

PART III. REVENUE

Revenue Impact of Policy Changes included in the FRB Revenue Schedule

In Millions of Dollars

Enacting Authority	Policy	FY 22 \$	FY 23 \$	FY 24 \$	FY 25 \$	FY 26 \$
General Fund						
Personal Income Tax						
Sec. 433 of PA 21-2 JSS	Phase in a Tax Exemption for Certain Income for Individual Retirement Accounts (IRAs)	-	-	(32.5)	(43.4)	(64.6)
N/A	Reflect Revenue Update	350	150	50.0	50.0	50.0
	Subtotal	350	150	17.5	6.6	(14.6)
Sales and Use Tax						
Sec. 435 of PA 21-2 JSS	Exempt Breastfeeding Supplies from Sales Tax	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Sec. 436 of PA 21-2 JSS	Provide Temporary Relief to Certain Businesses Collecting Sales Tax on Meals and Beverages	(7.0)	-	-	-	-
Sec. 429 of PA 21-2 JSS	Expand Applicability of the Film Production Tax Credit (at a Discounted Rate)	2.2	4.3	4.3	4.3	4.3
N/A	Reflect Revenue Update	45	45	45	45	45
	Subtotal	39.7	48.8	48.8	48.8	48.8
Corporation Tax						
Secs. 422-423 of PA 21-2 JSS	Extend the Corporation Business Tax Surcharge	80.0	50	-	-	-
Sec. 424 of PA 21-2 JSS	Adjust the Capital Base Tax Method	20.9	29.2	40.5	37.8	28.9
Secs. 426 of PA 21-2 JSS	Restore the Research and Development (R&D) Tax Credit Cap to 70% of Liability	(6.5)	(17.2)	(21.5)	(21.5)	(21.5)
Secs. 427 of PA 21-2 JSS	Limit the Carryforward of New R&D Tax Credits	-	-	-	-	-
	Subtotal	94.4	62	19	16.3	7.4
Cigarette Tax						
Not Enacted	Reflect the Impact of Banning Flavored Vaping Products	(1.3)	(2.5)	(2.5)	(2.5)	(2.5)
	Subtotal	(1.3)	(2.5)	(2.5)	(2.5)	(2.5)
Alcoholic Beverages						
Sec. 437 of PA 21-2 JSS	Lower the Alcohol Excise Tax Rate on Beer	-	-	(2)	(2)	(2)
	Subtotal	-	-	(2)	(2)	(2)

Enacting Authority	Policy	FY 22 \$	FY 23 \$	FY 24 \$	FY 25 \$	FY 26 \$
Admissions and Dues						
Sec. 434 of PA 21-2 JSS	Repeal the Admissions Tax for all Places of Amusement, Entertainment or Recreation (Except Movie Theaters Venues)	(11)	(11)	(11)	(11)	(11)
	Subtotal	(11)	(11)	(11)	(11)	(11)
Miscellaneous						
N/A	Implement Data Analytics Initiative	-	40	40	40	40
Sec. 450 of PA 21-2 JSS	Implement a Tax Amnesty Program	40	(4)	-	-	-
	Subtotal	40	36	40	40	40
Refunds of Taxes						
Sec. 432 of PA 21-2 JSS	Maintain Limits on Property Tax Credits	53.0	53.0	-	-	-
	Subtotal	53.0	53.0	-	-	-
Earned Income Tax Credit						
Sec. 430 of PA 21-2 JSS	Adjust EITC Rate	(40.7)	(40.7)	(40.7)	(40.7)	(40.7)
	Subtotal	(40.7)	(40.7)	(40.7)	(40.7)	(40.7)
Transfers-Special Revenue						
PA 21-23	Modernize Gaming and Lottery	17.1	19.7	25.6	31.9	39.7
PA 21-23	Increase Deposit into the Chronic Gamblers Account	(1)	(1)	(1)	(1)	(1)
	Subtotal	16.1	18.7	24.6	30.9	38.7
Indian Gaming Payments						
PA 21-23	Modernize Gaming and Lottery	13.4	23.4	33.3	43.8	61.9
	Subtotal	13.4	23.4	33.3	43.8	61.9
Rents, Fines and Escheats						
PA 21-58	Revamp the State's Beverage Container Redemption Law	-	0.5	0.1	0.5	(13)
	Subtotal	-	0.5	0.1	0.5	(13)
Miscellaneous						

Enacting Authority	Policy	FY 22 \$	FY 23 \$	FY 24 \$	FY 25 \$	FY 26 \$
Secs. 438-443 of PA 21-2 JSS	Impose Convenience Fee for Credit/Debit Card Use	-	2.5	2.5	2.5	2.5
	Subtotal	-	2.5	2.5	2.5	2.5
Refunds of Payments						
CGS Sections 19a-631 and 19a-632	Reflect Anticipated Adjustment to the Office of Health Strategy Hospital Assessment	-	1.3	1.3	1.3	1.3
	Subtotal	-	1.3	1.3	1.3	1.3
Federal Grants						
N/A	Enhanced FMAP (+6.2%) Extended for Qtrs. Ending 9/30/21 & 12/31/21	59.1	-	-	-	-
N/A	Recognize Federal Revenue Gain Attributable to Expenditure Changes	43.7	54.3	54.3	54.3	54.3
Secs. 496-500 of PA 21-2 JSS	Further Limit Public Assistance Recoveries	(6)	(6)	(6)	(6)	(6)
	Subtotal	96.8	48.3	48.3	48.3	48.3
Transfers from/ (to) Other Funds						
Sec. 451 of PA 21-2 JSS	Transfer to the Tourism Fund	(3.1)	-	-	-	-
Sec. 452 of PA 21-2 JSS	Delay Historical GAAP (Generally Accepted Accounting Principles) Deficit Payment to FY 24	85.1	85.1	(34)	(34)	(34)
Sec. 448 of PA 21-2 JSS transfers funds during the biennium	Transfer from MRSA to Support Municipal Transition Grants and Expanded PILOT Spending in the General Fund	262.7	276.3	276.3	276.3	276.3
Sec. 453 of PA 21-2 JSS	Apply Federal Stimulus as Revenue	559.9	1,194.9	-	-	-
	Subtotal	904.6	1,556.3	242.3	242.3	242.3
Volatility Cap Adjustment						
N/A	Reflect Revenue Update	(300)	(100)	-	-	-
	Subtotal	(300)	(100)	-	-	-
	Grand Total GF	1,263.8	1,846.8	421.7	425.3	387.6
Special Transportation Fund						
Sales and Use Tax						

