



## 2023 Acts Affecting Taxes

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July 25, 2023 | 2023-R-0145

## Notice to Readers

This report provides summaries of new laws (public acts and one special act) significantly affecting taxes enacted during the 2023 legislative session. OLR's other Acts Affecting reports, including Acts Affecting Business and Jobs, are, or will soon be, available on [OLR's website](#).

Each summary indicates the public act (PA) number. Not all provisions of the acts are included. The report does not include vetoed acts unless the veto was overridden. Complete summaries of public acts are, or will soon be, available on [OLR's website](#).

Readers are encouraged to obtain the full text of acts that interest them from the Connecticut State Library, House Clerk's Office, or [General Assembly's website](#).

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## **Income Tax**

### ***Earned Income Tax Credit Increase***

The FY 24-25 budget and implementer act increases the state earned income tax credit (EITC) from 30.5% to 40% of the federal credit, starting with the 2023 tax year ([PA 23-204](#), § 378, effective upon passage).

### ***Personal Income Tax Rate Cuts***

Starting with the 2024 tax year, a new law decreases the bottom two marginal income tax rates from (1) 3% to 2% and (2) 5% to 4.5%. Generally, this lowers taxes on the first (1) \$50,000 in taxable income for single filers and married people filing separately; (2) \$105,000 for joint filers; and (3) \$80,000 for heads of household. The new law gradually eliminates the benefit of these decreased marginal rates for taxpayers beginning with taxable incomes exceeding \$105,000 for single filers and married people filing separately; \$210,000 for joint filers; and \$168,000 for heads of household ([PA 23-204](#), § 376, effective upon passage, and applicable to tax years starting on or after January 1, 2024).

### ***Retirement Income Tax Exemption “Cliff”***

The FY 24-25 tax package adds a phase-out to the pension and annuity income exemption to eliminate a cliff that ended the exemption for taxpayers with incomes exceeding certain thresholds (\$100,000 for joint filers and \$75,000 for other filing statuses). Specifically, starting in 2024, the act gradually reduces the amount of pension, annuity, and individual retirement account (IRA) income a taxpayer may deduct until the exemption fully phases out at \$100,000 or \$150,000 in federal AGI, as applicable. In the case of the IRA exemption (which does not fully phase-in until the 2026 tax year), the gradual reduction applies to the portion of IRA income the law allows as a deduction, not to all IRA income ([PA 23-204](#), § 377, effective upon passage).

### ***Stillborn Tax Credit***

By law, there is a \$2,500 personal income tax credit for the birth of a stillborn child if the child would have been claimed as the taxpayer’s dependent on his or her federal income tax return. A new law applies the credit for the tax year in which the fetal death occurred, instead of the year in which the fetal death certificate was issued ([PA 23-31](#), § 10, effective upon passage and applicable to tax years starting on or after January 1, 2022).

## ***Student Loan Reimbursements***

The budget and implementer act requires the Office of Higher Education executive director, within available appropriations, to establish a pilot program to annually reimburse eligible people for up to \$5,000 of their student loan payments per year, for up to four years. The act authorizes a personal income tax deduction for recipients of these reimbursements ([PA 23-204](#), §§ 174 & 175, effective July 1, 2024, except the tax provisions are effective January 1, 2024, and applicable to tax years starting on or after that date).

## **Business Taxes**

### ***Cannabis Business Expenses Deduction***

Starting with the 2023 tax year, a new law allows personal income and corporation business taxpayers holding medical marijuana or adult-use cannabis licenses to deduct, for state tax purposes, the amount of ordinary and necessary business expenses that would be eligible for a federal tax deduction under federal law but are disallowed because marijuana is a controlled substance under the federal Controlled Substance Act.

Federal tax law specifically prohibits taxpayers from claiming a deduction or a credit for expenses paid or incurred in operating a business consisting of trafficking controlled substances that are prohibited by federal or state law ([126 U.S.C. § 280E](#)). IRS guidance indicates that marijuana business owners may deduct their costs of goods sold (their inventory) but may not deduct “ordinary and necessary” business expenses, such as wages, salaries, and travel expenses ([PA 23-204](#), §§ 377 & 379, effective upon passage).

### ***Corporation Business Tax Surcharge Extension***

The FY 24-25 budget implementer act extends the 10% corporation business tax surcharge for three additional years to the 2023, 2024, and 2025 income years. As under existing law, the surcharge applies to companies that have more than \$250 in corporation tax liability and either (1) have at least \$100 million in annual gross income in those years or (2) are taxable members of a combined group that files a combined unitary return, regardless of their annual gross income amount ([PA 23-204](#), §§ 347-349, effective upon passage; surcharge extension is applicable to income years starting on or after January 1, 2023).

