

**STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES**

**ANNUAL REPORT  
FISCAL YEAR 2022-2023**



**Mark D. Boughton  
Commissioner**

**Ned Lamont  
Governor**



## A MESSAGE FROM MARK D. BOUGHTON

January 2024

I am pleased to present the Annual Report of Taxes and Fees collected by the Department of Revenue Services (DRS) during fiscal year 2022-2023. While the Annual Report is a statistical compilation of the revenues that were collected by DRS, it is important to understand and note that just over \$24 billion in revenue that was collected during this fiscal year was the result of efforts of the hardworking employees of DRS.

For many years, previous Commissioners have vocalized the importance of improving the way that DRS works with taxpayers and tax practitioners to fight tax fraud and to make tax compliance less complex and burdensome. After many years of reorganizing, hard work, training, and the implementation of a new computer system, I am happy to report that we are achieving just that.

With the completion of our new fully modernized self-service online tax filing portal, myconneCT, we have become more effective and efficient in our efforts to protect taxpayers, fight tax fraud, and focus on closing the tax gap, all the while continuing to provide world class customer service. This system is mobile friendly, secure, fast, accurate and available to use 24 hours a day, 7 days a week. I encourage you to give it a try.

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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## TABLE OF CONTENTS

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Directory .....	4
Department Mission .....	5
Legislative Summary .....	6

### CONNECTICUT'S TAX AND FEES

Connecticut Taxes and Fees.....	12
State Revenue Sources.....	13
Admissions and Dues Tax .....	15
Alcoholic Beverages Tax .....	16
Attorney Occupational Tax .....	18
Beverage Container Deposits .....	19
Cannabis Tax .....	20
Cigarette Tax .....	21
Controlling Interest Transfer Tax .....	22
<b>Corporation Business Tax and Credits .....</b>	<b>23</b>
Dry Cleaning Establishment Surcharge .....	39
Electronic Cigarette Products Tax .....	40
Estate and Gift Tax.....	41
Healthcare Provider Taxes.....	45
Highway Use Fee .....	47
<b>Income Tax .....</b>	<b>48</b>
Insurance Premiums Taxes.....	57
Motor Carrier Road Tax .....	60
Motor Vehicle Fuels Tax .....	61
Paid Preparer Fee .....	63
<b>Pass-Through Entity Tax .....</b>	<b>64</b>
Petroleum Products Gross Earnings Tax.....	67
Prepaid Wireless E-9-1-1 Fee .....	69
Public Service Companies Taxes .....	70
Real Estate Conveyance Tax.....	73
Rental Surcharge .....	81
Repealed Taxes.....	82
<b>Sales and Use Taxes.....</b>	<b>83</b>
Solid Waste Assessment.....	92
Tobacco Products Tax.....	93
Tourism Surcharge.....	94
Transportation Network Company Fee.....	95
Unrelated Business Income Tax.....	96

### TABLES & CHARTS

Penalty and Interest Receipts .....	97
Tax Refunds .....	98

# DIRECTORY

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

# LEGISLATIVE HIGHLIGHTS FROM THE 2023 GENERAL ASSEMBLY REGULAR SESSION

Highlights of legislative changes from Conn. Pub. Acts No. 23-137, Conn. Pub. Acts No. 23-204, Conn. Pub. Acts No. 23-204, and Conn. Pub. Acts No. 23-207 are provided below.

## Corporation Business Tax:

- **Extension of corporate surtax:** Legislation extends the 10% corporation business surtax for three additional years to the 2023, 2024, and 2025 income years. This legislation is effective upon passage and applicable to income years commencing on or after January 1, 2023.
- **Deduction for corporations operating a business consisting of trafficking controlled substances:** Legislation allows those corporations that are licensed under either chapter 420f or 420h of the Connecticut General Statutes to deduct “ordinary and necessary” business expenses allowed under IRC § 162 in determining their Connecticut corporation business tax liability. This legislation is effective upon passage and applicable to income years commencing on or after January 1, 2023.
- **Exemption from Corporate Surtax for Corporations that offer an employee stock-sharing arrangement to participating employees:** Legislation provides an exemption from the corporate surtax for eligible corporations offering an employee stock-sharing arrangement that distributes common stock to participating employees. This legislation is effective January 1, 2025.

## Corporation Business Tax Credit provisions:

- **Changes to various corporation business tax credits:**
  - **Amendments to Tax Credit for Human Capital Investment:** Legislation expands the scope of the tax credit to include donations or capital contributions to certain exempt organizations for the planning, site preparation, construction, renovation or acquisition of facilities in this state for establishing a child care center in this state to be used by children residing in the community and increases the allowable tax credit. This legislation is effective January 1, 2024.
  - **Expansion of the Fixed Capital Credit:** Legislation allows certain corporations to earn fixed capital investment tax credits for investments made by certain limited liability companies (LLCs) they own. This legislation is effective July 1, 2025.

## 2023 LEGISLATIVE HIGHLIGHTS (cont.)

- **Amendments to the Historic Homes Rehabilitation Tax Credit:** Legislation amends the taxes against which the credit can be applied - nonprofit corporations are allowed to claim the credits against the unrelated business income tax and all other taxpayers are allowed to claim such credits against the income tax - and amends how unused credits are to be applied. The legislation is effective January 1, 2024, and is applicable to taxable years commencing on or after January 1, 2024.
- **Amendment to the Housing Program Contribution Tax Credit:** Legislation amends the Housing Program Contribution Tax Credit by making investments in “workforce housing development projects” eligible for said tax credit. This legislation is effective June 1, 2024.
- **New Tax Credit for pre- and post-Broadway productions and live theatrical tours:** Legislation establishes a new tax credit for production companies of eligible pre- and post-Broadway productions and live theatrical tours performed at qualified facilities in Connecticut. The legislation specifies the taxes against which the credit can be applied and caps the total amount of these tax credits allowed to \$2.5 million per fiscal year. This legislation is effective January 1, 2024, and applicable to income and taxable years commencing on or after January 1, 2024.
- **New Tax Credit for businesses that make cash contributions to nonprofit organizations for scholarships to income-qualified students attending private elementary or secondary schools:** Legislation authorizes a new tax credit for cash contributions made to a youth development organization to fund programs such as after-school tutoring, mentoring programs and workforce preparedness training. The credit is only available for income or taxable years commencing on or after January 1, 2024, and prior to January 1, 2026. This legislation is effective January 1, 2024.
- **New Tax Credit for contributions made by taxpayers into ABLE accounts:** Legislation authorizes a new tax credit for contributions made by taxpayers into the ABLE accounts of employees who are employed by such taxpayers. The legislation specifies the taxes against which the credit can be applied and is effective January 1, 2024, and applicable to income years or taxable years commencing on or after January 1, 2024.

## 2023 LEGISLATIVE HIGHLIGHTS (cont.)

- **New credit associated with participation in workforce housing opportunity development program:** Legislation establishes a workforce housing opportunity development program to be administered by the Department of Housing under which individuals or entities who make cash contributions to an eligible developer for an eligible workforce housing opportunity development project located in a federally designated opportunity zone may be allowed a credit against certain taxes. The legislation caps the total amount of credits allowed per fiscal year at \$5 million. The legislation is effective June 1, 2024.

### Highway Use Fee:

- **Highway Use Fee returns now due on a quarterly basis:** Legislation requires carriers subject to the highway use fee to file returns and submit payments quarterly, rather than monthly. Effective for calendar quarter commencing on or after October 1, 2023.

### Income tax:

- **Reduction in certain income tax rates:** Legislation lowers the two lowest marginal rates. Specifically, the 3% rate on the first \$10,000 earned by unmarried individuals and the first \$20,000 by couples will decrease to 2%. The 5% rate on the next \$40,000 earned by unmarried individuals and the next \$80,000 earned by couples will decrease to 4.5%. These benefits will be capped at unmarried individual filers who earn \$150,000 and couples who earn \$300,000. This legislation is effective from passage and applicable to taxable years commencing on or after January 1, 2024.
- **Increase in the earned income tax credit (EITC):** Legislation increases the Earned Income Tax Credit from the current rate of 30.5% of the federal credit to 40% of the federal credit. Effective for taxable years commencing on or after January 1, 2023.
- **Revisions to Subtraction modification for pension and annuity income and IRA distributions:** Legislation provides for a phase-out for allowable pension and annuity and IRA distribution deductions against the personal income tax. This legislation is effective for taxable years commencing on or after January 1, 2024.



## 2023 LEGISLATIVE HIGHLIGHTS (cont.)

- **Subtraction modification for taxpayer operating a business consisting of trafficking controlled substances:** Legislation allows those taxpayers that are licensed under either chapter 420f or 420h of the Connecticut General Statutes to deduct “ordinary and necessary” business expenses allowed under IRC § 162 in determining their Connecticut income tax liability. The legislation is effective upon passage is applicable to taxable years commencing on or after January 1, 2023.
- **Subtraction modification for contributions made by taxpayers into ABLÉ accounts:** Legislation creates a subtraction modification for contributions to an ABLÉ account. The subtraction modification shall not exceed \$5,000 per taxable year for single filers and not more than \$10,000 per taxable year for joint filers. The legislation is effective January 1, 2024, and applicable to income years and taxable years commencing on or after January 1, 2024.
- **Sunset of the Angel Investor Tax Credit:** Legislation provides that no additional tax credits shall be reserved for investments made in a qualified Connecticut business on or after July 1, 2028, or for any investments made in a qualified cannabis business on or after July 1, 2023. The legislation is effective July 1, 2023.