Part III. Revenue

Enacting Authority	Policy	FY 22 \$	FY 23 \$	FY 24 \$	FY 25 \$	FY 26 \$
Sec. 435 of PA 21-2 JSS	Exempt Breastfeeding Supplies from Sales Tax (rounded revenue impact less than \$50,000)	-	-	-	-	-
N/A	Reflect Revenue Update	5	5	5	5	5
	Subtotal	5	5	5	5	5
Refunds of Payments						
Secs. 438-443 of PA 21-2 JSS	Impose Convenience Fee for Credit/Debit Card Use	-	2.5	2.5	2.5	2.5
	Subtotal	-	-	2.5	2.5	2.5
	Grand Total STF	5	7.5	7.5	7.5	7.5
Tourism Fund						
Sec. 451 of PA 21-2 JSS	Transfer to the Tourism Fund	3.1	-	-	-	-
	Grand Total TF	3.1	-	-	-	-
GRAND TOTAL (ALL APPROPRIATED FUNDS)		1,271.9	1,854.3	429.2	432.8	369.2

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General Fund FY 22 and FY 23 Revenue Schedule

(in thousands)

Revenue Source	January Consensus FY 22	Governor Policies	Governor FY 22 Revenue	Consensus Update (April)	April Consensus FY 22	Legislative Revenue Policies	Legislative Revenue FY 22 Revenue
Taxes							
Personal Income Tax- Withholding	7,160,200	24,400	7,184,600	161,700	7,321,900	50,000	7,371,900
Estimates and Finals	2,589,100	-	2,589,100	100,000	2,689,100	300,000	2,989,100
Capital Gains Tax	-	-	-	-	-	-	-
Sales and Use	4,134,700	379,100	4,513,800	100,200	4,234,900	39,650	4,274,550
Corporations	989,800	100,900	1,090,700	31,400	1,021,200	94,400	1,115,600
Pass-Through Entity Tax	1,233,300	-	1,233,300	252,500	1,485,800	-	1,485,800
Public Service Corporations	267,500	5,300	272,800	(5,100)	262,400	-	262,400
Inheritance and Estate	154,400	-	154,400	10,000	164,400	-	164,400
Insurance Companies	217,200	7,500	224,700	15,200	232,400	7,500	239,900
Alcoholic Beverages	73,600	-	73,600	3,000	76,600	-	76,600
Cigarettes	319,600	(1,900)	317,700	4,600	324,200	(1,300)	322,900
Real Estate Conveyance	237,400	-	237,400	30,000	267,400	-	267,400
Admissions and Dues	36,400	-	36,400	1,900	38,300	(11,000)	27,300
Miscellaneous Taxes	22,000	43,200	65,200	-	22,000	40,000	62,000
Health Provider	989,700	(500)	989,200	(15,000)	974,700	-	974,700
Total Taxes	18,424,900	558,000	18,982,900	690,400	19,115,300	519,250	19,634,550
Refunds of Taxes	(1,624,700)	53,000	(1,571,700)	-	(1,624,700)	53,000	(1,571,700)
Earned Income Tax Credit	(104,000)	-	(104,000)	(28,700)	(132,700)	(40,700)	(173,400)
R & D Credit Exchange	(6,600)	-	(6,600)	-	(6,600)	-	(6,600)
Taxes Less Refunds	16,689,600	611,000	17,300,600	661,700	17,351,300	531,550	17,882,850
Other Revenue							
Indian Gaming Payments	232,600	-	232,600	-	232,600	13,400	246,000
Transfer Special Revenue	371,300	2,000	373,300	-	371,300	16,100	387,400
Licenses, Permits and Fees	359,500	7,000	366,500	(7,400)	352,100	-	352,100
Rentals, Fines and Escheats	160,000	-	160,000	-	160,000	-	160,000
Investment Income	6,600	-	6,600	-	6,600	-	6,600
Sales of Commodities	25,900	-	25,900	-	25,900	-	25,900
Miscellaneous	245,400	-	245,400	-	245,400	-	245,400
Refunds of Payments	(63,900)	1,300	(62,600)	(10,000)	(73,900)	1,300	(72,600)
Total Other Revenue	1,337,400	10,300	1,347,700	(17,400)	1,320,000	30,800	1,350,800
Other Sources							
Federal Grants	1,466,000	83,700	1,549,700	289,100	1,755,100	96,800	1,851,900
Transfer from Tobacco Settlement	113,100	-	113,100	13,100	126,200	-	126,200
Transfers From/To Other Funds	(129,600)	860,000	730,400	3,785	(125,815)	904,600	778,785
Total Other Sources	1,449,500	943,700	2,393,200	305,985	1,755,485	1,001,400	2,756,885

Revenue Source	January Consensus FY 22	Governor Policies	Governor FY 22 Revenue	Consensus Update (April)	April Consensus FY 22	Legislative Revenue Policies	Legislative Revenue FY 22
Volatility Adjustment							
Volatility Cap Adjustment	(312,000)	-	(312,000)	(357,200)	(669,200)	(300,000)	(969,200)
Total Volatility Adjustment	(312,000)	-	(312,000)	(357,200)	(669,200)	(300,000)	(969,200)
Total General Fund	19,164,500	1,565,000	20,729,500	593,085	19,757,585	1,263,750	21,021,335