### ***Pass-Through Entity Tax***

This session, the legislature made the pass-through entity (PE) tax optional, starting with the 2024 tax year. It also (1) changed the method for calculating the tax base by eliminating the “standard base method” and instead requiring all electing PEs to use the “alternative base method” to

calculate their tax liability and (2) eliminated the option for PEs to file a combined return with one or more commonly owned PEs.

Along with these changes to the PE tax, the legislature also reimposed the requirement that PEs 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. Similar requirements applied prior to 2018, before the PE tax was established ([PA 23-204](#), §§ 360-365 & 448, effective January 1, 2024, and applicable to tax years starting on or after that date).

## **Tax Credits and Incentives**

### ***Angel Investor Tax Credits for Cannabis Businesses***

This session, the legislature eliminated the 40% angel investor tax credit for eligible investments in approved cannabis businesses beginning July 1, 2023. Under prior law, angel investors who invested at least \$25,000 in approved cannabis businesses were eligible for a personal income tax credit equal to 40% of their investment, up to \$500,000. The law previously capped the amount of tax credits that could be reserved for these investments at \$15 million per fiscal year. Under the new law, no new credits may be reserved for these investments in cannabis businesses after June 30, 2023. The new law also eliminates a related provision requiring the Social Equity Council to recommend appropriate funding for the tax credits each fiscal year, beginning with FY 23 ([PA 23-204](#), §§ 355 & 356, effective July 1, 2023).

### ***Contributions to ABLE Accounts***

A new law authorizes a personal income tax deduction up to \$5,000 for individual taxpayers or \$10,000 for joint filers for contributions made to Achieving a Better Life Experience (ABLE) accounts established through Connecticut's ABLE program. It also allows taxpayers to claim a credit against the corporation business or personal income tax (but not the withholding tax) for contributions they make to the state-administered ABLE program accounts of their employees, up to \$2,500 per employee per income or taxable year, as applicable ([PA 23-137](#), §§ 57-58, effective January 1, 2024, and applicable to taxable and income years beginning on or after that date).

### ***Corporation Stock Share Plan***

A new law creates tax incentives for eligible corporations offering an employee stock-sharing arrangement that distributes their common stock to participating employees (i.e., offering a "share plan"). To qualify, the corporation must be subject to Connecticut's corporation business tax and have at least 100 fulltime employees here.

Under the new law, if the Department of Revenue Services (DRS) commissioner finds that a corporation's share plan meets specified requirements, the corporation is exempt from the corporation business tax surcharge starting in 2027. If the surcharge expires or is eliminated after the company starts claiming the exemption, it is eligible for a credit against the corporation business tax equal to the surcharge amount it would have owed had it still been in effect. It allows these companies to claim the exemption or credit, as applicable, for 10 successive income years, according to a schedule based on whether they begin offering a share plan in 2025, 2026, or 2027 and after. It also exempts from state personal income tax any share plan stock taxpayers receive, starting with the 2025 tax year.

The new law also requires the DRS commissioner, in consultation with the Office of Policy and Management (OPM) secretary, to study the share plan program established under the act, including its benefits and fiscal impact, and report his findings to the Finance, Revenue and Bonding Committee by December 15, 2023 ([PA 23-204](#), §§ 390-392, various effective dates).

### ***Donations to Eligible Youth Development Organizations***

This session, the legislature established a new tax credit for cash contributions people and businesses make to eligible "youth development organizations" to fund programs such as after-school tutoring, mentoring programs, and workforce preparedness training. Under the new law, these organizations are nonprofits that provide evidence-supported interventions to high-risk youth to improve school and family engagement and (2) offer skills development, transitional employment, and job training and support to help young adults be employed and self-sufficient.

The credit is available for the 2024 and 2025 tax years and may be applied against the corporation business tax or personal income tax, but not the withholding tax. It equals 50% of the qualifying contribution, up to a maximum of \$100,000 credit per income year for corporation taxpayers or \$20,000 credit per tax year for personal income taxpayers. The new law caps the total amount of credits that may be reserved for this program at \$2.5 million per fiscal year ([PA 23-205](#), § 161, effective January 1, 2024).

