross receipts from sales of meals	126.8	9.3
TOTAL	\$265,114.2	\$16,871.9

SALES AND USE TAXES (cont.)

Number of Taxpayers / Filing Frequency

180,637 Sales and Use Taxpayers
 85,802 / Monthly
 52,487 / Quarterly
 42,348 / Annual

590 Room Occupancy Taxpayers
 574 / Monthly
 16 / 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 2021 - 2022

	FY 2019-20	FY 2020-21	FY 2021-22
Sales and Use	\$4,620,921,987	\$5,265,802,338	\$5,819,700,400
Individual Use	19,632,208	8,621,592	7,544,363
Room Occupancy	99,916,820	80,640,298	136,812,983
Total Tax	\$4,740,471,015	\$5,355,064,228	\$5,964,057,746

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 2021-22 (In Millions)

Tax Rate	Sales of Tangible Personal Property	Leasing/Rental of Tangible Personal Property	Sales of Services
6.35% - General Rate	\$239,577.1	\$3,791.0	\$54,982.0
7.35% - Meals and Beverages	8,084.0	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 2021-22 (In Millions)

Taxable Receipts Attributable to:	Tax Rate	Taxable Receipts
Room Occupancy in Hotel or Lodging House	15%	\$898.5
Room Occupancy in Bed and Breakfast Establishments	11%	5.2
Rental or Leasing of Motor Vehicles for 30 days or Less	9.35%	264.7

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 2021-22
(In Millions)**

Tax Rate	Purchases of Tangible Personal Property	Leasing/Rental of Tangible Personal Property	Purchases of Services
6.35% - General Rate	\$6,135.7	\$39.3	\$1,323.3
7.35% - Meals and Beverages	\$4.5	0	0
7.75% - Luxury Goods	\$0.4	0	0
9.35% - Motor Vehicle Rental	0	3.2	0

Table V 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 2021-22. The revenues are from regular payments and represent 95% of the total sales and use taxes collected in FY 2021-22.

SALES AND USE TAXES (cont.)

TABLE V: Sales & Use Tax - From Periods Ending in Fiscal Year 2021-22
(In Millions)

	Tax Due at 6.35%	Tax Due at 7.35%	Tax Due at 7.75%	Total Tax Due (Includes 9.35% Rate)
22 Utilities	\$153.1	\$0.0	\$0.0	\$153.2
23 Construction	201.4	1.6	0.0	203.0
31-33 Manufacturing	279.7	12.1	0.4	292.3
42 Wholesale Trade	306.4	1.2	0.9	308.5
441 Motor Vehicle and Parts Dealers	449.1	0.0	101.5	550.9
442 Furniture and Home Furnishings	137.0	0.1	0.0	137.1
443 Electronics and Appliance Stores	94.0	0.0	0.0	94.0
444 Building Material & Garden Equipment	257.3	0.0	0.0	257.3
445 Food and Beverage Stores	201.3	53.3	0.0	254.6
446 Health and Personal Care Stores	46.2	1.3	0.2	47.6
447 Gasoline Stations	27.5	5.5	1.4	34.4
448 Clothing and Clothing Accessories Stores	203.7	0.4	19.1	223.2
451 Sporting Goods, Hobby, Book Stores	57.5	0.4	0.0	58.0
452 General Merchandise Stores	253.6	1.4	0.4	255.5
453 Miscellaneous Store Retailers	264.1	8.1	7.1	279.2
454 Non-store Retailers	443.7	2.9	1.2	447.9
44-45 Retail Sector Subtotal	2,435.0	73.4	130.9	2,639.7
51 Information	311.5	21.8	3.9	337.2
52 Finance and Insurance	81.5	0.0	0.9	82.4
53 Real Estate and Rental and Leasing	140.9	1.1	14.8	178.2
54 Professional, Scientific and Technical Services	248.1	22.1	0.2	270.4
56 Administrative and Support	257.2	0.9	0.0	258.1
71 Arts, Entertainment & Recreation	30.3	13.7	0.0	44.0
72 Accommodation and Food Services	22.6	505.0	0.4	528.1
81 Other Services (except Public Admin)	221.3	4.5	9.7	235.5
All Other Businesses	129.9	4.4	2.5	139.9
TOTAL SALES & USE TAX	\$4,818.8	\$662.0	\$164.7	\$5,670.5

SALES AND USE TAXES (cont.)

Table VI below, provides a summary of retail sales of goods for the state of Connecticut over the past three fiscal years. These sales include those goods which are exempt from the sales and use tax.

Data is provided for the Retail Trade subsectors within the North American Industry Classification System (NAICS). Approximately 44% of all the sales and use tax revenue is generated by the retail trade sector.

TABLE VI: Retail Sales Volume - Fiscal Years 2020 - 2022
(In Millions)

	FY 2019-20	FY 2020-21	FY 2021-22
Motor Vehicle and Parts Dealers (NAICS 441)	\$11,068.4	\$13,592.5	\$13,755.2
Furniture and Home Furnishings Stores (NAICS 442)	1,902.1	2,390.7	2,403.6
Electronics and Appliance Stores (NAICS 443)	1,744.0	1,974.1	1,687.6
Building Material and Garden Equipment and Supplies Dealers (NAICS 444)	3,488.3	4,147.3	4,520.4
Food and Beverage Stores (NAICS 445)	11,663.8	12,234.1	12,706.1
Health and Personal Care Stores (NAICS 446)	4,346.7	4,944.6	5,462.4
Gasoline Stations (NAICS 447)	3,261.4	3,305.5	4,596.9
Clothing and Clothing Accessories Stores (NAICS 448)	2,723.8	3,210.6	3,699.6
Sporting Goods, Hobby, Book and Music Stores (NAICS 451)	856.9	1,028.0	1,044.0
General Merchandise Stores (NAICS 452)	5,625.1	6,132.4	6,651.2
Miscellaneous Store Retailers (NAICS 453)	8,025.6	8,967.9	9,294.6
Non-store Retailers (NAICS 454)	7,568.9	10,614.4	12,026.8
TOTAL RETAIL TRADE (NAICS 44-45)	\$62,274.9	\$72,542.1	\$77,848.4