Revenue Source	January Consensus FY 23	Governor Policies	Governor FY 23 Revenue	Consensus Update (April)	April Consensus FY 23	Legislative Revenue Policies	Legislative Revenue FY 23 Revenue
Taxes							
Personal Income Tax- Withholding	7,449,800	40,800	7,490,600	168,400	7,618,200	50,000	7,668,200
Estimates and Finals	2,651,500	-	2,651,500	102,400	2,753,900	100,000	2,853,900
Capital Gains Tax	-	-	-	-	-	-	-
Sales and Use	4,148,000	398,100	4,546,100	100,400	4,248,400	48,800	4,297,200
Corporations	1,019,300	79,200	1,098,500	32,700	1,052,000	62,000	1,114,000
Pass-Through Entity Tax	1,301,500	-	1,301,500	266,400	1,567,900	-	1,567,900
Public Service Corporations	274,500	5,300	279,800	(5,200)	269,300	-	269,300
Inheritance and Estate	150,200	-	150,200	-	150,200	-	150,200
Insurance Companies	220,200	200	220,400	15,400	235,600	200	235,800
Alcoholic Beverages	74,000	-	74,000	3,000	77,000	-	77,000
Cigarettes	303,700	(2,500)	301,200	4,400	308,100	(2,500)	305,600
Real Estate Conveyance	244,800	-	244,800	-	244,800	-	244,800
Admissions and Dues	39,900	-	39,900	2,100	42,000	(11,000)	31,000
Miscellaneous Taxes	22,500	54,900	77,400	-	22,500	36,000	58,500
Health Provider	991,800	(500)	991,300	-	991,800	-	991,800
Total Taxes	18,891,700	575,500	19,467,200	690,000	19,581,700	283,500	19,865,200
Refunds of Taxes	(1,680,700)	53,000	(1,627,700)	-	(1,680,700)	53,000	(1,627,700)
Earned Income Tax Credit	(107,000)	-	(107,000)	(2,700)	(109,700)	(40,700)	(150,400)
R & D Credit Exchange	(6,800)	-	(6,800)	-	(6,800)	-	(6,800)
Taxes Less Refunds	17,097,200	628,500	17,725,700	687,300	17,784,500	295,800	18,080,300
Other Revenue							
Indian Gaming Payments	228,400	47,300	275,700	-	228,400	23,400	251,800
Transfer Special Revenue	377,800	3,000	380,800	-	377,800	18,700	396,500
Licenses, Permits and Fees	335,000	4,400	339,400	(7,500)	327,500	-	327,500
Rentals, Fines and Escheats	164,400	-	164,400	-	164,400	500	164,900
Investment Income	7,400	-	7,400	-	7,400	-	7,400
Sales of Commodities	26,600	-	26,600	-	26,600	-	26,600
Miscellaneous	235,400	2,500	237,900	-	235,400	2,500	237,900
Refunds of Payments	(65,100)	1,300	(63,800)	-	(65,100)	1,300	(63,800)
Total Other Revenue	1,309,900	58,500	1,368,400	(7,500)	1,302,400	46,400	1,348,800
Other Sources							
Federal Grants	1,573,000	23,570	1,596,570	7,500	1,580,500	48,300	1,628,800
Transfer from Tobacco Settlement	112,200	-	112,200	9,900	122,100	-	122,100
Transfers From/To Other Funds	(124,500)	1,063,100	938,600	(3,825)	(128,325)	1,556,300	1,427,975
Total Other Sources	1,560,700	1,086,670	2,647,370	13,575	1,574,275	1,604,600	3,178,875
Volatility Adjustment							
Volatility Cap Adjustment	(338,600)	-	(338,600)	(359,600)	(698,200)	(100,000)	(798,200)

Revenue Source	January Consensus FY 23	Governor Policies	Governor FY 23 Revenue	Consensus Update (April)	April Consensus FY 23	Legislative Revenue Policies	Legislative Revenue FY 23
Total Volatility Adjustment	(338,600)	-	(338,600)	(359,600)	(698,200)	(100,000)	(798,200)
Total General Fund	19,629,200	1,773,670	21,402,870	333,775	19,962,975	1,846,800	21,809,775

Policies Details - General Fund

Personal Income Tax-Withholding

Reflect Revenue Update

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	50,000,000	50,000,000	50,000,000	50,000,000

Legislative Revenue: Reflect updated (May 2021) revenue projections by the Office of Fiscal Analysis.

Adjust Teachers' Pension Exemption

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
8,000,000	8,000,000	-	-	(8,000,000)	(8,000,000)

Background: PA 14-47, the FY 15 Revised Budget, exempted a portion of teachers' pension income from the state personal income tax. It established an income tax exemption for teachers' pension income phased-in from 10% (Income Year 2015) to 25% (Income Year 2016) and up to 50% in Income Year 2017 and thereafter. The scheduled increase to 50% has been delayed until Income Year 2021.

Governor: Postpone the scheduled increase to 50% until January 1, 2023. Sections 26 and 27 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implement the policy.

Legislative Revenue: Do NOT postpone the scheduled increase to a 50% exemption for certain income.

Adjust Pension and Annuity Exemption

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
16,400,000	32,800,000	-	-	(16,400,000)	(32,800,000)

Background: Section 641 of PA 17-2 JSS eliminates the income tax on pension and annuity income for taxpayers with federal adjusted gross incomes (AGI) below (1) \$75,000 for single filers, married people filing separately, and heads of households and (2) \$100,000 for married people filing jointly. The exemption is implemented in equal portions over seven Income Years: 2019 through 2025. Once fully implemented, the revenue loss is \$115 million based on current estimates.

Governor: Postpone scheduled increases in the exemption level. Sections 26 and 27 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implement the policy.

Legislative Revenue: Do NOT postpone scheduled increases in the exemption level.

Phase In Tax Exemption for Income from Individual Retirement Accounts (IRAs)

Background: Section 641 of PA 17-2 JSS eliminates the income tax on pension and annuity income for taxpayers with federal adjusted gross incomes (AGI) below (1) \$75,000 for single filers, married people filing separately, and heads of households and (2) \$100,000 for married people filing jointly. The exemption is implemented in equal portions over seven Income Years: 2019 through 2025. Once fully implemented, the revenue loss is \$115 million based on current estimates. The Department of Revenue Services (DRS) has determined that this exemption does not apply to income from IRAs.

Legislative Revenue: Applying the same income thresholds for the pension and annuity income tax exemption, exempt income from IRAs phased in as follows: 1) 25% in Income Year 2023; 2) 50% in Income Year 2024; 3) 75% in Income Year 2025; and 4) 100% in Income Years 2026 and beyond. Once fully implemented, it is estimated that the policy would result in an annual General Fund revenue loss of \$71 million.

Section 433 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Estimates and Finals

Reflect Revenue Update

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	300,000,000	100,000,000	300,000,000	100,000,000

Legislative Revenue: Reflect updated (May 2021) revenue projections by the Office of Fiscal Analysis.

Expand Angel Investor Tax Credit to Include Cannabis Businesses

Legislative Revenue: Extend the state angel investor tax credit (against the Personal Income Tax) program to eligible cannabis businesses owned and controlled by social equity applicants, allow investors to claim a 40% income tax credit for credit-eligible investments in these businesses and raise the overall cap on angel investor tax credits. The policy is anticipated to result in revenue losses in the estimated and finals portion of the personal income tax of \$15 million in each year of the FY 22 - FY 23 Biennium; these revenue losses would be offset by reductions to the volatility adjustment transfer to the Budget Reserve Fund in the same amounts for a net General Fund impact anticipated to be \$0. The policy is NOT reflected in the revenue schedule adopted by the Finance, Revenue and Bonding Committee on June 7, 2021.

