Governor Ned Lamont

Fact Sheet: 2026 Legislative Proposal

SENATE BILL 84

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

This bill contains the major revenue elements of the Governor's proposed FY 2027 midterm budget. General Fund revenue under this bill would increase by $43.1 million in FY 2026 and decrease by $239.5 million in FY 2027 prior to accounting for the state's revenue cap. Additional items contained in the Health and Human Services implementer contribute to balance.

		(In Millions)	
Sec.	**Legislative Proposals with Fiscal Impact – General Fund**	**FY 26**	**FY 27**
1-2	CT Conformity Changes to Federal Corporation Business Tax Provisions	$ -	$ 66.8
3	Reduce Hospital Provider Taxes	-	(275.0)
4, 30	Repeal Nursing Home and Intermediate Care Facility Taxes	-	-
5	Allow Pass-through Entities to Earn Research & Development (R&D) Tax Credit	-	(5.0)
6-7	Tax Rebate - One Time $200/$400 Rebate for AGI Under $200K/$400K	-	(500.0)
8	Adjust Volatility Cap Threshold in FY 2026 Only for Rebate	500.0	-
9	Transfer $500M from FY 2026 to FY 2027 for Rebate Program	(500.0)	500.0
9	Reduce the FY 2026 Transfer to FY 2027	30.0	(30.0)
10	Update MRSF Subsidy Requirements	13.1	21.4
11-12	Grants to Ledyard and Montville	-	(1.6)
13	Home Improvement Guaranty Fund to Retain Additional Funds	-	(0.2)
14-28	Eliminate Certain Occupational License Application & Renewal Fees	-	(15.9)
	TOTAL GENERAL FUND REVENUE	**$43.1**	**$(239.5)**

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Sections 1-2: CT Conformity Changes to Federal Corporation Business Tax Provisions. Recent federal law changes allow a 100% deduction in the year expenses were incurred for domestic research and experimental (R&E) expenses. This proposal would require corporate domestic R&E expenditure deductions to be amortized over 5 years for expenses incurred during income years 2022 through 2025, inclusive. CT Corporation Business Tax code would conform to federal treatment of R&E expenses for income year 2026 and annually thereafter allowing a 100% deduction for R&E expenses in the year such expenses were incurred keeping the state competitive for our knowledge-based economy. Additionally, this proposal would require corporate bonus depreciation deductions for qualified production property (QPP) to be amortized over 39 years regardless of when the expense was incurred, decoupling from recent federal changes. Recent federal law changes allow a 100% deduction in the year expenses were incurred for QPPs placed in service before 1/1/2031. CT Corporation Business Tax code already decouples from federal bonus depreciation, however, CT law did not encompass this new provision. Consistent with Connecticut's treatment of other bonus depreciation, this proposal decouples from this new bonus depreciation provision. Furthermore, regarding the retroactive changes, all penalties and interest for underpayment of such tax change for both estimated and final payments would be waived if the change in tax due is paid in full by November 15, 2026.

Section 3: Reduce Hospital Provider Taxes. This proposal would reduce the total tax collections from the hospital industry by $275M in FY 2027. During the 2025 legislative session, hospital provider taxes for FY 2027 were increased by $375M over FY 2026 levels without a corresponding $375M increase in supplemental payments to hospitals – payments were only increased by $140M. With this proposal, hospital provider taxes would now be $100M over FY 2026 levels. This proposal would provide a $40M net positive benefit to the hospital industry. Additionally, this proposal would exempt hospitals that are part of a joint venture with UConn Health Center from the paying the hospital provider tax and CT Children's Medical Center would continue to be exempt from such taxation. Lastly, this proposal ensures compliance with P.L. 119-21 (OBBBA) by reducing the inpatient hospital tax rate from 6.0% to 4.1% in FY 2027, phasing down to 3.5% by October 31, 2031.

Sections 4 & 30: Repeal Nursing Home and Intermediate Care Facility (ICF) Taxes. These sections retain the original user fees on nursing homes and ICFs. PA 25-168 included sections that would have converted the user fee to a tax structure beginning in FY 2027. These sections repeal that conversion and make technical fixes to necessary nursing home and IFC statutes. These sections result in no fiscal impact because there was no fiscal impact adopted for such provisions in PA 25-168.

Section 5: Allow Pass-through Entities to Earn Research & Development (R&D) Tax Credit. This proposal would allow pass-through entities with less than $70M of sales to earn a 6% tax credit for R&D expenses incurred for which their shareholders/owners can claim against their personal income tax liability. Credits would be capped at $25M per year and a single pass-through would be limited to a maximum $1.5M tax credit. If the tax credit exceeds tax liability, the excess amount of the credit would be refundable at 90% for biotechnology firms and 65% for all other firms. Firms would be required to apply to DECD to reserve a tax credit allocation. This is primarily expected to offset estimated and final payments of the personal income tax which would offset the volatility cap transfer to the Budget Reserve Fund, however, to the extent that refunds are issued, a $5M revenue loss is estimated in the General Fund.

