

## Effective Dates of Tax Changes in FY 20-21 Budget Act

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January 7, 2020 | 2020-R-0021

### Issue

When do the tax and fee changes in the FY 20-21 budget take effect?

### Tax and Fee Changes in FY 20-21 Budget

Tables 1 through 7 briefly summarize the tax and fee changes in [PA 19-117](#) and provide their effective dates. Any provisions that were effective upon passage took effect on June 26, 2019, the date the governor signed the bill into law.

For additional information, OLR's [2019 Acts Affecting Taxes](#) provides brief summaries of the tax changes and other tax-related laws enacted during the 2019 regular session.

**Table 1: Sales and Use Tax Changes**

| §         | Provision   | Effective Date   |
|-----------|---|--|
| 317 & 318 | <b>Motor Vehicle Sales Tax Diversion:</b> Reduces diversion to the Special Transportation Fund in FYs 20 and 21           | July 1, 2019, and applicable to sales occurring on or after that date    |
| 319-322   | <b>Digital Goods:</b> Increases sales tax on digital goods and certain electronically delivered software from 1% to 6.35% | October 1, 2019, and applicable to sales occurring on or after that date |
| 323 & 324 | <b>Meals:</b> Increases sales on meals from 6.35% to 7.35%  | October 1, 2019, and applicable to sales occurring on or after that date |

**Table 1 (continued)**

| <b>§</b>  | <b>Provision</b>  | <b>Effective Date</b>   |
|-----------|---|---|
| 323 & 324 | <b>Dyed Diesel Fuel:</b> Decreases sales tax on dyed diesel fuel used for marine purposes from 6.35% to 2.99%   | October 1, 2019, and applicable to sales occurring on or after that date  |
| 325 & 326 | <b>Parking Services:</b> Extends sales tax to various motor vehicle parking services  | January 1, 2020, and applicable to sales occurring on or after that date  |
| 325 & 326 | <b>Dry Cleaning and Laundry:</b> Extends sales tax to dry cleaning and laundry services, excluding coin-operated services   | January 1, 2020, and applicable to sales occurring on or after that date  |
| 325 & 326 | <b>Interior Design:</b> Extends sales tax to interior design services, except business to business services   | January 1, 2020, and applicable to sales occurring on or after that date  |
| 327 & 328 | <b>Sales Tax Nexus:</b> Lowers threshold for sales tax economic nexus and broadens its application; lowers sales threshold for “click-through” nexus  | July 1, 2019, and applicable to sales occurring on or after that date   |
| 329 & 330 | <b>Short-Term Rentals:</b> Requires short-term rental facilitators to collect and remit occupancy tax on behalf of rental operators   | October 1, 2019; conforming change to the definition of retailer is applicable to sales occurring on or after that date |
| 331       | <b>Certified Service Providers (CSP):</b> Requires the DRS commissioner to (1) develop a list of CSPs to facilitate sales tax collection and remittance, (2) develop a plan to implement the use of CSPs, and (3) report to the Finance Committee on the plan and legislation to implement it | Upon passage  |
| 400       | <b>Safety Apparel:</b> Repeals sales tax exemption on safety apparel  | January 1, 2020   |

**Table 2: Income Tax Changes**

| <b>§</b>  | <b>Provision</b>  | <b>Effective Date</b>  |
|-----------|---|--|
| 332 & 334 | <b>Teacher Pensions:</b> Delays, by two years, the scheduled increase in the teacher pension income tax exemption from 25% to 50%   | Upon passage; teacher pension provision is applicable to tax years beginning on or after January 1, 2019 |
| 333 & 334 | <b>Pass-Through Entity Tax Credit:</b> Reduces the value of the pass-through entity tax credit to 87.5%, rather than 93.01%, of a member’s share of taxes paid by the pass-through entity | Upon passage and applicable to taxable and income years beginning on or after January 1, 2019            |
| 335       | <b>Property Tax Credit:</b> Extends, to the 2019 and 2020 tax years, the limits on eligibility for the property tax credit against the personal income tax                                | Upon passage   |

**Table 2 (continued)**

| <b>§</b>  | <b>Provision</b>   | <b>Effective Date</b>  |
|-----------|--|--|
| 335 & 337 | <b>Property Tax Credit for Conveyance Tax Paid:</b><br>Allows taxpayers who pay conveyance tax at the new 2.25% rate to calculate their property tax credit against the income tax based on the conveyance tax they paid | Upon passage (but applies to tax years beginning on or after January 1, 2021)              |
| 347       | <b>Angel Investor Tax Credit:</b> Extends the angel investor tax credit program and increases the program caps   | July 1, 2019, and applicable to income and tax years beginning on or after January 1, 2019 |
| 397       | <b>STEM Tax Credit:</b> Repeals the tax credit for graduates in STEM fields  | Upon passage and applicable to tax years beginning on or after January 1, 2019             |

**Table 3: Conveyance Tax Changes**

| <b>§</b>  | <b>Provision</b>   | <b>Effective Date</b>                             |
|-----------|--|---|
| 335 & 337 | <b>Conveyance Tax for Homes over \$2.5 Million:</b><br>Establishes a new marginal conveyance tax rate (2.25%) for sales of residential property in excess of \$2.5 million | July 1, 2019 (but applies beginning July 1, 2020) |
| 336       | <b>Crumbling Foundation Exemption:</b> Provides a conveyance tax exemption for certain property with crumbling foundations   | July 1, 2019                                      |