Section 133 of PA 21-1 JSS, *AAC Responsible and Equitable Regulation of Adult-Use Cannabis*, implements the policy.

Sales and Use

Legalize Adult-use Cannabis

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
1,900,000	11,500,000	-	-	(1,900,000)	(11,500,000)

Governor: Legalize sales of adult-use cannabis beginning in May 2022.

- There are three tax types on cannabis: excise taxes on cultivation, a municipal sales tax at retail, and the state sales tax at retail and delivery.
- The excise taxes are \$1.25 per dry gram of flower, \$0.50 per dry gram of trim, and \$0.28 per gram for wet cannabis.
 - The excise tax will be collected upon the first use, transfer, or sale of cannabis.
 - In total, the state excise taxes represent an approximate 9% tax rate.
 - 50% of the excise tax proceeds will be directed toward municipal aid.
- The standard sales tax rate will apply statewide (including prepared foods), and towns will collect a 3% sales tax for their own revenues.
- Various new licensing fees apply.

SB 888, *An Act Responsibly and Equitably Regulating Adult-Use Cannabis*, implements the policy.

Legislative Revenue: Reflect the impact of PA 21-1 JSS, *AAC Responsible and Equitable Regulation of Adult-Use Cannabis*.

See Section IV for more details on this policy.

Reflect Revenue Update

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	45,000,000	45,000,000	45,000,000	45,000,000

Legislative Revenue: Reflect updated (May 2021) revenue projections by the Office of Fiscal Analysis.

Lower the Alcohol Excise Tax Rate on Beer

Legislative Revenue: Reduce the excise tax on beer from \$.24/gallon back to its 2011 rate of \$.20/gallon, effective July 1, 2023. The annualized, estimated state General Fund revenue loss is \$2 million beginning in FY 24.

Section 437 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Adjust the Sales Tax Transfer to the Municipal Revenue Sharing Account (MRSA)

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
377,200,000	386,600,000	-	-	(377,200,000)	(386,600,000)

Background: The FY 16 - FY 17 Biennial Budget (PA 15-244, as amended by PA 15-5 JSS) diverted a portion of future Sales and Use Tax revenues to the Municipal Revenue Sharing Account (MRSA) as follows:

- 0.3% percentage points effective January 1, 2016, through April 30, 2017;
- 0.4% percentage points effective May 1, 2017, through June 30, 2017; and
- 0.5% percentage points effective July 1, 2017 and beyond.

However, PA 16-2 MSS, *An Act Adjusting the State Budget for the Biennium Ending June 30, 2017*, suspended the transfer for FY 17 and swept the balance of MRSA from the FY 16 transfers. Instead, PA 16-2 MSS provided a transfer out of the Resources of the General Fund to the temporary Municipal Revenue Sharing Fund for FY 17 only. Under PA 16-2 MSS, the transfer to MRSA was to restart on July 1, 2017, at a rate of 0.5% percentage points. However, Sections 637-638 of PA 17-2 JSS suspended the revenue transfer through FY 19, and Sections 62-63 of PA 18-81 extended that suspension through FY 21.

Governor: Extend the temporary suspension of the MRSA revenue diversion through FY 23. Sections 29 and 30 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, enact this provision.

Legislative Revenue: Allow the MRSA revenue diversion at a rate of 0.5% percentage points to go into effect on July 1, 2021, as previously scheduled.

Make the Purchase of Beer Supplies Exempt from the Sales and Use Tax

Legislative Revenue: Effective July 1, 2023, extend specified manufacturing-related sales and use tax exemptions to beer manufacturers that are not currently eligible because they manufacture beer at a facility that also makes substantial retail sales.

The estimated, annual General Fund revenue loss due to the policy is \$1.3 million beginning in FY 24.

Section 459 of PA 21-2 JSS, *AAC Provisions Related to Revenue and other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Provide Temporary Relief to Certain Businesses Collecting Sales Tax on Meals and Beverages

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	(7,000,000)	-	(7,000,000)	-

Legislative Revenue: Allow certain businesses (e.g., hotels, restaurants, and bars) to keep the 7.35% sales tax they collect on sales of meals and beverages for one week. Per DRS guidance, businesses may choose one of the following weekly periods: 8/1/2021 to 8/7/2021; 12/12/21 to 12/18/21; 5/15/2022 to 5/21/2022.

Section 436 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Exempt Breastfeeding Supplies from Sales Tax

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	(500,000)	(500,000)	(500,000)	(500,000)

Legislative Revenue: Exempt breastfeeding supplies from sales and use tax. The exemption covers taxable purchases or rentals of breast pumps and eligible accessories, qualifying parts and services.

Section 435 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Expand Applicability of the Film Production Tax Credit (at a Discounted Rate)

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	2,150,000	4,300,000	2,150,000	4,300,000

Background: Under prior law, the credit could only be claimed against a corporation business and/or insurance premiums tax liability. Section 626 of Public Act 17-2 of the June Special Session expanded the applicability of this tax credit to the public service companies' tax for income years starting on or after January 1, 2018 at:

- 95% of the tax credit amount if it is transferred, assigned, or sold to a non-related party, or
- 92% of the tax credit amount if it is transferred, assigned, or sold to an entity with at least 50% common ownership.

Legislative Revenue: Allow the film production tax credit to be claimed against the sales and use tax at 78% of the total tax credit amount beginning on or after January 1, 2022 (only if there is at least 50% common ownership between the transferee and transferor).

Section 429 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Corporations

Extend the Corporation Business Tax Surcharge

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
80,000,000	50,000,000	80,000,000	50,000,000	-	-

Background: Sections 76 and 79 of PA 11-6 established a temporary 20% corporation business tax surcharge for income years 2012 and 2013. The temporary 20% surcharge was continued through income year 2017 and reduced to 10% through income year 2020, after which the surcharge is sunset.

Governor: Establish a permanent corporate tax surcharge of 10%. Companies with less than \$100 million in annual gross revenues or whose tax liability does not exceed the \$250 minimum tax are exempt. Sections 31, 32, and 34 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implement this provision.

Legislative Revenue: Extend the 10% corporation business tax surcharge through income year 2022. Companies with less than \$100 million in annual gross revenues or whose tax liability does not exceed the \$250 minimum tax are exempt.

Sections 422 and 423 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implement the policy.

Adjust the Capital Base Tax Method

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
20,900,000	29,200,000	20,900,000	29,200,000	-	-

Background: Section 340 of PA 19-117 phases out the capital base method under the corporation business tax with a complete elimination by Income Year 2024.

Governor: Delay until 2024 the beginning of the scheduled, incremental reduction to rates; also delay full repeal of the tax until 2028. Sections 33 and 34 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implement the policy.