### Motor vehicle fuels tax:

- **Motor vehicles tax rate on diesel fuel set at 49.2 cents for fiscal year starting July 1, 2023:** Legislation sets the motor vehicle fuels tax rate on diesel at 49.2 cents per gallon for the fiscal year that runs from July 1, 2023, through June 30, 2024. This legislation also specifies that any motor vehicle fuels tax paid on diesel during said fiscal year that is eligible for a refund is to be refunded at the 49.2 cents rate. The legislation is effective upon passage.

### Pass-through entity tax:

- **Pass-through entity tax optional starting January 1, 2024:** Legislation makes the pass-through entity tax optional. Starting with taxable years commencing on and after January 1, 2024, any entity that elects to pay such tax must give the Commissioner of Revenue Services written notice for each tax year it makes the election and must do so no later than the due date (or extended due date) for filing the return. The legislation also makes the following changes to the pass-through entity tax:
  - Eliminates the standard base method and instead requires all entities electing to pay the tax to use the alternative base method.

## 2023 LEGISLATIVE HIGHLIGHTS (cont.)

- Requires that the pass-through entity to file an income tax return and pay the tax on behalf of any nonresident member for whom the business is the only source of Connecticut income.
- Eliminates the credit against the corporation business tax for pass-through entity tax paid by an entity on behalf of a corporation that is member of said entity and that is subject to the corporation tax.
- Eliminates the option for a pass-through entity to file a combined return with one or more commonly-owned pass-through entities.

The legislation is effective January 1, 2024, and applicable to taxable years starting on and after that date.

### **Petroleum Products Gross Earnings Tax:**

- **Aviation fuel exempt:** Legislation exempts “aviation fuel” from the petroleum products gross earnings tax. The legislation is effective July 1, 2023, and applicable to first sales occurring on or after July 1, 2023.

### **Sales and use taxes:**

- **Modification to the exemption for nonprescription drugs and medicines:** Legislation adds opioid antagonists to the list of nonprescription drugs that are exempt from the sales and use tax. This legislation is effective July 1, 2023, and applicable to sales occurring on or after that date.
- **Increase in the amount of Film Production Tax Credits that can be applied against taxes owed under Chapter 219 (Sales and Use Taxes):** Legislation expands the limitation on the amount of credit an eligible taxpayer is allowed to claim against taxes from 78% to 92% for the income years commencing on or after January 1, 2024, but prior to January 1, 2026. This legislation is effective January 1, 2024.

### **Various Administrative provisions:**

- **Tax incidence:** Legislation makes several modifications to Conn. Gen. Stat. § 12-7c. Legislation expands the scope of all future incidence reports to require the Commissioner of Revenue Services to report on the overall incidence of pass-through entity tax and any other tax that generated at least one hundred million dollars in the most recent fiscal year prior to the submission of each report. The legislation also requires the Commissioner to report on the following:

## 2023 LEGISLATIVE HIGHLIGHTS (cont.)

- For income tax purposes, the Commissioner must report on the distribution of the property tax credit, the earned income tax credit, the pass-through entity tax credit, and any other modification against the personal income tax that resulted in a revenue loss to the state of at least twenty-five million dollars in the most recent fiscal year prior to the submission of each report.
- For property tax purposes, the Commissioner must report on the distribution of residential and commercial property and for residential property, the distribution of homeowners and renters.
- For all other taxes implicated by this statute, the Commissioner must report on the distribution of any modification against such tax that resulted in a revenue loss to the state of at least twenty-five million dollars in the most recent fiscal year prior to the submission of each report.

The legislation is effective July 1, 2023.

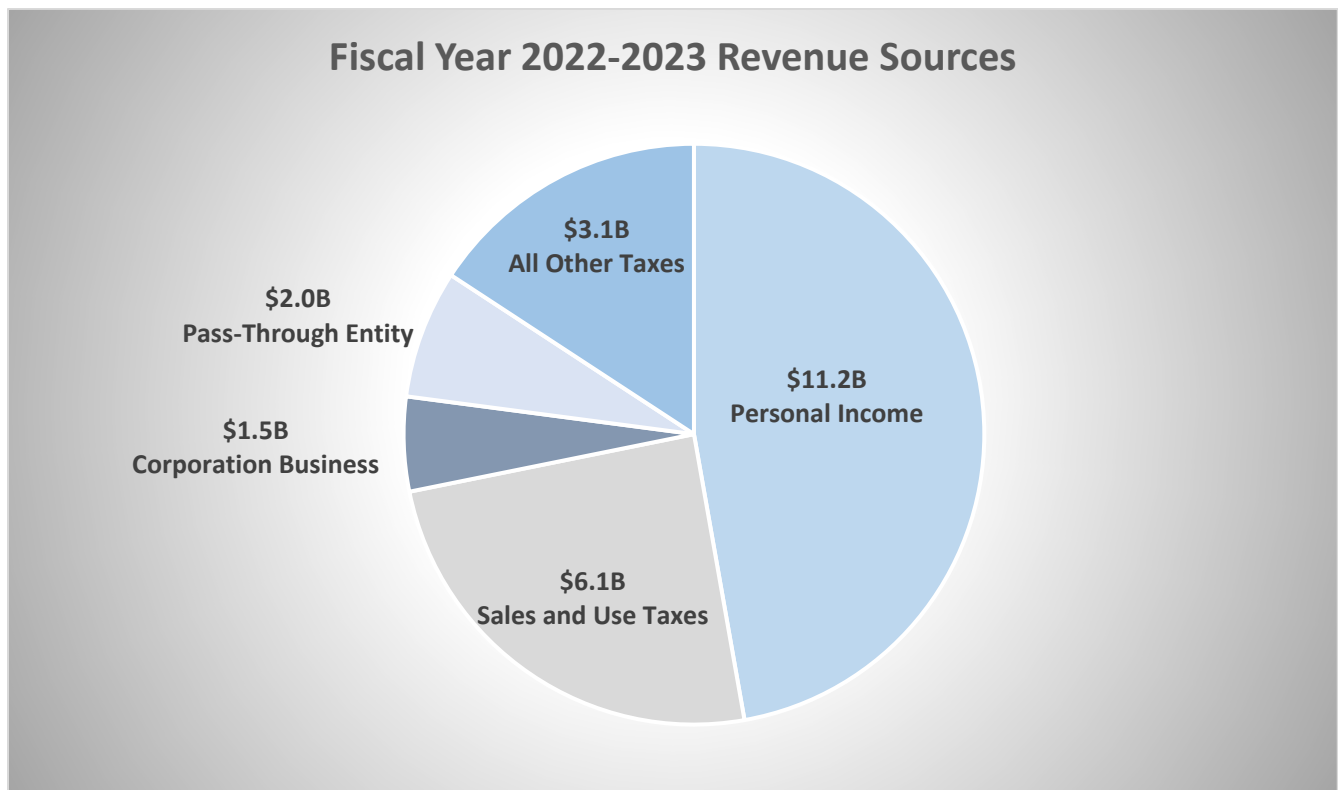
- **New legislation requiring annual reporting on the State's Tax Gap:** Legislation requires the Commissioner of Revenue Services to do each of the following on an annual basis:
  - Estimate the state tax gap and develop an overall strategy to promote compliance and discourage tax avoidance;
  - Evaluate the specific staffing needs of the Department to implement such overall strategy and reduce the state tax gap and determine the progress made, if any, towards filling such staffing needs; and
  - Conduct a cost benefit analysis of each major tax compliance initiative undertaken by the department in the preceding fiscal year, including tax amnesty programs, and an analysis of audit rates, by income level, undertaken by the department in the preceding fiscal year.

# CONNECTICUT'S TAXES AND FEES

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*The Department of Revenue Services collected nearly \$24.1 billion in state taxes for Fiscal Year 2022-23.*

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



## STATE REVENUE SOURCES

	FY 2020-2021	FY 2021-2022	FY 2022-2023
Admissions & Dues Tax <i>Ch. 225</i> and Transportation Network Company Fee <i>Ch. 244b</i>	\$40,017,155	\$44,945,636	\$45,959,625
Alcoholic Beverages Tax <i>Ch. 220</i>	79,111,165	78,915,528	80,247,957
Ambulatory Surgical Centers <i>Ch. 211a (repealed)</i>	17,838,566	21,479,884	0
Attorney Occupational Tax <i>Ch. 876</i>	6,948,701	11,912,450	9,322,121
Beverage Container Deposits <i>Ch. 446d</i>	43,505,264	48,258,877	52,584,520
Business Entity Tax <i>Ch. 213a (repealed)</i>	6,550,175	833,643	(6,863,524)
Cable, Satellite & Video Companies Tax <i>Ch. 211</i>	45,010,159	39,072,064	49,226,215
Cannabis Tax, <i>Ch. 214c</i>	0	0	4,675,642
Cigarette Tax <i>Ch. 214</i>	324,060,357	301,655,083	268,003,557
Controlled Substances Tax <i>Ch. 228d</i>	10,511	12,008	916
Controlling Interest Transfer Tax <i>Ch. 228b</i>	10,365,593	15,604,331	9,595,329
Corporation Business Tax <i>Ch. 208</i> and Air Carriers Tax <i>Ch. 209</i>	1,144,305,750	1,397,484,273	1,519,011,011
Dry Cleaning Surcharge <i>Ch. 211b</i>	335,472	503,406	542,984
Electric Distribution Companies <i>Ch. 212</i>	138,337,220	167,554,267	149,579,820
Electronic Cigarette Products <i>Ch. 214b</i>	5,205,231	6,165,394	6,181,983
Estate and Gift Tax <i>Ch. 217&amp; 228c</i>	303,338,908	220,117,132	218,354,438
Gas Companies <i>Ch. 212</i>	69,081,934	96,084,499	90,207,200
Gift Tax <i>Ch. 228c (repealed)</i>	39,376	154,128	41,392
Health Care Centers Tax <i>Ch. 207</i>	1,911,391	2,135,169	3,401,206
Health Care Provider Taxes and Fees <i>Ch. 211c</i>	1,019,867,122	933,602,663	900,978,299
Highway Use Fee <i>Ch. 222a</i>	0	0	29,275,901
Income Tax <i>Ch. 229</i>	10,273,322,918	12,130,517,104	11,231,163,886
Insurance Premiums Tax, Domestic <i>Ch. 207</i>	32,534,668	29,487,263	47,897,022
Insurance Premiums Tax, Foreign <i>Ch. 207</i>	158,792,653	163,866,266	192,717,482
Insurance: Non-admitted/Unauthorized <i>Ch. 698d</i>	9,025,345	9,212,643	10,288,462
Motor Carrier Road Tax - <i>Ch. 222</i>	11,455,267	8,768,694	9,893,330
Motor Vehicle Fuels Tax - Gasoline <i>Ch. 221</i>	339,398,960	267,102,572	118,263,374
Motor Vehicle Fuels Tax - Special Fuel <i>Ch. 221</i>	124,583,899	113,760,376	135,366,064
Paid Preparer Fee <i>Ch. 229</i>	93,976	69,538	92,159
Pass-Through Entity <i>Ch. 228z</i>	1,553,825,428	2,308,213,258	2,049,126,696
Petroleum Products Gross Earnings Tax <i>Ch. 227</i>	232,333,711	397,956,063	392,055,527
Prepaid Wireless E-9-1-1 Fee <i>Ch. 518a</i>	2,513,218	2,886,629	2,976,381
Public, Educ. & Gov. Programming Tax <i>Ch. 289</i>	1,959,971	2,690,191	2,825,522
Railroad Companies Tax <i>Ch. 210</i>	666,555	569,939	474,393
Real Estate Conveyance Tax <i>Ch. 223</i>	374,662,454	368,791,171	277,596,745

