



Governor Ned Lamont

Fact Sheet: 2025 Legislative Proposal

SENATE BILL 1246

*AN ACT CONCERNING REVENUE ITEMS TO
IMPLEMENT THE GOVERNOR'S BUDGET*

The Current Situation

To implement the Governor's budget.

Governor Lamont's Solution

This bill contains the major revenue elements of the Governor's proposed FY 2026 – FY 2027 biennial budget. General Fund revenue under this bill would increase by \$368.1 million in FY 2026 and \$594.7 million in FY 2027 prior to accounting for the state's revenue cap. Additional items contained in the General Government implementer contribute to balance.

<u>Legislative Proposals with Fiscal Impact – General Fund</u>	(In Millions)	
	<u>FY 26</u>	<u>FY 27</u>
Eliminate 100% Net Operating Loss Provision for Cumulative Losses >\$6B	\$8.3	\$8.3
Eliminate \$2.5M Combined Unitary Reporting Cap	133.1	83.2
Reduce Top Film Production Tax Credit Rate From 30% to 25%	9.2	17.1
Extend 10% Corporation Tax Surcharge For 3 IYs Thru IY 2028	48.0	80.0
Accelerate Elimination of Capital Base Tax by 2 Years	(15.3)	(20.4)
Increase R&D Credit Exch. Rate From 65% to 90% for Biotech	(1.8)	(1.8)
Adjust Volatility Cap Threshold	288.9	304.5
Increase Property Tax Credit From \$300 to \$350 and Increase Income Limits	(85.0)	(85.0)
Rebase Hospital User Fee	0.0	140.0



Federal Match on Supplemental Payments to Hospitals	0.0	93.8
Accrue Tobacco Products Tax Beginning in FY 2026	1.0	0.0
Accrue Controlling Interest Tax Beginning in FY 2026	0.5	0.0
Eliminate Certain Occupational License Application & Renewal Fees	(18.8)	(25.0)
TOTAL GENERAL FUND REVENUE	\$368.1	\$594.7

Eliminate 100% Net Operating Loss Provision for Cumulative Losses greater than \$6 billion. Eliminate a tax preference allowing corporations with cumulative net operating losses (NOLs) of more than \$6 billion to deduct 100% of such losses against their tax, bringing these corporations in line with other taxpayers who are limited to a 50% deduction for NOLs. The provision would allow corporations who surrendered a portion of their NOLs in 2015 to reclaim those surrendered NOLs. This would result in a revenue gain of \$8.3 million annually beginning in FY 2026.

Eliminate \$2.5M Combined Unitary Reporting Cap. Eliminate the \$2.5 million cap on combined unitary reporting for income years effective January 1, 2025. Connecticut converted to combined unitary reporting in 2016. Upon enactment, a unique feature specified that the new unitary tax could not increase a company's liability by more than \$2.5 million over the prior system. Of the 28 states that follow a unitary basis of corporate taxation, Connecticut is the only state that has such a cap. This proposal would result in a revenue gain of \$133.8 million in FY 2026 and \$83.2 million in FY 2027.

Reduce Top Film Production Tax Credit Rate From 30% to 25%. Reduce the top rate on the film production tax credit from 30% to 25% of qualifying expenditures. This would result in a revenue gain to the state of \$9.2 million in FY 2026 and \$17.1 million in FY 2027

Eliminate Digital Animation Tax Credit. No credits have been issued under this program since September of 2016. An Auditor of Public Accounts citation found that a business cannot claim the film production tax credit if it received the digital animation credit. To resolve the finding, DECD has proposed eliminating the unused digital animation credit.

2210 Interest Provision. Waive interest from underpayments made as a result of retroactive tax changes made pursuant to the bill. This would preclude a revenue gain.

Extend 10% Corporation Tax Surcharge For 3 Income Years. Extend the 10% surcharge on the corporation tax, previously set to expire prior to income year 2026, through income year 2028. This change would result in \$48 million in revenue in FY 2026 and \$80 million in revenue in FY 2027.

Accelerate Elimination of Capital Base Tax by 2 Years. Eliminate the capital base tax portion of the corporation tax effective January 1, 2026. Under the current schedule, the capital base tax would phase-out by January 1, 2028; this proposal would accelerate the phase-out by two years. Approximately 6,500 firms would benefit from this proposal, resulting in tax relief of \$15.3 million in FY 2026 and \$20.4 million in FY 2027.