Legislative Revenue: Same as Governor.

Section 424 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Restore the Research and Development (R&D) Tax Credit Cap to 70% of Liability

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	(6,500,000)	(17,200,000)	(6,500,000)	(17,200,000)

Background: The 2020-2021 Biennial Budget permanently reduced the value of R&D credits against the corporation business tax to 50.01% of liability.

Legislative Revenue: Undo the policy enacted in the 2020-2021 budget to reduce usage of R&D credits from 70% to 50.01% of tax liability. Phase in as follows: 50.01% to 60% in Income Year 21 then to 70% in Income Year 22. The fully realized annual revenue loss is anticipated to be \$21.5 million in FY 24 and beyond.

Sections 426 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Public Service Corporations

Consider Limiting Tax Credits Claimed Against the Public Utilities Tax

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
2,000,000	2,000,000	-	-	(2,000,000)	(2,000,000)

Background: There is no cap on utilization of tax credits against this tax, as there is with the corporation business tax and insurance premiums tax.

Governor: Cap utilization of tax credits at 50.01% of liability under the public service companies' tax. Section 37 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy.

Legislative Revenue: Do NOT cap utilization of tax credits under the public service companies' tax.

Adjust an Exemption for Natural Gas Sold to a Facility with 775 MW Capacity

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
3,300,000	3,300,000	-	-	(3,300,000)	(3,300,000)

Background: Statute exempts the gross earnings a gas company makes by selling gas to an existing combined-cycle generating plant comprised of 3 gas turbines with a total capacity of 775 MW used to generate electricity. PA 04-180 enacted the exemption, which reads as follows: "...provided gross income shall not include income from the sale of natural gas to an existing combined cycle facility comprised of three gas turbines providing electric generation services...with a total capacity of seven hundred seventy-five megawatts, for use in the production of electricity."

Governor: Eliminate an exemption from the public service companies' tax. Section 36 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy.

Legislative Revenue: Do NOT eliminate the exemption.

Insurance Companies

Reflect the Impact of a Captive Insurers Initiative

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
7,500,000	200,000	7,500,000	200,000	-	-

Background: There are currently 22 captive insurance companies domiciled in Connecticut, with six new captives licensed in 2021. However, many others are either domiciled in other states or abroad.

Governor: Provide incentives (via tax amnesty) for insurance companies to establish or relocate captive insurance companies in Connecticut. The proposal establishes a 3-year look-back and waiver of penalties on outstanding liabilities for CT insureds that have not paid the independently procured insurance premium tax for those who take advantage of this opportunity by July 1, 2022. Section 2 of HB 6388, *AAC The Insurance Department's Recommendations Regarding Captive Insurance Companies*, implements the policy.

Legislative Revenue: Reflect the impact of implementing a captive insurers initiative in the revenue schedule adopted by the Finance, Revenue and Bonding Committee on June 7, 2021.

However, the policy was NOT enacted.

Alcoholic Beverages

Lower the Alcohol Excise Tax Rate on Beer

Legislative Revenue: Reduce the excise tax on beer from \$.24/gallon back to its 2011 rate of \$.20/gallon, effective July 1, 2023. The annualized, estimated state General Fund revenue loss is \$2 million beginning in FY 24.

Section 437 of PA 21-2 JSS, AAC *Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Cigarettes

Reflect the Impact of Banning Flavored Vaping Products

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
(1,900,000)	(2,500,000)	(1,300,000)	(2,500,000)	600,000	-

Background: Historically, flavoring agents have been added to tobacco products to attract the interest of young tobacco users, especially since flavors help to mask the harsh taste of tobacco and assist in making them a more appealing product. Department of Public Health 2019 data show that over 35% of Connecticut high school seniors (35.3%) reported vaping. A report published in 2015, and confirmed in 2019, in the Journal of the American Medical Association stated that over three quarters of the youth surveyed started using tobacco with a flavored product.

Governor: Prohibit the sale of flavored vaping products, set more stringent nicotine content limits in electronic nicotine delivery systems, and establish penalties for underage sale of these products. Sections 1 - 6 of HB 6450, AA *Implementing the Governor's Budget Recommendations Concerning Public Health*, implements the policy.

Legislative Revenue: Reflect the impact of banning flavored vaping products in the revenue schedule adopted by the Finance, Revenue and Bonding Committee on June 7, 2021.

However, the policy was NOT enacted.

Admissions and Dues

Repeal the Admissions Tax for all Places of Amusement, Entertainment or Recreation (Except Movie Theaters)

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	(11,000,000)	(11,000,000)	(11,000,000)	(11,000,000)

Legislative Revenue: Repeal the tax for all places of amusement, entertainment, or recreation except movie theaters.

Section 434 of PA 21-2 JSS, AAC *Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Miscellaneous Taxes

Legalize Adult-use Cannabis

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
3,200,000	18,900,000	-	-	(3,200,000)	(18,900,000)

Governor: Legalize sales of adult-use cannabis beginning in May 2022.

- There are three tax types on cannabis: excise taxes on cultivation, a municipal sales tax at retail, and the state sales tax at retail and delivery.
- The excise taxes are \$1.25 per dry gram of flower, \$0.50 per dry gram of trim, and \$0.28 per gram for wet cannabis.
 - The excise tax will be collected upon the first use, transfer, or sale of cannabis.
 - In total, the state excise taxes represent an approximate 9% tax rate.
 - 50% of the excise tax proceeds will be directed toward municipal aid.
- The standard sales tax rate will apply statewide (including prepared foods), and towns will collect a 3% sales tax for their own revenues.
- Various new licensing fees apply.

SB 888, *An Act Responsibly and Equitably Regulating Adult-Use Cannabis*, implements the policy.

Legislative Revenue: Reflect the impact of PA 21-1 JSS, *AAC Responsible and Equitable Regulation of Adult-Use Cannabis*.

See Section IV for more details on this policy.

Implement Data Analytics Initiative

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	40,000,000	-	40,000,000	-	-

Background: Provide funding of \$750,000 in FY 22 and \$1.13 million in FY 23 for a Data Analytics Initiative within DRS comprising software costs of \$750,000 each year and Personal Services costs for five positions (one Program Manager and four Economists) totaling \$380,000 in FY 23.

Governor: Recognize the positive revenue impact of providing additional resources to DRS.

Legislative Revenue: Same as Governor.