## STATE REVENUE SOURCES (cont.)

	FY 2020-2021	FY 2021-2022	FY 2022-2023
Rental Surcharge <i>Ch. 228h</i>	366,300	300,466	453,287
Sales and Use Taxes <i>Ch. 219</i>	5,355,064,228	5,964,057,746	6,139,326,121
Solid Waste Tax <i>Ch. 446d</i>	2,877,298	5,156,088	4,165,274
Succession Tax <i>Ch. 216 (repealed)</i>	308,237	668,519	180,247
Tobacco Products Tax <i>Ch. 214a</i>	22,556,759	20,045,187	17,963,925
Tourism Surcharge <i>Ch. 228e</i>	3,708,471	4,304,899	4,630,454
Unrelated Business Income Tax <i>Ch. 208a</i>	3,392,999	3,407,581	5,032,297
<b>Total</b>	<b>\$21,759,283,365</b>	<b>\$25,188,322,628</b>	<b>\$24,072,815,242</b>

# 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 2022-23	\$45,959,625
2021-22	44,945,636
2020-21	40,017,155

## 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

382 Admissions and Dues taxpayers / Monthly

Admissions 135 taxpayers

Dues 249 taxpayers

Note: 2 taxpayers collect both taxes.

## 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.

\* Includes revenue from the Transportation Network Company Fee.

# 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 2022-23	\$80,247,957
2021-22	78,915,528
2020-21	79,111,165

## 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

1,164 distributors/ Monthly

## Basis and Rate – October 1, 2019 through June 30, 2023

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.



## ALCOHOLIC BEVERAGES TAX (cont.)

### Basis and Rate – Effective July 1, 2023

Beer	\$6.00 per barrel (31 gallons)
Beer	20¢ 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

### Comparison of Gallonage

TYPE	FY 2020-21 (gallons)	FY 2021-22 (gallons)	FY 2022-23 (gallons)
Beer - barrels	115,929	140,909	142,946
Beer - gallons	50,035,440	46,907,523	45,118,983
Still Wine	12,475,890	11,682,437	11,387,945
Small Wineries	315,522	278,292	271,968
Sparkling Wine	848,910	862,672	891,348
Distilled Liquor	8,377,013	8,534,983	8,605,491
Liquor Cooler	899,670	1,450,495	2,055,689
Alcohol	83,531	82,700	81,886
Cider – barrels	2,357	3,959	4,230
Cider – gallons	581,994	568,979	565,515

# 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.*

<b>Revenue</b>	
FY 2022-23	\$9,322,121
2021-22	11,912,450
2020-21	6,948,701

## **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**

13,532 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.

<b>Revenue</b>	
FY 2022-23	\$52,584,520
2021-22	48,258,877
2020-21	43,505,264

### Exemption

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

### Number of Taxpayers/Filing Frequency

145 Entities/Quarterly

### Note:

Recent legislation (Public Act 21-58) expands the types of beverage containers covered to include several new item categories (including sports drinks, energy drinks, and juices) beginning on January 1, 2023; and increases the deposit amount from \$0.05 to \$0.10 beginning on January 1, 2024.

## CANNABIS TAX

*Conn. Gen. Stat. § 12-330ll established a state cannabis tax based upon the amount of THC per milligram of certain products. A 6.35 percent Connecticut Sales and Use Tax is collected by DRS, a 3 percent municipal cannabis tax on the gross receipts from the sale of cannabis that each municipality is responsible for collecting, and a state cannabis tax based on THC content. The statewide tax shall be paid by the consumer to the cannabis retailer, hybrid retailer or micro-cultivator and applies to the retail sale of cannabis plant materials, cannabis edible products and other cannabis products.*

*Retail sales of cannabis for adult use was authorized to begin January 10, 2023.*

Revenue	
FY 2022-23	\$4,675,642

### Exemptions:

- Sales of cannabis for palliative use;
- Transfers of cannabis to a transporter for transport to any other cultivator, micro-cultivator, food and beverage manufacturer, product manufacturer, product packager, dispensary facility, cannabis retailer, hybrid retailer or producer; **or**
- Sales of cannabis by a delivery service to a consumer

### Number of Taxpayers / Filing Frequency

14 taxpayers / Monthly

### Basis and Rate:

The statewide Cannabis Tax rates imposed on each cannabis retailer:

- **Cannabis plant materials:** Six hundred twenty-five-thousandths of one cent (\$0.00625) per milligram of total THC, as reflected on the product label;
- **Cannabis edible products:** Two and seventy-five-hundredths cents (\$0.0275) per milligram of total THC, as reflected on the product label; **and**
- **Cannabis, other than cannabis plant material or cannabis edible products:** Nine-tenths of one cent (\$0.009) per milligram of total THC, as reflected on the product label.

Fiscal Year	Tax from Plant Materials	Tax from Edible Products	Tax from Other Cannabis Products
FY 2022-23	\$3,566,147	\$595,433	\$1,791,735

# 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.*

<b>Revenue</b>	
FY 2022-23	\$268,003,557
2021-22	301,665,083
2020-21	324,060,357

## **Exemptions**

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

## **Number of Taxpayers / Filing Frequency**

25 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.*

<b>Revenue</b>	
FY 2022-23	\$9,595,329
2021-22	15,604,331
2020-21	10,365,593

## **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.  
75 transfers in FY 2022-23

## **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.*

<b>Revenue</b>	
FY 2022-23	\$1,519,011,011
2021-22	1,397,484,273
2020-21	1,144,305,750

## **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 2023, 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 2021 returns was \$103.2M.



## **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

### 2021 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
<b>Single Filers</b>					
Net Income	5,875	\$103,499,115	\$5,229,932	\$5,531,738	\$92,737,445
Capital Base	12,653	87,238,089	6,144,050	8,193,992	72,900,047
Minimum Tax	10,425	2,583,375	0	15,691	2,567,684
Exempt	3,372	0	0	0	0
<b>Combined Unitary</b>					
Net Income	3,411	925,512,033	119,838,742	9,777,476	795,895,815
Minimum Base	3,981	69,032,309	17,254,227	855,910	50,922,172
Aggregate Max.	14	72,778,078	11,695,978	2,806,259	58,275,841
<b>Total</b>	<b>39,731</b>	<b>\$1,260,642,999</b>	<b>\$160,162,929</b>	<b>\$27,181,066</b>	<b>\$1,073,299,004</b>

## CORPORATION BUSINESS TAX (cont.)

### 2021 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	120	\$2,068,955	\$128,298	\$1,394	\$1,939,263
21 Mining	31	93,692	25,413	0	68,279
22 Utilities	88	5,821,872	1,668,587	31,254	4,122,031
23 Construction	2,180	13,876,614	696,792	99,551	13,080,271
31-33 Manufacturing	3,258	196,219,045	47,729,733	3,579,318	144,909,994
42 Wholesale Trade	2,330	75,910,759	4,710,907	458,238	70,741,614
44-45 Retail Trade	2,776	132,998,654	15,326,034	954,288	116,718,332
48-49 Transporting and Warehousing	579	20,645,774	1,808,263	8,633	18,828,878
51 Information	1,459	58,596,268	8,235,364	328,665	50,032,239
52 Finance and Insurance	2,371	283,375,323	27,680,310	5,221,874	250,483,139
53 Real Estate and Rental & Leasing	1,875	20,621,955	345,385	1,042,068	19,234,502
54 Professional, Scientific and Tech	5,677	79,365,731	8,066,388	535,805	70,763,538
55 Management of Companies & Enterprises	1,181	174,677,789	27,745,531	6,121,451	140,810,807
56 Administrative & Support	1,028	17,159,116	463,881	114,043	16,581,192
61-62 Education, Health Care and Social Assistance	1,268	14,202,757	885,235	82,751	13,234,771
71 Arts, Entertain., and Recreation	360	1,470,906	549,731	13,815	907,360
72 Accom. & Food Services	894	6,188,277	362,315	69,330	5,756,632
81-92 Other Services	1,980	8,207,401	316,893	65,659	7,824,849
99 Not Yet Assigned	6,902	149,142,111	13,417,869	8,462,929	127,261,313
<b>Total</b>	<b>36,357</b>	<b>\$1,260,642,999</b>	<b>\$160,162,929</b>	<b>\$27,181,066</b>	<b>\$1,073,299,004</b>