**Table 4: Business Tax & Fee Changes**

| <b>§</b>  | <b>Provision</b>  | <b>Effective Date</b>  |
|-----------|---|--|
| 338 & 339 | <b>Business Entity Tax:</b> Sunsets business entity tax   | Upon passage (but applies beginning January 1, 2020); conforming change is effective January 1, 2020 |
| 340       | <b>Capital Base Tax:</b> Phases out capital base tax over four years: 2.6 mills in 2021, 2.1 mills in 2022, 1.1 mills in 2023, and zero mills beginning in 2024   | Upon passage   |
| 341-343   | <b>Corporate Surcharge:</b> Further extends corporate surcharge to 2019 and 2020 income years   | Upon passage; surcharge is applicable to income years beginning on or after January 1, 2019          |
| 344-346   | <b>Business Filing Fees:</b> Increases business filing fees from \$20 to \$80   | July 1, 2019 (but applies beginning July 1, 2020)  |
| 349       | <b>Tax Credit Cap:</b> Reduces, from 70% to 50.01%, the amount by which a company may reduce its tax liability using R&D and Urban Reinvestment Act (URA) credits | Upon passage, and applicable to income years beginning on or after January 1, 2019                   |

**Table 4 (continued)**

| <b>§</b>  | <b>Provision</b>                            | <b>Effective Date</b>  |
|-----------|---|--|
| 376 & 397 | <b>7/7 Program:</b> Repeals the 7/7 program | Upon passage and applicable to tax years beginning on or after January 1, 2019 |

**Table 5: Alcohol and Cigarette Taxes**

| <b>§</b>  | <b>Provision</b>   | <b>Effective Date</b>  |
|-----------|--|--|
| 351       | <b>E-Cigarette Tax:</b> Imposes a tax on e-cigarette products at a rate of (1) 40 cents per milliliter for pre-filled e-cigarette products and (2) 10% of the wholesale price for all other e-cigarette products | October 1, 2019, and applicable to sales occurring on or after that date |
| 352 & 353 | <b>Alcohol Tax Increase:</b> Increases, by 10%, the excise tax on alcoholic beverages, except beer   | October 1, 2019, and applicable to sales occurring on or after that date |
| 352       | <b>Craft Beer Tax Rate Decrease:</b> Reduces, by 50%, the tax rate on beer for off-premises consumption that is sold on premises covered by a manufacturer's permit  | October 1, 2019, and applicable to sales occurring on or after that date |

**Table 6: Provider Taxes**

| <b>§</b> | <b>Provision</b>  | <b>Effective Date</b> |
|----------|---|-----------------------|
| 356      | <b>Hospital Tax*:</b> Eliminates a scheduled reduction in the hospital tax rates on inpatient and outpatient services by maintaining the rates at FY 19 levels but requiring the base year for calculating the tax to be adjusted each biennium; among other things, requires the DSS commissioner to issue refunds if she determines for any fiscal year that the effective hospital tax rate exceeds the rate permitted under federal law | Upon passage          |
| 357      | <b>User Fee on Intermediate Care Facilities for Individuals With Intellectual Disabilities (ICF-IDs):</b> Increases the user fee on ICF-IDs from \$27.26 to \$27.76   | Upon passage          |

\* PA 19-1, December Special Session, subsequently changed these provisions; its changes took effect upon passage (December 19, 2019)

**Table 7: Other Tax and Fee Changes**

| §   | Provision   | Effective Date  |
|-----|---|---|
| 354 | <b>Admissions Tax:</b> Reduces the admissions tax rate on certain venues in two steps: from 10% to 7.5% for sales occurring on or after July 1, 2019, and from 7.5% to 5% for sales occurring on or after July 1, 2020; reduces the admissions tax rate on events at Dunkin' Donuts Park in Hartford, from 10% to 5%, beginning July 1, 2019, and fully exempts such events from the tax beginning July 1, 2020 | July 1, 2019, and applicable to sales made on or after July 1, 2019             |
| 355 | <b>Plastic Bag Fee:</b> Imposes a 10-cent fee on single-use plastic bags provided at the point of sale until June 30, 2021, and bans them beginning July 1, 2021  | August 1, 2019  |
| 360 | <b>Transportation Network Company Fee:</b> Increases, from 25 cents to 30 cents, the fee on each TNC ride   | July 1, 2019  |
| 361 | <b>Motor Vehicle Trade-in Fee:</b> Increases the motor vehicle trade-in fee from \$35 to \$100  | October 1, 2019, and applicable to transactions occurring on or after that date |
| 368 | <b>Fee Study:</b> Requires OPM to study state fees and report at least \$50 million in recommended increases by February 5, 2020  | Upon passage  |
| 385 | <b>Payroll Tax Information Return and Analysis:</b> Requires DRS to develop and produce an information return form to collect data necessary to evaluate the implementation of an employer payroll tax beginning January 1, 2021  | Upon passage  |

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