Implement a Tax Amnesty Program

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
40,000,000	(4,000,000)	40,000,000	(4,000,000)	-	-

Background: Tax amnesty programs have been previously undertaken in 2013, 2009, 2002, 1995, and 1990. Revenues raised from those programs totaled \$192.6 million, \$25 million, \$109 million, \$46 million, and \$54 million, respectively. The 2013 tax amnesty program was budgeted to produce a \$35m revenue gain in FY 14 (\$11.9 million under the personal income tax; \$12.6 million under the sales and use tax; and \$10.5m in the corporation business tax).

Governor: Provide a tax amnesty program during the period from November 1, 2021, to January 31, 2022, inclusive. Section 38 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy.

Legislative Revenue: Same as Governor.

Section 450 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Health Provider

Adjust the Ambulatory Surgical Center Tax

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
(500,000)	(500,000)	-	-	500,000	500,000

Background: Section 197 of Public Act 16-3, May Special Session, required the Office of Policy and Management (OPM) to conduct a study of the impact of the gross receipts tax on ambulatory surgical centers (ASCs) and submit a report making recommendations to modify the tax.

Governor: Limit the tax base to gross receipts from facility fees (excluding surgical procedures) and eliminate the tax exemption for the first \$1 million in receipts. Sections 14-22 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implement the policy.

Legislative Revenue: Beginning July 1, 2023, replace the current 6% gross receipts tax on ASCs with a 3% net revenue tax on ASC services, subject to certain exclusions; eliminate the current exemption for the first \$1 million of ASC gross receipts but retain the exemption for Medicaid and Medicare payments.

The annual net revenue loss to the General Fund is estimated to be \$9.5 million beginning in FY 24.

Sections 462-468 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implement the policies.

Refunds of Taxes

Maintain Limits on Property Tax Credits

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
53,000,000	53,000,000	53,000,000	53,000,000	-	-

Background: Section 644 of PA 17-2 JSS, the FY 18-19 biennial budget, temporarily (2017 and 2018 Income Years) limited eligibility for the \$200 property tax credit to people who (1) are age 65 or older before the end of the applicable income year or (2) validly claim at least one dependent on their federal income tax return for that year. Section 335 of PA 19-117 extended this limitation through the FY 20-FY 21 biennium (2019 and 2020 Income Years).

Governor: Maintain limited eligibility through the FY 22-FY 23 biennium. Section 28 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, enacts the provision.

Legislative Revenue: Same as Governor.

Section 432 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Earned Income Tax Credit

Adjust the Earned Income Tax Credit (EITC) Rate

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	(40,700,000)	(40,700,000)	(40,700,000)	(40,700,000)

Legislative Revenue: The revenue schedule adopted by the Finance, Revenue and Bonding Committee reflected the revenue loss due to increasing the state EITC rate from 23% to 32% of the federal credit.

However, the newly enacted state EITC rate is 30.5%, with an annual revenue loss estimated to be \$34.1 million beginning in FY 22.

Section 430 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, increases the state EITC rate to 30.5% of the federal credit.

R & D Credit Exchange

Limit the Carryforward of New R&D Tax Credits

Background: In total, \$1.7 billion in R&D tax credits against the corporation business tax were carried forward to Income Year 2019. These credits represent over one half of all carry forward credits against the corporation business tax in IY 2019 (\$2.9 billion). The FY 20-FY 21 Biennial Budget permanently reduced the value of R&D credits against the corporation business tax to 50.01% of liability.

Governor: Limit the carryforward of newly earned R&D tax credits to 15 years. Section 35 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, enacts the proposal prospectively.

Legislative Revenue: Same as Governor.

Section 427 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Indian Gaming Payments

Modernize Gaming and Lottery

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	47,300,000	13,400,000	23,400,000	13,400,000	(23,900,000)

Governor: Modernize the gaming industry through: 1) operation of sports betting; 2) e-sports and daily fantasy contests both on and off of tribal lands; 3) operation of online casino gaming within the state; and 4) online operation of Keno within the state. In addition, expand lottery games to an online platform.

Sections 7-13 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, and HB 6451, *AAC Gaming Agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut* enact these provisions.

Legislative Revenue: Reflect the impact of PA 21-23, *AAC The Authorization, Licensing and Regulation of Online Casino Gaming, Retail and Online Sports Wagering, Fantasy Contests, Keno and Online Sale of Lottery Tickets*.

The Act establishes new frameworks for legalizing and regulating:

1. in-person and online sports wagering;
2. online casino gaming;
3. in-person and online keno;
4. online lottery draw games other than keno; and
5. fantasy contests.

Total state revenues are projected to exceed \$100 million (prior to any transfers) by FY 26.

For FY 24 and each fiscal year after, Connecticut Lottery Corporation (CLC) must first transfer the certified amounts from online lottery to the debt-free community college account up to \$14 million and then any amounts above that figure must be transferred to the General Fund. Sections 69-74 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implement the policy.

Section 35 of PA 21-23 increases the transfer (beginning in FY 22) from CLC to the Chronic Gamblers Treatment Rehabilitation Account by \$1 million.

Transfer Special Revenue

Modernize Gaming and Lottery

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
2,000,000	3,000,000	17,100,000	19,700,000	15,100,000	16,700,000

Governor: Modernize the gaming industry through: 1) operation of sports betting; 2) e-sports and daily fantasy contests both on and off of tribal lands; 3) operation of online casino gaming within the state; and 4) online operation of Keno within the state. In addition, expand lottery games to an online platform.

Sections 7-13 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, and HB 6451, *AAC Gaming Agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut* enact these provisions.

Legislative Revenue: Reflect the impact of PA 21-23, *AAC The Authorization, Licensing and Regulation of Online Casino Gaming, Retail and Online Sports Wagering, Fantasy Contests, Keno and Online Sale of Lottery Tickets*.

The Act establishes new frameworks for legalizing and regulating:

1. in-person and online sports wagering;
2. online casino gaming;
3. in-person and online keno;
4. online lottery draw games other than keno; and
5. fantasy contests.

Total state revenues are projected to exceed \$100 million (prior to any transfers) by FY 26.

For FY 24 and each fiscal year after, Connecticut Lottery Corporation (CLC) must first transfer the certified amounts from online lottery to the debt-free community college account up to \$14 million and then any amounts above that figure must be transferred to the General Fund. Sections 69-74 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implement the policy.

Section 35 of PA 21-23 increases the transfer (beginning in FY 22) from CLC to the Chronic Gamblers Treatment Rehabilitation Account by \$1 million.