## CORPORATION BUSINESS TAX (cont.)

### 2021 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	3,372	\$0	\$0	\$0	\$0
\$250 or less	18,666	4,608,765	0	71,197	4,537,568
\$251 to \$999	5,478	3,056,127	54,793	92,122	2,909,212
\$1000 to \$24,999	9,148	53,781,865	2,214,315	2,322,225	49,245,325
\$25,000 to \$49,999	973	34,284,425	2,001,040	1,112,427	31,170,958
\$50,000 to \$99,999	735	51,977,295	3,325,084	2,022,870	46,629,341
\$100,000 to \$249,999	621	98,317,527	7,331,966	3,685,685	87,299,876
\$250,000 to \$499,999	292	101,759,867	9,151,631	2,915,953	89,692,283
\$500,000 to \$999,999	208	146,981,535	12,741,621	4,165,377	130,074,537
\$1M to \$2 million	127	170,955,695	23,245,558	4,286,205	143,423,932
\$2M to \$5 million	81	244,663,351	27,184,041	4,977,311	212,501,999
\$5 million and over	30	350,256,547	72,912,880	1,529,694	275,813,973
<b>Total</b>	<b>39,731</b>	<b>\$1,260,642,999</b>	<b>\$160,162,929</b>	<b>\$27,181,066</b>	<b>\$1,073,299,004</b>

# 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 began before January 1, 2021, may be carried forward until fully taken. R&D credits that are earned during income years that began 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 2021 returns and any credits carried forward from prior years and used in 2021.

### Tax Credits Claimed on 2021 Corporation Business Returns

Type of Credit	Number of Credits	Amount Claimed
Apprenticeship Training	13	\$111,158
Digital Animation	1	65,000
Donation of Land	3	112,461
Electronic Data Processing	1,229	9,651,539
Film Production	34	55,356,107
Film Production Infrastructure	1	1,077,580
Fixed Capital Investments	1,491	36,730,811
Historic Structures Rehabilitation	1	113,541
Housing Program Contribution	6	3,120
Human Capital Investments	114	5,134,793
Machinery and Equipment	30	752,474
Manufacturing Facility in Targeted Investment Community or Enterprise Zone	7	402,643
Neighborhood Assistance	40	1,711,447
Research & Development	281	10,369,641
Research & Experimental Expenditures	345	27,477,443
Urban and Industrial Site Reinvestment	8	7,113,219
Undetermined		3,979,952
<b>Total</b>	<b>3,604</b>	<b>\$160,162,929</b>

## CORPORATION BUSINESS TAX CREDITS (cont.)

The table below shows the unused credit amounts reported on 2021 corporation business tax returns as being carried forward to the 2022 income year.

### Credits Carried Forward to 2022 Income Year

Type of Credit	Carryforward Amount
Donation of Land	\$1,477,424
Electronic Data Processing	68,474,549
Fixed Capital Investments	439,055,041
Historic Homes	332
Historic Preservation	122
Historic Rehabilitation	113,541
Housing Program Contribution	17,093
Human Capital Investments	10,519,668
Research & Development	1,829,382,664
Research & Experimental Expenditures	687,024,327
Urban and Industrial Site Reinvestment	13,843,650
<b>Total Carryforward Credits</b>	<b>\$3,049,908,411</b>

## 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 1<sup>st</sup>. Establishments that fail to register or renew their registration are subject to a penalty.*

<b>Revenue</b>	
FY 2022-23	\$542,984
2021-22	503,406
2020-21	335,472

### **Basis and Rate**

1% of gross receipts at retail.

### **Number of Taxpayers/Filing Frequency**

283 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.*

<b>Revenue</b>	
FY 2022-23	\$6,181,983
2021-22	6,165,394
2020-21	5,205,231

**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:**

522 distributors/ Monthly

**Basis and Rate:**

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

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

Fiscal Year	Tax collected at \$0.40 per milliliter of the e-cig liquid	Tax collected at 10% of the wholesale sales price
2022-2023	\$4,824,750	\$1,340,795
2021-2022	\$ 4,819,941	\$1,319,549
2020-2021	\$ 4,210,694	\$ 951,429



## ESTATE AND GIFT TAX

*Resident and nonresident estates of decedents dying during 2023 are liable for the Connecticut Estate Tax on the amount of the Connecticut taxable estate that exceeds the federal basic exclusion amount.*

*“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, 2023, exceeds the federal basic exclusion amount. 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.*

<b>Revenue</b>	
FY 2022-23	\$218,354,438
2021-22	220,117,132
2020-21	303,338,908

## 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 2022-23, total Estate and Gift Tax revenue collected was \$218,354,438. Much of this revenue is attributable to prepayments that apply against upcoming tax returns. A breakdown of returns from estates received during Fiscal Year 2022-23 follows.

### ESTATE AND GIFT TAX RETURNS FROM ESTATES OF DECEDENTS RECEIVED DURING FY 2022-23

Amount of Taxable Estate		Number of Returns	Tax Due	Tax Due After Credits *
More Than	Not Over			
	\$7 Million	11	\$530,856	\$530,856
\$7 Million	\$8 Million	17	1,027,817	1,014,418
\$8 Million	\$9 Million	9	1,272,434	1,181,077
\$9 Million	\$10 Million	10	1,041,930	1,008,625
\$10 Million	\$15 Million	54	23,700,721	22,394,538
\$ 15 Million	\$25 Million	28	27,017,786	24,922,291
\$25 Million		28	139,203,003	99,114,860
<b>Total</b>		<b>156</b>	<b>\$193,794,547</b>	<b>\$150,166,635</b>

\* 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 2022-23, an additional amount of the estate and gift tax was attributable to gift tax returns filed by non-decedents. A breakdown of calendar year 2022 gift tax returns is shown below.

### ESTATE AND GIFT TAX RETURNS 2022 GIFT TAX ONLY

Amount of 2022 Taxable Gifts		Number of Returns	Tax Due
More Than	Not Over		
	\$3 Million	14	\$222,943
\$3 Million	\$4 Million	8	1,485,415
\$4 Million		9	3,805,282
<b>Total</b>		<b>31</b>	<b>\$5,513,640</b>

# HEALTHCARE PROVIDER TAXES AND FEES

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

<b>Revenue</b>	
FY 2022-23	\$900,978,299
2021-22	933,602,663
2020-21	1,019,867,122

## 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;
- Short-term acute hospitals operated exclusively by the State of Connecticut (other than short-term acute hospitals operated by the state as a receiver); and
- Financial hardship (outpatient services).

### Basis and Rate

The effective user fee rate on inpatient hospital services is 6%, and the effective user fee rate on outpatient hospital services is 12.0942%

### Number of Taxpayers / Filing Frequency

25 taxpayers / Quarterly

## HEALTHCARE PROVIDER TAXES AND FEES (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**

67 taxpayers/Quarterly

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### 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**

196 taxpayers/Quarterly

## HIGHWAY USE FEE

*As of January 1, 2023, a Highway Use Fee was imposed on certain carriers for the privilege of operating, or causing to be operated, certain heavy, multi-unit motor vehicles on any highway (i.e., public road) in Connecticut.*

*An eligible motor vehicle has a gross weight of 26,000 pounds or more and carries a classification between Class 8 and Class 13. The Highway Use Fee is calculated based on an eligible motor vehicle's weight and the number of miles driven in Connecticut.*

<b>Revenue</b>	
FY 2022-23	\$29,275,901

### **Number of Taxpayers / Filing Frequency\***

35,334 taxpayers / Monthly

*\* 2023 Conn. Pub. Acts 204, § 366, changed the filing and payment frequency to quarterly, rather than monthly, starting with the calendar quarter commencing on October 1, 2023.*

# 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.*

<b>Revenue</b>	
FY 2022-23	\$11,231,163,886
2021-22	12,130,517,104
2020-21	10,273,322,918

## **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 15<sup>th</sup> 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:**

<b>Filing Status</b>	<b>Rate and Basis</b>
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; and
  - 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, for 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.

### **Subtraction Modification for Taxpayers Operating a Business Consisting of Trafficking Controlled Substances**

Legislation allows those taxpayers that are licensed under either chapter 420f or 420h of the Connecticut General Statutes to deduct “ordinary and necessary” business expenses allowed under IRC § 162 in determining their Connecticut income tax liability. The legislation is effective upon passage and applicable to taxable years beginning on or after January 1, 2023.

## **INCOME TAX (cont.)**

### **Subtraction Modification for Contributions Made by Taxpayers into ABLE Accounts**

Legislation creates a subtraction modification for contributions to an ABLE account. The subtraction modification shall not exceed \$5,000 per taxable year for single filers and not more than \$10,000 per taxable year for joint filers. The legislation is effective January 1, 2024, and applicable to income years and taxable years commencing on or after January 1, 2024.

### **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.

Conn. Gen. Stat. § 12-736 imposes a responsible person penalty that includes tax, penalty, and interest as opposed to just tax.

### **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**

### **Income Tax Credit for Property Taxes Paid**

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.

## **INCOME TAX (cont.)**

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. These changes are effective upon passage on May 27, 2022, and applicable to taxable years commencing on or after January 1, 2022. 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.

### **Real Estate Conveyance Credit:**

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. Taxpayers may use the conveyance tax payment as the basis for the property tax credit for three years, beginning in the third tax year after the year in which the taxpayer paid the conveyance tax. The credit in each year cannot exceed 33.3% of the eligible tax payment and is effective May 27, 2022.

### **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.

### **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 the taxable year 2023, the EITC increased from 30.5% to 40% 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.