Sections 6 & 7: Tax Rebate - One Time $200/$400 Rebate for AGI Under $200K/$400K. This proposal would provide a one-time rebate in FY 2027 of sales taxes paid in the amount of $200 for single or married filing separately filers, $400 for joint filers, and $320 for head of household filers. Rebates are limited to filers with AGI's of $200,000 or less for single or married filing separately filers, $400,000 or less for joint filers, and $320,000 or less for head of household filers. CT Dept. of Revenue Services will send out checks no later than October 31, 2026. This program is estimated to impact 1.6 million filers and 2.2 million individuals. This will result in a General Fund revenue loss of approximately $500 million in FY 2027, paid for by utilizing one-time excess volatile revenue from FY 2026.

Section 8: Adjust Volatility Cap Threshold in FY 2026 Only. As part of the Governor's tax rebate program under sections 7 & 8 and the transfer in section

10, this proposal would increase the FY 2026 volatility cap threshold one-time by $500M from $4,728.6M to $5,228.6M. This would result in an operating revenue gain in the General Fund of $500M. The FY 2027 volatility cap threshold would remain at the currently estimated threshold of $5,009.1M.

Section 9: Transfer $500M from FY 2026 to FY 2027 for Rebate Program. In tandem with sections 7 through 9, this proposal would transfer the additional $500M from the volatility cap in FY 2026 to FY 2027 to pay for the tax rebate program.

Section 9: Reduce the FY 2026 Transfer to FY 2027. In addition to the section above (same section), this proposal would reduce the $244M revenue transfer from FY 2026 to FY 2027 by $30M. The revised transfer would be $214M, reducing available revenues in FY 2027 by $30M and increasing available revenues in FY 2026 by $30M. Combined with the section above (same section), the total revenue transfer from FY 2026 to FY 2027 is $714M.

Section 10: Update MRSF Subsidy Requirements. This proposal would reduce the subsidy transfer from the General Fund to the Municipal Revenue Sharing Fund (MRSF) in FY 2026 and FY 2027 due to increased Sales Tax projections to said fund. Higher sales tax receipts to the MRSF enable a reduction in the General Fund subsidy payments to the MRSF. The FY 2026 transfer would be reduced by $13.1M from $101M to $87.9M. The FY 2027 transfer would be reduced by $21.4M from $90M to $68.6M. This proposal would allow the General Fund to retain additional operating revenue in FY 2026 and FY 2027.

Section 11: Ledyard and Montville Grants. This proposal would strike the grant earmarks for Ledyard ($800K) and Montville ($800K) and instead fund the earmarks from the Mashantucket Pequot and Mohegan Fund (see section 13).

Section 12: Ledyard and Montville Grants. This proposal would increase the Ledyard and Montville payments in the Mashantucket Pequot and Mohegan Fund grant payment list. Each town would get an additional $800K. Combined with section 12, the appropriations act, and the revenue schedule, this would result in a General Fund revenue loss of $1.6M in FY 2027 as the General Fund would transfer $1.6M of revenue to the Mashantucket Pequot and Mohegan Fund to support the $1.6M increase in appropriations.

Section 13: Home Improvement Guaranty Fund to Retain Additional Funds. This proposal would increase the maximum revenue threshold for which the Home Improvement Guaranty Fund can retain from $750K to $1M due to increased construction costs. Once revenue in said fund reaches the threshold, $400K gets deposited into the consumer protection account and any remaining amounts are deposited into the General Fund. This would result in a General Fund revenue loss of $0.2M annually beginning in FY 2027.

Sections 14-28: Eliminate Certain Occupational License Application & Renewal Fees. This proposal would eliminate application and renewal fees for select professions effective October 1, 2026. Fees can range from $65 to $375 per year, and this proposal will benefit over 160,000 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 proposal is estimated to result in a General Fund revenue loss of $15.9M in FY 2027 and $21.2M when annualized in FY 2028.

Section 29: Accessory Dwelling Unit (ADU) Exemption. This proposal would provide a municipal option to exempt up to 30% of the assessed value attributable to an ADU in the year construction was completed and the following five assessment years. Any exemption would not apply to an owner-occupied unit or a unit used as a short-term rental. This would result in a grand list reduction for municipalities that choose to adopt the exemption, starting with the October 2026 grand list; there would be no impact to General Fund revenues.