Increase R&D Credit Exchange Rate From 65% to 90% for Biotech Firms. Currently, the R&D credit exchange allows firms with less than \$70 million in sales which are not yet profitable to exchange their unused R&D tax credits with the state at 65% of their value. This bill increases the exchange rate for biotech firms from 65% to 90% effective January 1, 2025, with an estimated annual impact of \$1.8 million in additional refunds per year.

Adjust Volatility Cap Threshold. Increase the volatility cap threshold in FY 2026 to \$4,418.9 million in FY 2026. The cap in future years will be indexed to the five-year compound annual growth rate in Connecticut personal income, as is policy under the existing cap. This results in an increase in General Fund revenue of \$288.9 million in FY 2026 and \$304.5 million in FY 2027 and a corresponding decrease in estimated transfers of volatile revenue to the Budget Reserve Fund for those years.

Extend the "bond lock" provisions, which governs the fiscal guardrails, through FY 2038, with an option for the General Assembly to opt out of the bond lock in FY 2028 and FY 2033. This section would require the Treasurer to include the pledge in general obligation and credit revenue bonds issued over the FY 2026 – FY 2027 biennium.

Specify the Value of the Workforce Housing Development Tax Credit. When this credit was enacted in the 2023 legislative session, the value of the credit was stated as “the amount specified by the Commissioner.” This bill sets the credit at 50% of qualifying contributions. This program has a \$5 million annual cap, therefore there is no anticipated fiscal impact from this change. The program went into effect January 1, 2025

Increase Property Tax Credit from \$300 to \$350 and Increase Income Limits. Increase the maximum income tax credit for property taxes paid from \$300 to \$350 for income year 2025. In addition, increase the income limits for the credit. Single filers earning up to \$70,000 and joint filers earning up to \$100,000 will now qualify for the full property tax credit, with a phase-out schedule applying to higher incomes. This results in an estimated \$85 million in annual tax relief for approximately 800,000 filers.

Rebase Hospital User Fee. The state entered into a negotiated settlement with Connecticut’s hospital industry, which specifies the hospital user fee and supplemental payment levels through FY 2026. The fee is currently based on FFY 2016 net patient revenues. This bill updates the base year for the fee from FFY 2016 to FFY 2024, generating \$140 million in tax revenue in FY 2027. This tax revenue would be paid to the state’s hospitals via \$140 million in additional hospital supplemental payments, for which the state would receive approximately \$93.8 million in federal reimbursement. Other components of the Governor’s plan would generate additional federal match of \$73.7 million.

Accrue Tobacco Products Tax Beginning in FY 2026. Accrue revenue from other tobacco products for FY 2026 and thereafter through the first five business days of August. This change is intended to conform tobacco products to other similar tax sources.

Accrue Controlling Interest Tax Beginning in FY 2026. Accrue revenue from the controlling interest tax for FY 2026 and thereafter through the first five business days of August. This change is intended to conform the controlling interest tax to other similar tax sources.

Generally Accepted Accounting Principles (GAAP). 2023 legislation set aside \$211.7 million of the FY 2023 surplus to retire the GAAP conversion bond. Since the bonds have been retired, there is no longer a requirement to direct general fund revenue to eliminate the remaining historic GAAP deficit of \$603.9 million. This legislation repeals vestigial legislation related to the GAAP amortization.

Close-Out the Itinerant Vendors Guaranty Fund. The state of Connecticut no longer operates the Itinerant Vendors Guaranty program. This bill transfers the remaining balance of \$46,200 in the Guaranty Fund to the General Fund.

Eliminate Certain Occupational License Application & Renewal Fees. Eliminate application and renewal fees for select professions. Fees can range from \$50 to \$375 per year, and this proposal will benefit nearly 180,000 workers. Impacted professions include nurses, dental hygienists, mental health clinicians, occupational therapists, paramedics, physical therapists, electricians, HVAC workers, plumbers, sheet metal workers, and teachers. This change is anticipated to result in \$18.8 million in fee relief in FY 2026 and \$25.0 million in fee relief in FY 2027.

Repeal the following statutes:

1. C.G.S. 3-20i related to the amortization of the GAAP deficit.
2. C.G.S. 12-217II related to the tax credit for digital animation production companies. No credits have been issued under this program since September of 2016.
3. C.G.S. 32-41v related to the Connecticut New Opportunities Fund. This fund has not been capitalized, resulting in an audit finding.