## INCOME TAX (cont.)

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%
2022	184,135	129,698,137	30.5%

### 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 a network of accredited investors who review new or proposed businesses for potential investment and 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. Before the 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.

## INCOME TAX (cont.)

Legislation provides that no additional tax credits shall be reserved for investments made in a qualified Connecticut business on or after July 1, 2028, or for any investments made in a qualified cannabis business on or after July 1, 2023. The legislation is effective July 1, 2023.

### **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 years 2020, 2021, and 2022 totaled \$801,307,652, \$1,296,255,325, and \$1,238,665,684, respectively.

*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 can be used until they expire, not to exceed 10 years.

## INCOME TAX (cont.)

### Personal Income Tax Credits

2022 Personal Income Tax Credits		
Credit	Number of Credits Claimed	Amount of Credit
Angel Investor	252	\$3,231,199
Insurance Reinvestment Fund	55	50,827
Prior Year CT Minimum Tax	417	903,140
<b>Total</b>	<b>724</b>	<b>\$4,185,166</b>

### 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
<b>Total</b>	<b>535</b>	<b>\$5,274,403</b>



# 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.*

<b>Revenue</b>	
FY 2022-23	\$254,304,172
2021-22	204,701,341
2020-21	202,264,058

## **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**

- 1,367 insurance companies/ Annually with four estimated payments:
  - 94 Domestic companies
  - 1,145 Foreign companies
  - 13 Health Care Centers
  - 80 Non-admitted/Risk Retention Groups
  - 35 Captive Insurers

## INSURANCE PREMIUMS TAX (cont.)

### Basis and Rate

- 1.5% of net direct premiums 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.

### Comparative Data

	FY 2020-21	FY 2021-22	FY 2022-23
Domestic	\$32,534,669	\$29,487,263	\$47,897,022
Foreign	158,792,653	163,866,266	192,717,482
Health Care Center	1,911,391	2,135,169	3,401,206
Non-admitted/ Unauthorized/Captive	9,025,345	9,212,643	10,288,462
<b>Total</b>	<b>\$202,264,058</b>	<b>\$204,701,341</b>	<b>\$254,304,172</b>

### 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 see 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 will be granted for captive insurance companies that establish a branch 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 for any taxable period beginning on or after July 1, 2019, and ending prior to July 1, 2022.

## INSURANCE PREMIUMS TAX (cont.)

### Calendar Year 2021 Insurance Tax Credits

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	49	18,046,240
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
<b>Total Credits</b>	<b>188</b>	<b>\$87,822,379</b>

### Calendar Year 2022 Insurance Tax Credits Preliminary

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	48	6,729,501
Insurance Department Assessment	4	343,781
Insurance Reinvestment	23	15,914,562
Second Insurance Reinvestment	40	14,634,305
Neighborhood Assistance	13	743,313
Urban & Industrial Site Reinvestment	4	2,796,455
Film Production	40	40,495,287
Film Production Infrastructure	0	0
Digital Animation	2	375,000
Historic Homes Rehabilitation	3	279,451
<b>Total Credits</b>	<b>177</b>	<b>\$82,311,655</b>

## 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 2022-2023	\$9,893,330
2021-2022	8,436,711
2020-2021	11,455,267

### Exemption

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

### Number of Taxpayers/Filing Frequency

3,501 IFTA filers/Quarterly  
2,786 Intrastate Motor Carriers

### Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel 7/1/21 through 6/30/22*	40.1¢
Diesel Fuel 7/1/22 through 6/30/23*	49.2¢
Diesel Fuel 7/1/23 through 6/30/24*	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 31<sup>st</sup>, 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 2022-23	\$253,629,438
2021-22	380,862,948
2020-21	463,982,859

## 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;
- 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%; and
- Emergency medical service organizations can seek refunds of motor vehicle fuels tax it paid on fuel that is used in an ambulance owned by such organizations.

## Number of Taxpayers/Filing Frequency

894 taxpayers/Monthly

## Basis and Rate

	Rate per Gallon
Gasoline	25¢
Gasohol	25¢
Diesel Fuel 7/1/21 through 6/30/22*	40.1¢
Diesel Fuel 7/1/22 through 6/30/23*	49.2¢
Diesel Fuel 7/1/23 through 6/30/24*	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 31<sup>st</sup>, as determined by statute.

## MOTOR VEHICLE FUELS TAX (cont.)

### Comparative Data

	Number of Gallons Sold		
	FY 2020-21	FY 2021-22	FY 2022-23
Special Fuel*	255,677,243	284,645,120	271,424,644
Gasohol	1,324,535,051	1,060,726,161	995,792,393
Gas Tax Holiday		283,862,736	494,187,906
Alternative Fuels**	2,458,591	2,516,214	3,603,704
<b>Total Gallons</b>	<b>1,582,670,885</b>	<b>1,631,750,231</b>	<b>1,765,008,647</b>

\* 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 extended the suspension through December 31, 2022, and gradually phased the tax in at 5¢ per month beginning January 1, 2023.

## PAID PREPARER FEE

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

Revenue	
FY 2022-23	\$92,159
2021-22	69,538
2020-21	93,976

### Fee

All tax preparers who are not exempt are required to have a permit. The initial application fee is \$100. The permit expires after two years. The renewal fee is \$50.

### Exempt Preparers

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

# PASS-THROUGH ENTITY TAX

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

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

<b>Revenue</b>	
FY 2022-23	\$2,049,126,696
2021-22	2,308,213,258
2020-21	1,553,825,428

## **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**

133,330 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 \$19,499,499 in Personal Income tax in 2021.

### **Pass-Through Entity Tax Optional Starting January 1, 2024**

Recent legislation makes the pass-through entity tax optional, effective January 1, 2024, and applicable to taxable years commencing on and after that date. Any entity that elects to pay such tax must give the Commissioner of Revenue Services written notice for each tax year it makes the election and must do so no later than the due date (or extended due date) for filing the return. The legislation also makes the following changes to the pass-through entity tax:

- Eliminates the standard base method and instead requires all entities electing to pay the tax to use the alternative base method.
- Requires that the pass-through entity file an income tax return and pay the tax on behalf of any nonresident member for whom the business is the only source of Connecticut income.
- Eliminates the credit against the corporation business tax for pass-through entity tax paid by an entity on behalf of a corporation that is member of said entity and that is subject to the corporation tax.
- Eliminates the option for a pass-through entity to file a combined return with one or more commonly owned pass-through entities.

## PASS-THROUGH ENTITY (cont.)

### Detail of Revenue

#### 2021 Pass-Through Entity Tax Returns

Tax Due	Number of Returns	Tax Due
Zero	71,515	\$0
\$1 to \$999	15,234	5,906,363
\$1000 to \$24,999	37,486	258,554,729
\$25,000 to \$49,999	4,163	145,660,660
\$50,000 to \$99,999	2,336	163,388,132
\$100,000 to \$249,999	1,536	235,937,260
\$250,000 to \$499,999	537	189,242,212
\$500,000 to \$999,999	264	187,392,891
\$1 million to \$2 million	150	205,435,524
\$2 million to \$3 million	57	139,258,717
\$3 million to \$4 million	22	76,039,148
\$4 million and over	30	382,724,514
<b>Total</b>	<b>133,330</b>	<b>\$1,989,540,150</b>

# 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.*

<b>Revenue</b>	
FY 2022-23	\$392,055,527
2021-22	397,956,063
2020-21	232,333,711

## **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**

637 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 was 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 over \$7.1M was deposited into the account in FY23.

Recent legislation exempts “aviation fuel” from the petroleum products gross earnings tax effective July 1, 2023, and applicable to first sales occurring on or after July 1, 2023.

## 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.*

<b>Revenue</b>	
FY 2022-23	\$2,976,381
2021-22	2,886,629
2020-21	2,513,218

### **Basis and Rate**

\$0.68 for sales made on or after July 1, 2023.

\$0.70 for sales made between July 1, 2022 and June 30, 2023.

### **Number of Taxpayers / Filing Frequency**

229 Retailers

217 / Monthly

12 / 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.*

<b>Revenue</b>	
FY 2022-23	\$292,313,151
2021-22	305,970,960
2020-21	255,055,839

## **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;
- Retail sales of steam by utility companies; and
- Effective July 1, 2022, any municipality, or department or agency thereof, or district that manufactures, sells, or distributes gas to be used for light, heat or power.

## **Number of Taxpayers/Filing Frequency**

73 taxpayers:

56 Public Utility Companies/Quarterly

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

9 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 \$9,258,255 in Fiscal Year 2022-23 under the one-percent credit attributable to the sale of gas and electric power for residential use.

### Manufacturing Companies Credit

\$11,298,806 was claimed in credit for Fiscal Year 2022-23 for gas used directly by a company engaged in a manufacturing production process.