### ***Film and Digital Media Tax Credit Claims***

The law allows eligible production companies and certain taxpayers to whom they transfer credits (i.e., transferees) to apply film and digital media production tax credits against the sales and use tax at a reduced amount of their face value. For the 2024 and 2025 income years, the FY 24-25 budget and implementer act increases this amount from 78% to 92% of the credits' value ([PA 23-204](#), §§ 352 & 353, effective January 1, 2024).



### ***Fixed Capital Investment Tax Credit***

For income years starting on or after July 1, 2025, a new law allows corporations to earn fixed capital investment tax credits for investments made by certain limited liability companies (LLC) they own. Specifically, corporations may do so if they (1) are headquartered in Connecticut; (2) own, directly or indirectly, at least 80% of an LLC that, for federal tax purposes, is treated as a partnership or disregarded as an entity separate from its owner; and (3) provide telecommunications services ([PA 23-204](#), § 354, effective July 1, 2025).

### ***Historic Homes Rehabilitation Tax Credit***

New legislation changes the taxes against which historic homes rehabilitation tax credits may be claimed, thereby allowing people and nonprofits receiving the credits to apply them against their own state tax liability, rather than allocating them to a business with sufficient tax liability to claim them. For credits issued on or after January 1, 2024, the act allows (1) nonprofit corporations to claim the credits against the unrelated business income tax and (2) all other taxpayers to claim them against the personal income tax. Credits applied against the income tax are refundable, while those applied against the unrelated business income tax may be carried forward for up to four income years, as existing law allows for business taxpayers claiming the credits ([PA 23-204](#), § 357, effective January 1, 2024, and applicable to tax years starting on or after that date).

### ***Human Capital Investment Tax Credit***

Starting with the 2024 income year, the FY 24-25 tax package increases the human capital investment tax credit from 5% of the amount paid or incurred for eligible investments to (1) 10% for most eligible investments and (2) 25% for currently eligible child care-related investments (i.e., subsidies to in-state employees for in-state child care and facility-related expenses paid to establish a child care center for use primarily by in-state employees' children). It also makes additional child care-related investments eligible for the 25% credit (i.e., donations or capital contributions to nonprofit organizations for site preparation and planning, constructing, renovating, or acquiring facilities to establish a child care center for use by children living in the community, including in-state employees' children).

The new law also authorizes corporations to use the 25% human capital investment tax credits (i.e., credits for the child care-related investments) to reduce up to 70% of their corporation business tax liability each year, exempting them from the 50.01% credit cap that generally applies to other corporation tax credits ([PA 23-204](#), §§ 350 & 351, effective January 1, 2024).

## ***Pre- and Post-Broadway Productions and Live Theatrical Tours***

The FY 24-25 budget and implementer act 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 credit equals 30% of the production's eligible expenditures. Taxpayers may apply it against the personal income tax or specified business taxes. The act caps the total amount of these tax credits allowed per fiscal year at \$2.5 million ([PA 23-204](#), § 372, effective January 1, 2024, and applicable to income and tax years starting on or after that date).

## ***Reporting Requirement for Eligible Production Companies***

A new law requires production companies applying for a film and digital media production tax credit to include certain information on the jobs they created in their credit applications to the Department of Economic and Community Development (DECD).

Under existing law, within 90 days after the end of an annual period or the last production expenses are incurred, the production company must apply to DECD for a credit voucher and include with its application any information and independent certification the department requires. The new law additionally requires the company to include a report with the number of full- and part-time jobs the company created, a description of each job, and an explanation of what the company considers to be job creation for the report's purposes. DECD must then include this job creation information in the overview of the film tax industry credit program in its annual report to the legislature ([PA 23-204](#), §§ 352 & 353, effective January 1, 2024).

## ***Workforce Housing Developments***

A new law establishes various state and local financial incentives for individuals and businesses investing in and developing rental units set aside for designated workforce populations under certain programs. Among other things, the law does the following:

1. establishes a new tax credit against the personal income and corporation business taxes, administered by the Department of Housing, for individuals or entities making cash contributions to eligible developers constructing or rehabilitating eligible "workforce housing opportunity development projects" in federally designated opportunity zones;
2. expressly allows businesses making cash contributions to nonprofits developing eligible "workforce housing development projects," including those in an opportunity zone, to qualify for tax credits under the Connecticut Housing Finance Authority's Housing Tax Credit Contribution program;
3. requires municipal tax assessors to assess workforce housing opportunity development projects using the capitalization of net income method based on actual rent received for property tax assessment purposes; and

- allows municipalities to provide up to a seven-year, 70% property tax exemption for workforce housing development projects, offset by a 70% state grant in lieu of taxes ([PA 23-207](#), §§ 28-30, 32 & 33, most provisions effective June 1, 2024).