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 2021-22	\$5,156,088
2020-21	2,877,298
2019-20	2,968,891

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 2021-22	\$20,045,187
2020-21	22,556,759
2019-20	21,727,005

Exemptions

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

Number of Taxpayers/Filing Frequency

297 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 2019-20	FY 2020-21	FY 2021-22
Other Tobacco Products*	\$8,461,423	\$9,237,449	\$8,004,872
Snuff Tobacco Products	11,996,673	11,451,600	10,041,927
Cigars in excess of \$1.00 per cigar	1,152,520	1,461,830	1,412,860

* 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 2021-22	\$4,304,899
2020-21	3,708,471
2019-20	4,870,452

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
53 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.

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 2021-22	\$3,407,581
2020-21	3,392,999
2019-20	4,082,151

Number of Taxpayers / Filing Frequency

373 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 2020 income year, 26 taxpayers claimed \$15,272 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 2019-20	FY 2020-21	FY 2021-22
Corporation	Penalty	\$2,572,677	\$3,508,796	\$5,156,142
Business Tax	Interest	11,718,261	15,070,432	11,382,755
Income Tax and Pass-Through Entity Tax	Penalty	23,131,504	32,800,974	27,169,410
	Interest	48,746,393	56,504,430	47,578,857
Sales & Use Taxes	Penalty	18,496,122	23,516,740	23,202,410
	Interest	21,857,867	17,523,052	27,824,475
All Other Taxes	Penalty	6,465,325	7,585,570	7,766,721
	Interest	5,015,440	6,068,424	6,236,993
Total	Penalty	\$50,665,627	\$67,412,080	\$63,294,683
	Interest	\$87,337,962	\$95,166,338	\$93,023,080

TAX REFUNDS

The Department of Revenue Services will issue a refund to taxpayers who submit timely claims for refund and establish to the satisfaction of the Commissioner that the tax that is the subject of these claims was overpaid. 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 47,100 external offsets totaling \$25,324,106.50 in Fiscal Year 2021-22, compared to 35,018 external offsets that totaled \$14,263,027 in Fiscal Year 2020-21.

AMOUNT OF TAXES REFUNDED			
	FY 2019-20	FY 2020-21	FY 2021-22
Admissions & Dues Tax	\$100,137	\$210,888	\$340,753
Alcoholic Beverages	69,755	165,400	34,637
Ambulatory Surgical Center	8,014	73,144	11,048
Beverage Container Deposits	162,914	33,660	325,267
Business Entity Tax	388,233	165,040	445,522
Cable, Satellite & Video Companies Tax	151,961	407,589	2,146
Cigarette Tax	500,536	381,838	759,628
Controlling Interest Transfer Tax	821,428	3,107,867	1,449,542
Corporation Business	103,249,089	84,007,370	151,379,622
Corporation R&D Credit Buyback	9,081,125	7,093,191	5,755,602
Dry Cleaning Establishment Surcharge	15,775	10,357	9,358
Electric & Power Companies	101,467	480,837	100,074
Electronic Cigarette Products	6,156	7,372	11,366
Estate & Gift Tax	12,891,881	17,560,219	20,707,775
Gas Companies	5,783	2,668	128,100
Gift Tax (Repealed)	4,703	0	7,482
Health Care Centers Tax	24,666	38,721	16,750
Hospitals Tax	715,540	70,985,185	805,259
Income Tax	1,210,432,320	1,534,020,497	1,438,879,680
Insurance Premiums Tax, Domestic	3,030,078	154,032	1,790,189
Insurance Premiums Tax, Foreign	9,206,836	20,736,885	11,737,922
Insurance, Non-admitted/Unauthorized	51,424	24,988	45,822
Intermediate Care Facility	30,953	19,027	-1,725
Motor Carrier Road Tax	1,140,681	1,140,268	1,077,523
Motor Vehicle Fuels Tax - Gasoline	4,266,589	3,961,518	3,606,729
Motor Vehicle Fuels Tax - Special Fuel	44,061	202,068	419,890
Nursing Home User Fee	320,654	154,754	48,284
Occupational Tax	287,835	118,608	350,808
Pass-Through Entity	78,627,638	86,813,955	99,936,651
PEG Account	5,524	17,283	0

TAX REFUNDS (cont.)

AMOUNT OF TAXES REFUNDED (cont.)			
	FY 2019-20	FY 2020-21	FY 2021-22
Petroleum Products Gross Earnings	24,946,385	6,492,230	11,140,381
Real Estate Conveyance Tax	728,203	3,711,096	4,608,302
Room Occupancy Tax	66,055	163,444	399,792
Sales & Use Taxes	57,110,328	19,325,522	51,130,008
Solid Waste Tax	40,573	0	0
Tobacco Products Tax	54,939	159,217	391,491
Unrelated Business Income Tax	1,456,014	3,195,383	910,063
Withholding	10,793,643	12,605,978	27,224,275
Miscellaneous	4,991	6,167	90,329
Total	\$1,530,944,888	\$1,877,754,269	\$1,836,073,342

**FY 2021-22 ANNUAL REPORT
STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES**

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