### Comparative Data

	FY 2020-21	FY 2021-22	FY 2022-23
Cable, Satellite & Video	\$45,010,159	\$39,072,064	\$49,226,215
Electric & Power Companies	138,337,220	167,554,267	149,579,820
Gas Companies	69,081,934	96,084,499	90,207,200
Public, Educational & Governmental Programming Tax*	1,959,971	2,690,191	2,825,522
Railroad Companies	666,555	569,939	474,393
<b>Total Tax</b>	<b>\$255,055,839</b>	<b>\$305,970,960</b>	<b>\$292,313,151</b>

\* 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 2022-23 Public Service Companies Tax Credits

Type of Credit	Number of Credits	Amount of Credit Claimed
Electronic Data Processing	5	\$257,107
Neighborhood Assistance	9	1,174,635
Historic Structures Rehabilitation	2	10,903,745
Historic Homes Rehabilitation	3	2,746,322
Historic Rehabilitation	3	8,990,457
Housing Program Contribution	3	10,000,000
Urban & Industrial Site Reinvestment	2	3,100,000
<b>Total Credits</b>	<b>27</b>	<b>\$37,172,266</b>



# 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 2022-23	\$277,596,745
2021-22	368,791,171
2020-21	374,662,454

## 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;
  - B. Partition of joint and common estates; or
  - 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:

<b>Classification</b>	<b>Rate</b>
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 2022-23 Conveyances**

Amount of Consideration	Number of Taxable Conveyances	Number of Non-Taxable Conveyances	Number of Exempt Conveyances	Tax Due
Under \$2,000	0	28,363	4,854	\$ 0
\$ 2,000 to \$ 29,999	1,255	0	40	131,068
\$ 30,000 to \$ 39,999	306	0	*	82,228
\$ 40,000 to \$ 49,999	348	0	*	122,563
\$ 50,000 to \$ 59,999	387	0	10	165,009
\$ 60,000 to \$ 69,999	388	0	*	192,262
\$ 70,000 to \$ 79,999	436	0	*	253,257
\$ 80,000 to \$ 89,999	553	0	*	361,281
\$ 90,000 to \$ 99,999	484	0	17	354,663
\$100,000 to \$109,999	595	0	20	487,847
\$110,000 to \$119,999	597	0	12	525,944
\$120,000 to \$129,999	721	0	20	698,787
\$130,000 to \$139,999	730	0	19	762,008
\$140,000 to \$149,999	713	0	17	790,161
\$150,000 to \$159,999	935	0	25	1,105,962
\$160,000 to \$169,999	934	0	32	1,175,424
\$170,000 to \$179,999	943	0	30	1,254,857
\$180,000 to \$189,999	1,000	0	27	1,414,056
\$190,000 to \$199,999	894	0	35	1,333,845
\$200,000 to \$249,999	6,262	0	142	10,763,776
\$250,000 to \$299,999	6,884	0	151	14,366,659
\$300,000 to \$399,999	10,570	0	145	27,795,405
\$400,000 to \$499,999	6,288	0	78	21,385,229
\$500,000 to \$599,999	3,659	0	40	15,358,578

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

## REAL ESTATE CONVEYANCE TAX

### Fiscal Year 2022-23 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	2,452	0	19	12,286,584
\$700,000 to \$799,999	1,540	0	13	8,966,908
\$800,000 to \$899,999	1,189	0	10	8,099,880
\$900,000 to \$999,999	744	0	*	6,070,311
\$1,000,000 to \$1,099,999	405	0	*	3,792,786
\$1,100,000 to \$1,199,999	415	0	*	4,413,502
\$1,200,000 to \$1,299,999	391	0	*	4,634,420
\$1,300,000 to \$1,399,999	319	0	*	4,285,192
\$1,400,000 to \$1,499,999	278	0	*	4,005,997
\$1,500,000 to \$1,999,999	855	0	13	15,376,200
\$2,000,000 to \$2,499,999	472	0	*	11,403,475
\$2,500,000 to \$2,999,999	294	0	*	9,368,182
\$3,000,000 to \$3,499,999	185	0	*	7,720,245
\$3,500,000 to \$3,999,999	151	0	*	7,882,759
\$4,000,000 to \$4,499,999	88	0	*	5,474,577
\$4,500,000 to \$4,999,999	68	0	*	4,714,947
\$5,000,000 and over	385	0	*	62,437,260
<b>Total</b>	<b>56,113</b>	<b>28,363</b>	<b>5,847</b>	<b>\$281,814,097</b>

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

\* Less than 10 conveyances.

## FY 2022-23 REAL ESTATE CONVEYANCE TAX BY TOWN

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
ANDOVER	16	46	\$12,484,190	\$104,657
ANSONIA	168	231	64,892,327	560,832
ASHFORD	56	84	24,446,812	222,373
AVON	205	392	185,546,999	1,809,584
BARKHAMSTED	35	76	20,200,500	188,493
BEACON FALLS	79	133	44,308,056	339,180
BERLIN	242	294	92,488,399	966,735
BETHANY	65	76	34,087,386	270,529
BETHEL	206	288	130,763,191	1,172,409
BETHLEHEM	65	59	25,056,893	203,014
BLOOMFIELD	201	302	81,754,923	1,039,045
BOLTON	59	78	23,686,531	190,546
BOZRAH	38	31	6,562,621	65,339
BRANFORD	461	565	227,023,004	2,685,579
BRIDGEPORT	935	1,598	437,509,099	4,521,174
BRIDGEWATER	26	31	24,230,680	231,761
BRISTOL	609	1,015	257,232,880	3,346,411
BROOKFIELD	175	290	140,879,842	1,236,027
BROOKLYN	124	166	46,384,824	382,955
BURLINGTON	98	176	74,100,964	626,565
CANAAN	21	24	7,940,800	79,365
CANTERBURY	74	101	24,847,240	225,513
CANTON	107	202	66,925,329	652,525
CHAPLIN	41	44	9,877,041	81,598
CHESHIRE	281	413	181,926,569	2,601,188
CHESTER	48	63	22,915,439	204,719
CLINTON	174	244	92,393,636	807,309
COLCHESTER	158	304	97,299,429	810,305
COLEBROOK	21	31	9,425,301	83,235
COLUMBIA	63	93	32,346,484	262,325
CORNWALL	33	42	22,179,756	242,411
COVENTRY	164	214	62,196,288	531,848
CROMWELL	140	278	85,259,278	752,869
DANBURY	590	1,046	388,976,525	4,251,190
DARIEN	169	329	628,831,135	8,196,099
DEEP RIVER	73	74	20,788,826	189,952
DERBY	94	214	58,779,958	467,362
DURHAM	57	87	29,748,145	305,511
EASTFORD	51	55	14,322,697	116,949
EAST GRANBY	59	103	29,027,166	420,079
EAST HADDAM	156	183	57,130,995	550,943
EAST HAMPTON	165	285	82,722,211	810,591
EAST HARTFORD	359	659	139,098,863	2,281,624

## FY 2022-23 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
EAST HAVEN	307	432	\$121,367,224	\$1,177,636
EAST LYME	284	385	165,055,083	1,466,918
EASTON	96	129	100,112,298	844,987
EAST WINDSOR	144	226	54,206,759	1,003,777
ELLINGTON	121	234	71,934,816	973,064
ENFIELD	342	688	168,236,907	1,774,467
ESSEX	86	144	88,237,077	878,531
FAIRFIELD	469	943	851,711,027	8,368,659
FARMINGTON	370	499	223,349,747	2,642,465
FRANKLIN	33	33	7,507,782	136,320
GLASTONBURY	400	561	236,297,838	2,590,309
GOSHEN	54	97	48,708,910	506,536
GRANBY	140	168	63,230,560	508,021
GREENWICH	594	1,013	2,295,462,118	36,037,239
GRISWOLD	159	196	43,427,681	354,114
GROTON	351	529	183,547,066	2,791,873
GUILFORD	309	387	210,976,189	2,063,619
HADDAM	112	139	45,895,367	383,868
HAMDEN	478	1,005	287,203,946	4,046,987
HAMPTON	27	37	8,315,364	65,684
HARTFORD	610	995	207,017,548	3,853,989
HARTLAND	38	28	7,313,266	56,492
HARWINTON	87	98	27,724,276	236,072
HEBRON	110	143	51,121,765	387,276
KENT	47	61	26,896,105	246,849
KILLINGLY	216	352	83,799,424	1,435,062
KILLINGWORTH	78	111	46,580,942	369,974
LEBANON	105	133	30,310,383	262,940
LEDYARD	150	326	92,698,580	757,655
LISBON	60	93	22,736,391	192,240
LITCHFIELD	99	148	56,682,709	661,981
LYME	44	43	24,232,222	240,922
MADISON	22	89	58,970,683	596,236
MANCHESTER	383	860	201,927,158	4,762,908
MANSFIELD	127	238	63,115,779	811,914
MARLBOROUGH	52	90	31,038,410	244,562
MERIDEN	499	887	198,839,630	2,541,345
MIDDLEBURY	102	162	76,974,329	723,199
MIDDLEFIELD	10	12	4,211,000	36,270
MIDDLETOWN	395	705	178,366,381	2,592,330
MILFORD	503	888	392,333,901	3,827,281
MONROE	125	260	117,781,279	1,029,282
MONTVILLE	213	357	90,734,780	872,360

## FY 2022-23 REAL ESTATE CONVEYANCE TAX BY TOWN (cont.)

Municipality	Non-taxable and Exempt Conveyances	Taxable Conveyances	Consideration for Taxable Conveyances	Tax Due
MORRIS	40	45	\$20,193,269	\$201,529
NAUGATUCK	339	544	137,469,239	1,406,959
NEW BRITAIN	480	863	196,846,522	2,005,936
NEW CANAAN	189	352	627,458,445	7,366,334
NEW FAIRFIELD	169	226	114,685,888	989,867
NEW HARTFORD	84	129	39,744,898	357,844
NEW HAVEN	846	1,030	287,282,568	6,190,723
NEWINGTON	273	534	139,198,432	1,716,015
NEW LONDON	228	424	97,783,086	1,436,365
NEW MILFORD	332	563	200,099,320	1,736,719
NEWTOWN	255	442	223,425,433	1,854,867
NORFOLK	22	39	16,934,704	164,365
NORTH BRANFORD	133	178	59,434,681	519,164
NORTH CANAAN	41	56	13,145,345	142,607
NORTH HAVEN	220	370	133,607,315	1,592,784
NORTH STONINGTON	99	125	33,719,660	300,454
NORWALK	642	1,326	861,963,684	10,544,469
NORWICH	417	831	165,986,894	1,594,210
OLD LYME	191	178	91,387,089	848,074
OLD SAYBROOK	200	234	132,136,937	1,300,562
ORANGE	140	179	87,567,353	971,672
OXFORD	136	207	88,949,623	744,245
PLAINFIELD	171	291	66,701,862	702,284
PLAINVILLE	197	311	74,340,428	756,763
PLYMOUTH	122	222	51,112,504	475,998
POMFRET	62	63	18,504,160	153,752
PORTLAND	135	175	49,098,244	503,811
PRESTON	81	109	25,004,780	196,856
PROSPECT	100	117	37,897,855	486,746
PUTNAM	100	185	41,990,991	613,562
REDDING	95	151	128,794,551	1,119,292
RIDGEFIELD	282	452	435,388,853	4,331,096
ROCKY HILL	182	266	81,884,082	1,351,224
ROXBURY	52	46	33,281,226	377,525
SALEM	57	95	24,119,364	235,498
SALISBURY	84	101	98,430,500	1,086,785
SCOTLAND	32	30	6,009,323	52,378
SEYMOUR	117	263	77,154,197	614,588
SHARON	49	87	42,516,626	469,097
SHELTON	372	652	266,908,446	2,466,098
SHERMAN	64	77	39,362,001	333,122
SIMSBURY	222	429	175,074,262	1,615,116
SOMERS	93	165	59,781,232	463,520