## **Other State Taxes**

### ***Aviation Fuel***

The legislature exempted aviation fuel from the 8.1% petroleum products gross earnings tax (PGET) starting July 1, 2023, and created a new aviation fuel tax that takes effect July 1, 2025, effectively creating a moratorium on the taxation of aviation fuel for FYs 24 and 25.

The new aviation fuel excise tax is 15 cents per gallon and applies to the (1) first sale in the state by companies distributing aviation fuel in the state and (2) in-state use or consumption of fuel by companies that import aviation fuel into the state or cause it to be imported (but fuel may be taxed only one time). The new tax rate must be adjusted every four years according to changes in the consumer price index. Revenue from the aviation fuel tax must be deposited in the Connecticut airport and aviation account, which the Connecticut Airport Authority uses for airport and aviation-related purposes ([PA 23-204](#), §§ 368, 370 & 371, effective July 1, 2023).

### ***Diesel Fuel Tax Rate Freeze***

By law, the motor vehicle fuels tax rate for diesel fuel is the sum of two components: the (1) flat rate (29 cents) and (2) variable rate, which is annually calculated by DRS every fiscal year and equals the product of the average wholesale per-gallon price of diesel for the prior year multiplied by the PGET rate (8.1%). Due to high diesel prices in 2022, the diesel tax rate was expected to increase significantly from the current rate of 49.2 cents per gallon when DRS recalculated the rate for FY 24. The FY 24-25 budget implementer act instead temporarily freezes the rate at the current 49.2 cents for FY 24 ([PA 23-204](#), § 367, effective upon passage).

### ***Real Estate Conveyance Tax and Mobile Home Parks Purchased by Residents***

New legislation expands the types of transactions for which a mobile manufactured home park owner must give the park's residents notice and an opportunity to purchase the park before completing the transaction. The new law exempts park owners from state or municipal conveyance tax if they sell, lease, or transfer the park to its residents in accordance with the new legislation or existing law on purchases by residents.

The exemption applies if the (1) entity buying the park is owned by more than 50% of the park's residents or has been assigned purchase rights by the association and (2) sale terms require the

guaranteed maintenance of the property as a mobile manufactured home park. Under the new legislation, the buyer is liable for the municipal portion of the conveyance tax and 50% of the state portion unless the buyer is otherwise exempt from the conveyance tax ([PA 23-125](#), effective October 1, 2023).

### ***Real Estate Conveyance Tax Exemptions and Transfers***

This session, the legislature exempted from the real estate conveyance tax any deeds of property with dwelling units where all of the units are deed-restricted as affordable housing (i.e., housing where households earning no more than the host municipality’s area median income, as determined by the U.S. Department of Housing and Urban Development, spend 30% or less of their annual income on it). For property in which only some of the units are deed-restricted affordable housing, the exemption must be proportionately reduced based on the number of unrestricted units.

Starting in FY 26, the new legislation also requires the state comptroller to transfer, from the General Fund to the Housing Trust Fund, any conveyance tax revenue the state receives each fiscal year exceeding \$300 million. It requires that the threshold amount for this transfer be adjusted annually for inflation beginning with FY 27 ([PA 23-207](#), §§ 24 & 25, effective July 1, 2023, except the provisions on the transfer of conveyance tax revenue to the Housing Trust Fund are effective October 1, 2023).

### ***Sales and Use Tax Exemption for Nonprescription Opioid Antagonists***

The FY 24-25 tax package adds nonprescription opioid antagonists to the list of nonprescription drugs that are exempt from the state sales and use tax. An “opioid antagonist” is naloxone hydrochloride (e.g., Narcan) or any similarly acting and equally safe drug that the Food and Drug Administration (FDA) has approved for treating a drug overdose. The FDA recently approved a four-milligram naloxone hydrochloride nasal spray for over-the-counter, nonprescription use ([PA 23-204](#), § 380, effective July 1, 2023, and applicable to sales made on or after that date).

## **Tax Administration and Enforcement**

### ***Highway Use Tax Reporting Frequency***

The legislature changed how frequently carriers subject to the highway use tax (i.e., highway use fee or HUF) must file returns and remit payment. Previously, carriers had to do so monthly, but a new law instead requires that they do so on a quarterly basis beginning with the fourth calendar quarter of 2023. Under the act, returns and payments are due by the last day of the month following a

calendar quarter (i.e., January 31, April 30, July 31, and October 31) ([PA 23-204](#), § 366, effective upon passage).

