

OFFICE OF FISCAL ANALYSIS

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sHB-5492

AN ACT ESTABLISHING A FARM INVESTMENT TAX CREDIT
AND CONCERNING THE THRESHOLD FOR CERTAIN OPTIONAL
FARM-RELATED PROPERTY TAX EXEMPTIONS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 25 \$	FY 26 \$
Revenue Serv., Dept.	GF - Revenue Loss	None	2.5 million
Revenue Serv., Dept.	GF - Cost	None	Up to 75,000

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 25 \$	FY 26 \$
Various Municipalities	Grand List Reduction	None	See Below

Explanation

The bill, which establishes a refundable corporation business and personal income tax credit for farmers' investments and increases the caps on the local option farm machinery and farm building tax exemptions, results in the fiscal impacts described below.

Section 1, which establishes a refundable farm investment tax credit, results in (1) a General Fund revenue loss of approximately \$2.5 million annually beginning in FY 26 and (2) a one-time General Fund cost of up to \$75,000 in FY 26 associated with programming updates to the CTax tax administration system and myconneCT online portal, and form modification.

Section 2 results in a grand list reduction for various municipalities

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beginning in FY 26.¹ This is associated with an increase for the maximum allowable local option property tax exemption for (1) farm machinery and (2) farm buildings. The bill increases the cap from \$100,000 to \$250,000 for farm machinery and from \$100,000 to \$500,000 for farm buildings. This will only impact municipalities that have adopted the additional exemption.²

Under current law, the local option property tax exemption for farm machinery is in addition to a state-mandated farm machinery tax exemption of \$100,000.³

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation and the number of municipalities that increase the cap for the additional exemptions.

¹ A grand list reduction results in a revenue loss given a constant mill rate. However, it is likely that a municipality will adjust its mill rate to offset any predicted revenue loss.

² According to a 2019 survey, 30 municipalities offered these optional exemptions.

³ In FY 24, the farm and mechanics property tax exemption totaled \$96 million of taxable property across all municipalities cumulatively.