## 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	257	429	\$157,063,424	\$1,291,890
SOUTHINGTON	474	704	227,597,072	2,439,488
SOUTH WINDSOR	251	488	150,342,304	1,623,378
SPRAGUE	46	61	12,392,550	106,733
STAFFORD	164	265	50,722,761	421,905
STAMFORD	915	1,707	1,026,338,841	9,620,645
STERLING	55	78	22,345,603	186,634
STONINGTON	344	356	157,389,073	1,694,154
STRATFORD	537	898	318,082,204	3,423,968
SUFFIELD	149	252	105,779,979	1,624,329
THOMASTON	63	133	31,807,282	360,055
THOMPSON	124	156	40,906,256	331,081
TOLLAND	126	271	90,499,606	712,876
TORRINGTON	399	775	161,320,358	1,560,462
TRUMBULL	266	545	289,532,306	3,217,361
UNION	31	26	3,268,000	46,822
VERNON	213	440	97,824,642	1,049,116
VOLUNTOWN	28	46	11,419,046	99,876
WALLINGFORD	405	625	191,654,165	1,839,644
WARREN	33	29	16,845,900	178,981
WASHINGTON	80	71	90,838,291	1,198,434
WATERBURY	940	1,879	391,099,750	4,240,564
WATERFORD	239	377	118,123,162	1,559,913
WATERTOWN	256	409	117,521,033	1,268,478
WESTBROOK	240	186	60,504,899	800,006
WEST HARTFORD	480	989	402,835,034	4,811,054
WEST HAVEN	403	718	189,215,579	1,973,799
WESTON	119	194	236,112,930	2,410,159
WESTPORT	302	497	976,524,599	13,774,883
WETHERSFIELD	229	433	137,124,738	1,370,118
WILLINGTON	68	90	22,268,536	180,984
WILTON	151	290	297,814,453	3,435,467
WINCHESTER	137	225	47,361,658	440,209
WINDHAM	191	276	52,584,482	633,148
WINDSOR	251	448	121,095,488	2,123,926
WINDSOR LOCKS	105	247	55,794,010	763,588
WOLCOTT	152	268	76,932,570	689,030
WOODBIDGE	102	113	69,234,667	581,612
WOODBURY	129	202	76,782,582	738,891
WOODSTOCK	142	162	51,520,056	434,333
TOWN UNKNOWN	557	650	335,792,156	3,722,295
<b>TOTAL</b>	<b>34,210</b>	<b>56,113</b>	<b>\$24,177,377,846</b>	<b>\$281,814,097</b>



## 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.*

<b>Revenue</b>	
FY 2022-23	\$453,287
2021-22	300,466
2020-21	366,300

### **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**

33 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 2022 amounted to \$2,262,091. 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 2022-23: \$ (6,863,524)*

### 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 2022-23: \$ 41,392*

### 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 2022-23: \$ 180,247*

## 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 2022-23	\$6,139,326,121
2021-22	5,964,057,746
2020-21	5,355,064,228

### 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);

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7.35% on the sale of meals and certain drinks;

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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.

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1.0% on computer and data processing services;

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

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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;

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

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11.0% for occupancy in bed and breakfast establishments;

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15.0% for the rental of rooms in a hotel or lodging house.

## SALES AND USE TAXES (cont.)

### Exemptions

Conn. Gen. Stat. § 12-412 provides for various exemptions from the sales and use taxes for the sale of, storage, use or other consumption of numerous goods and services. The following table provides a summary of the major exemptions claimed by businesses during Fiscal Year 2022-23.

### FY 2022-23 SALES TAX EXEMPTIONS

*(In Millions)*

Deductible Item	Total Deductions	Revenue Forgone
Sale for Resale – Goods	\$109,376.1	\$6,951.8
Sale for Resale – Leases and Rentals	1,512.4	103.7
Sale for Resale – Labor and Services	2,916.8	185.2
Magazines by Subscription and All Newspapers	2,331.3	148.0
Trucks with Gross Vehicle Weight Over 26,000 Pounds or Used for Interstate Freight	143.4	9.1
Food Products for Human Consumption	9,917.8	634.7
Fuel for Motor Vehicles	9,118.1	579.0
Electricity/Gas/Heating Fuel (residential)	3,453.8	219.3
Electricity (\$150 monthly per business)	56.3	3.6
Electricity/Gas/Heating Fuel for Manufacturing or Agricultural Production	1,182.1	75.1
Aviation Fuel	338.5	21.5
Sales of Tangible Personal Property to Farmers	162.3	10.3
Machinery/Materials/ Tools/Fuel – Mfg. Product	2,104.7	133.6
Machinery/Materials/ Equip. – Printing	72.7	4.6
Machinery/Materials/ Tools/Fuel – Comm. Fishing	11.1	0.7

## SALES AND USE TAXES (cont.)

### FY 2022-23 SALES TAX EXEMPTIONS (cont.)

*(In Millions)*

Deductible Item	Total Deductions	Revenue Forgone
Out-of-State - Sale of Goods	35,751.6	2,273.3
Out-of-State - Leases/Rentals	715.3	46.0
Out-of-State - Labor and Services	15,235.8	967.5
Sales of Motor Vehicles, Vessels to Nonresidents	1,645.8	112.7
Prescription Medicines	9,150.4	581.0
Nonprescription Drugs and Medicines	172.9	11.0
Charitable/Religious - Sale of Goods	1,248.4	80.3
Charitable/Religious - Leases and Rentals	76.1	4.8
Charitable/Religious - Labor and Services	1,025.1	65.1
Government - Sale of Goods	12,282.7	780.5
Government- Leases and Rentals	79.8	5.1
Government- Labor and Services	7,267.6	461.5
Pollution Abatement	7.6	0.5
Non-Taxable Labor and Services	23,033.2	1,462.6
Business Services/Parent Owned Subs.	690.8	43.9
Trade-ins of Like-Kind Personal Property	1,246.2	84.8
Taxed Goods returned within 90 days	135.5	8.6
Oxygen, Plasma, Prostheses, etc.	349.5	22.2
Funeral Expenses up to \$2,500	112.2	7.1
Repair or Replacement Parts/Repair Services to Aircraft	1,660.5	105.4
Certain Machinery - Manufacturing Recovery Act of 1992 (Difference between the Full and 3% Rates)	16.8	1.1

## SALES AND USE TAXES (cont.)

### FY 2022-23 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	34.4	2.2
Sales of Repair and Maintenance Service to Vessels	72.2	4.6
Computer and Data Processing Services (Difference between the Full and 1% Rates)	7,325.8	465.2
Renovation Services to Residential Property	1,043.3	66.3
Sales to Direct Payment Permit Holders	908.5	57.7
Sales of College Textbooks	10.8	0.7
Sales Tax Holidays	30.0	1.9
Motor Vehicles Sold to Armed Forces (Difference between the Full and 4.5% Rates)	2.2	0.1
Purchases of Cigarettes Taxed by a Distributor	593.8	37.7
Sales of Vessels and Motors or Trailers for Vessels (Difference between the Full and 2.99% Rates)	169.1	10.7
Other Adjustments - Sales of Goods	20,899.0	1,328.4
Other Adjustments - Leases and Rentals	401.9	25.9
Other Adjustments - Labor and Services	2,127.8	135.1
<b>TOTAL</b>	<b>\$288,220.0</b>	<b>\$18,341.7</b>

## SALES AND USE TAXES (cont.)

### Number of Taxpayers / Filing Frequency

195,441 Sales and Use Taxpayers  
     77,398 / Monthly  
     74,784 / Quarterly  
     43,259 / Annual

860 Room Occupancy Taxpayers  
     583 / Monthly  
     277 / 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 – FY 2020-2021 through 2022-2023

	FY 2020-21	FY 2021-22	FY 2022-23
Sales and Use	\$5,265,802,338	\$5,819,700,400	\$5,975,522,983
Individual Use	8,621,592	7,544,363	6,827,183
Room Occupancy	80,640,298	136,812,983	156,975,955
<b>Total Tax</b>	<b>\$5,355,064,228</b>	<b>\$5,964,057,746</b>	<b>\$6,139,326,121</b>

## 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 2022-23 *(In Millions)*

Tax Rate	Sales of Tangible Personal Property	Leasing/Rental of Tangible Personal Property	Sales of Services
6.35% - General Rate	\$286,595.1	\$3,632.2	\$65,859.4
7.35% - Meals and Beverages	11,394.4	0	0
7.75% - Luxury Goods	3,823.0	487.4	0
9.35% - Motor Vehicle Rental	0	277.4	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 2022-23 *(In Millions)*

Taxable Receipts Attributable to:	Tax Rate	Taxable Receipts
Room Occupancy in Hotel or Lodging House	15%	\$1,032.6
Room Occupancy in Bed and Breakfast Establishments	11%	5.2
Rental or Leasing of Motor Vehicles for 30 days or less	9.35%	279.0



## 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 2022-23  
(In Millions)**

Tax Rate	Purchases of Tangible Personal Property	Leasing/Rental of Tangible Personal Property	Purchases of Services
6.35% - General Rate	\$6,566.5	\$ 23.4	\$1,360.9
7.35% - Meals and Beverages	7.6	0	0
7.75% - Luxury Goods	0.2	2.3	0
9.35% - Motor Vehicle Rental	0	3.6	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 2022-23. The revenues are from regular payments and represent 95% of the total sales and use taxes collected in FY 2022-23.