### ***Sharing Tax Return Information With Access Health CT Outreach***

A new law requires the DRS commissioner to revise the state's income tax return form to include a space for residents to authorize Access Health CT (i.e., the Connecticut Health Insurance Exchange) to contact them about health insurance enrollment through the exchange. It also requires DRS and Access Health CT to enter into a memorandum of understanding for sharing tax return information upon a taxpayer's authorization. ([PA 23-204](#), §§ 299-301, most provisions effective January 1, 2024).

### ***Sharing Tax Return Information With the U.S. District Court***

A new law allows the DRS commissioner to share taxpayer return information with the clerk of the U.S. District Court for the district of Connecticut. As is the case under existing law for disclosures to the jury administrator, the taxpayer return information that may be disclosed under the new law is limited to the names, addresses, Social Security numbers, and dates of birth, if available, of Connecticut residents (as determined for purposes of the state income tax) ([PA 23-46](#), § 39, effective upon passage).

## **Property Tax**

### ***Changes to Motor Vehicle Property Tax Procedures Delayed***

This session, the legislature delayed by one year provisions in a 2022 law ([PA 22-118](#), §§ 497-509) that made various changes to motor vehicle taxation and assessment procedures and were set to go into effect October 1, 2023. Among other things, these delayed provisions:

1. exempt from property tax snowmobiles, all-terrain vehicles, and utility trailers used exclusively for personal purposes;
2. require municipalities to value motor vehicles based on their manufacturer's suggested retail price (MSRP) and a 20-year depreciation schedule, rather than the schedule of values annually recommended by OPM;
3. modify the timeline for supplemental property taxes due on motor vehicles registered after each assessment year starts; and
4. require taxpayers to include on personal property declarations motor vehicles that are included in a schedule of motor vehicle plate classes established by OPM ([PA 23-204](#), §§ 209-219, effective July 1, 2023, and applicable to assessment years starting on or after October 1, 2024).

## ***Electronic Payment of Municipal Taxes***

Under existing law, municipalities may allow taxpayers to pay their tax bills using credit cards. This session, the legislature expanded the allowable payment methods to include debit cards, charge cards, and electronic payment services (e.g., PayPal) and applied the same conditions that apply to credit cards to their use (e.g., limiting the fee the municipalities may impose) ([PA 23-132](#), effective October 1, 2023).

## ***Exemption Deadline Waivers***

Under a new law, taxpayers in nine municipalities (Berlin, Bloomfield, East Hampton, Meriden, Middletown, Thomaston, Thompson, West Hartford, and West Haven) may now claim a property tax exemption for specified property and grand lists even though they missed the filing deadline ([PA 23-205](#), §§ 140-147 & 157, effective July 1, 2023).

## ***Hartford Tax Agreements***

Existing law allows Hartford to negotiate and fix assessments on improvements for retail, commercial, and residential uses that are either (1) located within the Adriaen's Landing site, including on-site related private developments, or (2) qualifying projects (i.e., "capital city projects"). A new law extends the maximum term of these fixed assessments from 15 to 20 years and eliminates the requirement that a qualifying project have received at least \$5 million in funding from the Capital Region Development Authority in order to qualify for the fixed assessment ([PA 23-205](#), § 152, effective upon passage).

## ***Property Tax Abatement for New Grocery Stores in Food Deserts***

New legislation authorizes municipalities to partially or fully abate property taxes for the 2023 or 2024 assessment years on any new grocery store established in a food desert. Grocery stores larger than 20,000 square feet must enter into a labor peace agreement with a bona fide labor organization to qualify for the abatement. The new law also allows the state to enter into a contract with a municipality to reimburse it for the foregone taxes attributed to the abatement for these assessment years ([PA 23-204](#), §§ 156 & 157, effective October 1, 2023).

## ***Property Tax Exemption for Certain Conservation Easements***

A new law allows municipalities to adopt an ordinance establishing a program to abate property taxes for qualifying portions of a taxpayer's land that are subject to a conservation restriction preserving its use as a recreational trail. To qualify, the portion of land must meet certain, specified criteria (e.g., meet the Connecticut Greenways Council's criteria for designation as a greenway, be subject to a permanent conservation restriction, and not exceed 100 feet at its widest point).

The law relatedly establishes an application and municipal approval process for these abatements. Under the new law, an abatement continues with the land (even if sold or transferred) until the municipality's legislative body, or board of selectmen if the legislative body is a town meeting, votes to end it ([PA 23-207](#), § 1, effective October 1, 2023, and applicable to assessment years starting on or after that date).