Increase Deposit into the Chronic Gamblers Account

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)

Background: Per CGS Sec. 17a-713, the Department of Mental Health and Addiction Services shall establish a program for the treatment and rehabilitation of compulsive gamblers in the state. The program shall provide prevention, treatment and rehabilitation services for chronic gamblers. For the fiscal year ending June 30, 2014, and each fiscal year thereafter, CLC shall transfer \$2.3 million of the revenue received from the sale of lottery tickets to the Chronic Gamblers Treatment Rehabilitation Account.

Legislative Revenue: Increase the annual transfer by \$1 million along with the initiative to modernize the lottery. However, CLC may reduce the \$1 million transfer amount pro rata in any fiscal year that it does not operate retail and online sports wagering and fantasy contests for the entirety of the fiscal year.

Section 35 of PA 21-23, *AAC The Authorization, Licensing and Regulation of Online Casino Gaming, Retail and Online Sports Wagering, Fantasy Contests, Keno and Online Sale of Lottery Tickets*, implements the policy.

Licenses, Permits and Fees

Legalize Adult-use Cannabis

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
4,800,000	2,200,000	-	-	(4,800,000)	(2,200,000)

Governor: Legalize sales of adult-use cannabis beginning in May 2022.

- There are three tax types on cannabis: excise taxes on cultivation, a municipal sales tax at retail, and the state sales tax at retail and delivery.
- The excise taxes are \$1.25 per dry gram of flower, \$0.50 per dry gram of trim, and \$0.28 per gram for wet cannabis.
 - The excise tax will be collected upon the first use, transfer, or sale of cannabis.
 - In total, the state excise taxes represent an approximate 9% tax rate.
 - 50% of the excise tax proceeds will be directed toward municipal aid.
- The standard sales tax rate will apply statewide (including prepared foods), and towns will collect a 3% sales tax for their own revenues.
- Various new licensing fees apply.

SB 888, *An Act Responsibly and Equitably Regulating Adult-Use Cannabis*, implements the policy.

Legislative Revenue: Reflect the impact of PA 21-1 JSS, *AAC Responsible and Equitable Regulation of Adult-Use Cannabis*.

See Section IV for more details on this policy.

Adjust Safe Drinking Water Assessment

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
2,200,000	2,200,000	-	-	(2,200,000)	(2,200,000)

Background: The current assessment methodology, pursuant to PA 19-177, sunsets in FY 21.

Governor: Maintain the revenue stream, which was established in the 2018-2019 budget along with an expansion of the Dept of Public Health's Drinking Water Section. Section 24 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy.

Legislative Revenue: Do NOT maintain the revenue stream.

Rentals, Fines and Escheats

Revamp the State's Beverage Container Redemption Law

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	-	500,000	-	500,000

Legislative Revenue: Reflect the impact of PA 21-58, *AAC Solid Waste Management*.

Public Act 21-58 does the following:

1. Expands the list of beverages subject to the bottle bill's requirements and exempts containers of less than 150 mL;
2. Increases, beginning January 1, 2024, the beverage container bottle amount to at least ten cents, rather than five cents (in practice the deposit is that specific amount); and

3. Incrementally reduces the amount of unclaimed deposits that distributors must remit to the General Fund from 100% currently to 45% by FY 26, and allows the distributors to keep the remainder.

The net General Fund revenue impact of these changes is positive until FY 26, when the remittance to the General Fund is scheduled to be reduced to 45% permanently. The net General Fund impact of PA 21-58 in FY 26 and beyond is estimated to be a \$13 million revenue loss.

Miscellaneous

Impose Convenience Fee for Credit/Debit Card Use

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	2,500,000	-	2,500,000	-	-

Background: The FY 19 state cost for credit card service fees is approximately \$5 million in total.

Governor: Mandate state agencies to impose the charge. Sections 1-6 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, enact the proposal.

Legislative Revenue: Same as Governor.

Sections 438-443 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implement the policy.

Refunds of Payments

Reflect Anticipated Adjustment to the Office of Health Strategy Hospital Assessment

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
1,300,000	1,300,000	1,300,000	1,300,000	-	-

Background: The Governor's recommended budget increases General Fund support for this program by adding seven positions in the state Office of Health Strategy and providing for related fringe benefits and expenses.

Governor: Provide additional resources to the Health Information Exchange, which is largely supported by revenues from the Hospital Assessment. CGS Sections 19a-631 and 19a-632 govern the assessment process.

Legislative Revenue: Same as Governor.

Federal Grants

Recognize Federal Revenue Gain Attributable to Expenditure Changes

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
24,600,000	23,570,000	43,700,000	54,300,000	19,100,000	30,730,000

Background: Some state General Fund line items are gross funded, meaning state appropriations are made to cover the full cost with the expectation that federal reimbursements would partially offset those costs. Anticipated federal reimbursements are reflected in the Federal Grants revenue source. These adjustments exclude Medicaid, which is net funded.

Governor: Reflect the impact of changes to appropriations on federal grants revenue.

Legislative Revenue: Use the enacted Appropriations plan (rather than Governor Recommend) as the basis for this adjustment. The enacted Appropriations plan includes additional spending for the 2021 group home settlement.

Reflect Anticipated Enhanced Federal Medical Assistance Percentage (FMAP) of +6.2%: Extended for Qtrs. Ending 9/30/21 & 12/31/21

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
59,100,000	-	59,100,000	-	-	-

Background: The federal Families First Coronavirus Response Act, as amended by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, authorizes a 6.2 percentage point increase (from 50% to 56.2%) in federal Medicaid matching funds to help states respond to the COVID-19 pandemic.

Governor: Reflect the federal funds impact of a decision by the federal government to extend the enhanced Federal Medical Assistance Percentage (FMAP) through the end of 2021.

Legislative Revenue: Same as Governor.

Further Limit Public Assistance Recoveries

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	(6,000,000)	(6,000,000)	(6,000,000)	(6,000,000)

Background: In Connecticut, the state is entitled to recover public assistance provided by the Department of Social Services (DSS) under cash assistance (i.e., State-Administered General Assistance (SAGA), State Supplement Program (SSP), and Temporary Family Assistance (TFA), which replaced Aid to Families with Dependent Children (AFDC)) and medical assistance (i.e., Medicaid). Beginning in FY 22 and unless required by federal law, PA 21-3, *An Act Mitigating Adverse Tax Consequences Resulting from Employees Working Remotely During COVID-19, and Concerning the Removal of Liens on the Property of Public Assistance Beneficiaries and a Three-Tiered Grants in Lieu of Taxes Program*:

1. Prohibits the state from recovering cash and medical assistance from liens placed on real property and
2. Requires the state to deem any certificate or lien previously filed on such properties released.