## SALES AND USE TAXES (cont.)

**TABLE V: Sales & Use Tax - From Periods Ending in Fiscal Year 2022-23**

(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	\$168.5	\$0.0	\$0.0	\$168.5
23 Construction	216.7	1.8	0.0	218.5
31-33 Manufacturing	295.2	14.2	0.4	309.9
42 Wholesale Trade	320.1	1.6	1.2	322.9
441 Motor Vehicle and Parts Dealers	457.9	0.0	121.9	580.3
442 Furniture and Home Furnishings	131.4	0.1	-	131.5
443 Electronics and Appliance Stores	93.7	-	0.0	93.7
444 Building Material & Garden Equipment	260.0	0.0	-	260.0
445 Food and Beverage Stores	205.7	57.8	0.0	263.5
446 Health and Personal Care Stores	50.3	1.4	0.2	51.9
447 Gasoline Stations	29.8	6.2	1.8	37.7
448 Clothing and Clothing Accessories Stores	211.5	0.5	19.8	231.8
451 Sporting Goods, Hobby, Book Stores	57.5	0.7	0.0	58.2
452 General Merchandise Stores	259.2	2.2	0.5	261.8
453 Miscellaneous Store Retailers	269.9	8.2	6.3	284.5
454 Non-store Retailers	469.6	3.1	1.6	474.4
44-45 Retail Sector Subtotal	2,496.6	80.1	152.0	2,729.4
51 Information	313.0	25.6	2.2	340.9
52 Finance and Insurance	83.0	0.0	1.4	84.5
53 Real Estate and Rental and Leasing	142.5	1.3	14.6	180.9
54 Professional, Scientific, and Technical Services	274.7	18.9	0.2	294.0
56 Administrative and Support	279.3	0.6	0.1	280.0
71 Arts, Entertainment & Recreation	34.4	15.9	0.0	50.3
72 Accommodation and Food Services	20.1	568.5	0.3	589.0
81 Other Services (except Public Admin)	238.5	5.7	12.0	256.4
All Other Businesses	138.9	5.3	4.1	151.9
<b>TOTAL SALES &amp; USE TAX</b>	<b>\$5,021.5</b>	<b>\$739.5</b>	<b>\$188.5</b>	<b>\$5,977.0</b>

## 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 2021 - 2023**  
(In Millions)

	FY 2020-21	FY 2021-22	FY 2022-23
Motor Vehicle and Parts Dealers (NAICS 441)	\$13,592.5	\$13,755.2	\$14,317.8
Furniture and Home Furnishings Stores (NAICS 442)	2,390.7	2,403.6	2,336.7
Electronics and Appliance Stores (NAICS 443)	1,974.1	1,687.6	1,638.9
Building Material and Garden Equipment and Supplies Dealers (NAICS 444)	4,147.3	4,520.4	4,616.6
Food and Beverage Stores (NAICS 445)	12,234.1	12,706.1	13,279.2
Health and Personal Care Stores (NAICS 446)	4,944.6	5,462.4	6,014.7
Gasoline Stations (NAICS 447)	3,305.5	4,596.9	4,748.8
Clothing and Clothing Accessories Stores (NAICS 448)	3,210.6	3,699.6	3,819.4
Sporting Goods, Hobby, Book and Music Stores (NAICS 451)	1,028.0	1,044.0	1,055.0
General Merchandise Stores (NAICS 452)	6,132.4	6,651.2	7,125.7
Miscellaneous Store Retailers (NAICS 453)	8,967.9	9,294.6	9,381.9
Non-store Retailers (NAICS 454)	10,614.4	12,026.8	13,100.8
<b>TOTAL RETAIL TRADE (NAICS 44-45)</b>	<b>\$72,542.1</b>	<b>\$77,848.4</b>	<b>\$81,435.5</b>

# 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.*

<b>Revenue</b>	
FY 2022-23	\$4,165,274
2021-22	5,156,088
2020-21	2,877,298

## **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 2022-23	\$17,963,925
2021-22	20,045,187
2020-21	22,556,759

## Exemptions

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

## Number of Taxpayers/Filing Frequency

336 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 2020-21	FY 2021-22	FY 2022-23
Other Tobacco Products*	\$9,237,449	\$8,004,872	\$7,699,392
Snuff Tobacco Products	11,451,600	10,041,927	8,680,185
Cigars in excess of \$1.00 per cigar	1,461,830	1,412,860	1,233,365

\* 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.*

<b>Revenue</b>	
FY 2022-23	\$4,630,454
2021-22	4,304,899
2020-21	3,708,471

### **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**

21 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. Revenue from this fee is reported together 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.*

<b>Revenue</b>	
FY 2022-23	\$5,032,297
2021-22	3,407,581
2020-21	3,392,999

### **Number of Taxpayers / Filing Frequency**

444 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 2023.

No minimum tax is required.

### **Credits**

For the 2021 income year, 26 taxpayers claimed \$16,555 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.*

### Penalty and Interest Revenue By Tax Source\*

Tax Type		FY 2020-21	FY 2021-22	FY 2022-23
Corporation	Penalty	\$3,508,796	\$5,156,142	\$5,150,209
Business Tax	Interest	15,070,432	11,382,755	17,007,514
Income Tax and Pass-Through Entity Tax	Penalty	32,800,974	27,169,410	18,588,143
	Interest	56,504,430	47,578,857	23,902,749
Sales & Use Taxes	Penalty	23,516,740	23,202,410	23,277,245
	Interest	17,523,052	27,824,475	20,750,143

\* Penalty and interest revenue for certain tax types could not be determined for Fiscal Year 2022-23 and is omitted.

## TAX REFUNDS

Refund amounts provided by the Department of Revenue Services to taxpayers are shown for the most recent three fiscal years below.

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 39,926 external offsets totaling \$17,216,041 in Fiscal Year 2022-23, compared to 47,100 external offsets that totaled \$25,324,107 in Fiscal Year 2021-22.

<b>AMOUNT OF TAXES REFUNDED</b>			
	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
Admissions & Dues Tax	\$210,888	\$340,753	\$163,571
Alcoholic Beverages	165,400	34,637	223,818
Ambulatory Surgical Center	73,144	11,048	5,958
Beverage Container Deposits	33,660	325,267	1,316,113
Business Entity Tax (Repealed)	165,040	445,522	3,053,211
Cable, Satellite & Video Companies Tax	407,589	2,146	7,768,542
Cigarette Tax	381,838	759,628	440,800
Controlling Interest Transfer Tax	3,107,867	1,449,542	918,980
Corporation Business	84,007,370	151,379,622	129,918,479
Corporation R&D Credit Buyback	7,093,191	5,755,602	6,061,233
Dry Cleaning Establishment Surcharge	10,357	9,358	3,208
Electric & Power Companies	480,837	100,074	243,419
Electronic Cigarette Products	7,372	11,366	480,995
Estate & Gift Tax	17,560,219	20,707,775	24,723,155
Gas Companies	2,668	128,100	77,411
Gift Tax (Repealed)	0	7,482	37,159
Health Care Centers Tax	38,721	16,750	82,579
Healthcare Provider Taxes and Fees	71,158,966	851,818	468,599
Highway Use Fee	0	0	107,676
Income Tax	1,534,020,497	1,438,879,680	1,618,558,632
Insurance Premiums Tax, Domestic	154,032	1,790,189	1,599,297
Insurance Premiums Tax, Foreign	20,736,885	11,737,922	8,252,408
Insurance, Non-admitted/Unauthorized	24,988	45,822	20,074
Motor Carrier Road Tax	1,140,268	1,077,523	1,361,238
Motor Vehicle Fuels Tax - Gasoline	3,961,518	3,606,729	4,421,466
Motor Vehicle Fuels Tax - Special Fuel	202,068	419,890	289,073
Occupational Tax	118,608	350,808	473,930
Pass-Through Entity	86,813,955	99,936,651	139,701,810
PEG Account	17,283	0	10,919

## TAX REFUNDS (cont.)

<b>AMOUNT OF TAXES REFUNDED (cont.)</b>			
	<b>FY 2020-21</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
Petroleum Products Gross Earnings	6,492,230	11,140,381	2,728,070
Real Estate Conveyance Tax	3,711,096	4,608,302	2,353,418
Room Occupancy Tax	163,444	399,792	191,406
Sales & Use Taxes	19,325,522	51,130,008	28,152,935
Tobacco Products Tax	159,217	391,491	342,237
Unrelated Business Income Tax	3,195,383	910,063	884,603
Withholding	12,605,978	27,224,275	27,678,361
Miscellaneous	6,167	90,329	69,821
<b>Total</b>	<b>\$1,877,754,269</b>	<b>\$1,836,073,342</b>	<b>\$2,013,184,603</b>

**FY 2022-23 ANNUAL REPORT  
STATE OF CONNECTICUT  
DEPARTMENT OF REVENUE SERVICES**

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