### ***Prorated PILOT Grants***

By law, if the amount appropriated for payment in lieu of taxes (PILOT) grants is not enough to fully fund them according to the statutory reimbursement rates, the grant amounts must be prorated according to a three-tiered proration method. (OPM generally determines each municipality's and district's tier designation based on its per capita property wealth, with certain exceptions.) The FY 24-25 budget and implementer act increases these tiered PILOT grant rates by three percentage points, from 50%, 40%, and 30% to 53%, 43%, and 33% ([PA 23-204](#), § 139, effective July 1, 2023).

### ***Rental Property Income and Expense Statements***

By law, municipal assessors may require rental property owners to file annual income and operating expense statements to assist in their property valuations. This session, the legislature (1) extended, from May 1 to June 1, the deadline for taxpayers to request a filing extension; (2) allowed filings and extension requests that are postmarked on or by the due date to qualify as timely even if the municipality receives them after the due date; and (3) for late filings, set time limits for municipalities to mail or deliver new bills incorporating the penalty and for bill payments to become due ([PA 23-152](#), effective July 1, 2023).

## **Tax Studies and Working Groups**

### ***Task Force to Review Boards of Assessment Appeals Proceedings***

A new seven-member task force must review boards of assessment appeals proceedings and report its findings and recommendations to the legislature by January 1, 2024. At a minimum, the review must (1) examine the current proceedings to identify problems or inefficiencies for people, companies, and municipalities; (2) recommend statutory changes to improve or lessen these problems or inefficiencies; and (3) examine the feasibility of implementing a professional, independent appeals system for these proceedings ([PA 23-204](#), § 386, effective upon passage).

### ***Task Force to Study Repeal of the Motor Vehicle Property Tax***

This session, the legislature created a task force to study the feasibility of repealing the motor vehicle property tax and the potential impact on municipal budgets. The task force must also

analyze possible sources of replacement revenue for municipalities, including an annual 8% tax on direct net premiums received by insurance companies for private passenger nonfleet auto insurance policies and on homeowner insurance policies for property in the state. The task force must submit a report on its findings and recommendations to the legislature by February 1, 2024 ([SA 23-24](#), effective upon passage).

### ***Tax Gap Analysis and Strategy***

The FY 24-25 budget and implementer act requires DRS to estimate the state’s “tax gap” and develop a strategy to address it. Under the act, the “tax gap” is the difference between taxes and fees owed under full compliance with all state tax laws and the state taxes and fees voluntarily paid, which may be caused by failing to file taxes, underreporting tax liability, or not paying all taxes and fees owed. The tax gap estimate must include an analysis of income and population distribution, expressed for (1) every 10 percentage points (i.e., by income decile); (2) the top 5% of all income taxpayers; (3) the top 1% of all income taxpayers; and (4) the top 0.5% of all income taxpayers. The commissioner must, by July 1, 2025, publish a plan that includes the department’s measurable goals for closing the tax gap, specific strategies for achieving the goals, and a timetable to measure progress toward closing the gap.

The act also requires DRS, annually starting by December 15, 2024, to report to the Finance, Revenue and Bonding Committee on the tax gap estimate and analyses, its compliance strategy, a summary of the staffing needs to implement this strategy and reduce the gap, and findings of its tax compliance initiative and audit analyses ([PA 23-204](#), § 374, effective July 1, 2023).

### ***Tax Incidence Report***

This session, the legislature expanded the scope of the tax incidence report that DRS must biennially submit to the legislature and post on its website. Specifically, the new law (1) expands the taxes covered in the report to include the PE tax and any other tax that generated at least \$100 million in the fiscal year before the report’s submission and (2) requires additional information on tax burden distribution, effective tax rates by population distribution, and the distribution of tax credits and modifications (e.g., property tax credit, EITC, PE tax credit, and other tax modifications resulting in \$25 million or more in lost revenue). It also requires the DRS commissioner, if he contracts out for the report’s preparation, to include in the report the resources he deems necessary for the department to prepare the report in-house ([PA 23-204](#), § 375, effective July 1, 2023).



## ***Working Group on the Taxation of Real and Personal Property on Tribal Land***

The legislature charged a new working group of at least 15 members with examining the taxation of reservation land held in trust for federally recognized Indian tribes in Connecticut and tangible personal property located there. The working group must report its findings and recommendations to the General Assembly by January 1, 2024 ([PA 23-204](#), § 359, effective upon passage).

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