Legislative Revenue: Reduce revenue by \$6 million to reflect further limiting the state's recovery of cash or medical assistance to that required by federal law and deems additional previously filed claims released as of FY 22.

Sections 454-458 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Transfers From/To Other Funds

Delay Historical GAAP (Generally Accepted Accounting Principles) Deficit Payment to FY 24

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
85,100,000	85,100,000	85,100,000	85,100,000	-	-

Background: In 2013, Connecticut installed a plan to eliminate its cumulative negative fund balance with the following actions: 1) issuance of bonds in 2013/servicing of that debt; 2) future revenue diversions to amortize the remaining historical GAAP deficit; and 3) future appropriations to limit growth in the GAAP deficit.

Governor: Delay amortization of the historical GAAP deficit through revenue diversions. Section 43 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy.

Legislative Revenue: Same as Governor.

Section 452 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Adjust the Regional Performance Incentive Account (RPIA) Funding Above Regional Services Grants Requirements

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
3,000,000	3,000,000	-	-	(3,000,000)	(3,000,000)

Background: PA 11-6 established the current Regional Performance Incentive Account program (later renamed the Regional Planning Incentive Account (RPIA) by PA 13-247). The law requires 1 percentage point of the 15% hotel tax rate and 1 percentage point of the 9.35% rental car tax to be deposited into the account. By law, the Secretary of the Office of Policy and Management (OPM) uses the account to fund: 1) annual grants to regional councils of government; and 2) grants awarded under the regional performance incentive program. PA 15- 244 MSS suspended the transfer to the RPIA for FY 17.

Governor: Transfer to the General Fund any Regional Performance Incentive Act (RPIA) revenues exceeding the total amount needed to fully fund basic grants-in-aid to Councils of Government (COGs). Section 39 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy.

Legislative Revenue: Do NOT transfer RPIA funds to the General Fund.

Apply Federal Stimulus as Revenue

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
775,000,000	975,000,000	559,900,000	1,194,900,000	(215,100,000)	219,900,000

Background: The federal American Rescue Plan, which was signed into law on March 22, 2021, initially allocated \$2,650 million to Connecticut. The amount subsequently was revised to \$2,812 million. These funds may be used as state revenue through December 31, 2024, subject to some limitations and review by the US Treasury.

Governor: The Governor's Recommended budget, which was submitted to the General Assembly on February 10, 2021, transfers \$775 million in FY 22 and \$975 million in FY 23 from the Budget Reserve Fund to the General Fund. Per the Governor's Recommendation, any transfers from the Budget Reserve Fund, "...shall be reduced by the amount of any federal aid received by the state that is used to reduce state budgetary requirements for such fiscal year." Section 44 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy.

Legislative Revenue: Transfer \$559.9 million in FY 22 and \$1,194.9 million in FY 23 from the American Rescue Plan CT allocation to the General Fund.

Section 453 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Transfer to the Tourism Fund

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
(3,100,000)	-	(3,100,000)	-	-	-

Background: The Tourism Fund is a separate, appropriated fund supported by a 10% share of Hotel Tax revenues are set aside for the Tourism Fund. Tourism Fund appropriations support the statewide marketing campaign by the Department of Economic and Community Development as well as grants-in-aid to a variety of culture, art and tourism destinations within the state. The Tourism Fund began FY 21 with a cumulative deficit of \$2.9 million, which is projected to grow by \$6.9 million in FY 21 and \$3.1 million in FY 22, assuming spending levels remain flat. The cumulative, projected deficit is thus \$12.9 million.

Governor: Balance the Tourism Fund through a transfer from the General Fund. Section 42 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy through transfers of \$9.8 million in FY 21 and \$3.1 million in FY 22, which is \$12.9 million in total to cover the cumulative projected deficit.

Legislative Revenue: Same as Governor.

Section 451 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the policy.

Reflect Scheduled Paid Family Medical Leave Insurance Authority (PFMLIA) Loan Repayments to the General Fund

Background: The Board of Directors for the Paid Family and Medical Leave Authority adopted a budget in April 2021 for FY 22. The budget plan included repayment of \$3,825,000 of the \$5,100,000 that was provided to the Authority from the resources of the General Fund for startup, with the remainder to be repaid early in FY 23. (Statutorily, the full amount must be repaid by October 2022.)

Additionally, the Authority will be repaying \$12,219,735 in bond funds beginning in FY 23. The Authority has recommended repayment of the bond funds over a seven-year period.

Legislative Revenue: Require that any funds from bond authorizations allocated to the PFMLIA to administer the Family and Medical Leave Insurance program be reimbursed to the General Fund under a plan to be established by the Office of Policy and Management (OPM) secretary in consultation with the treasurer. The repayment must start during FY 23 and continue until it is complete, according to the plan's terms. The bill allows the authority to repay the unpaid amounts earlier.

It is anticipated that the bond funds plan repayment schedule will be over seven years, resulting in a state General Fund revenue gain of \$1.7 million annually beginning in FY 23 until repayment is complete.

Section 7 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, provides for the repayment schedule to be made according to OPM's plan.

The revenue gain is NOT reflected in the revenue schedule adopted by the Finance, Revenue and Bonding Committee on June 7, 2021.

Transfer from the Municipal Revenue Sharing Account (MRSA) to the General Fund

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	262,700,000	276,300,000	262,700,000	276,300,000

Legislative Revenue: Transfer revenues from MRSA to the General Fund.

Section 448 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implements the transfers.

Volatility Cap Adjustment

Reflect Revenue Update

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	(300,000,000)	(100,000,000)	(300,000,000)	(100,000,000)

Legislative Revenue: Reflect updated (May 2021) revenue projections by the Office of Fiscal Analysis.

Expand Angel Investor Tax Credit to Include Cannabis Businesses

Legislative Revenue: Extend the state angel investor tax credit (against the Personal Income Tax) program to eligible cannabis businesses owned and controlled by social equity applicants, allow investors to claim a 40% income tax credit for credit-eligible investments in these businesses and raise the overall cap on angel investor tax credits. The policy is anticipated to result in revenue losses in the estimated and finals portion of the personal income tax of \$15 million in each year of the FY 22 - FY 23 Biennium; these revenue losses would be offset by reductions to the volatility adjustment transfer to the Budget Reserve Fund in the same amounts for a net General Fund impact anticipated to be \$0. The policy is NOT reflected in the revenue schedule adopted by the Finance, Revenue and Bonding Committee on June 7, 2021.

Section 133 of PA 21-1 JSS, *AAC Responsible and Equitable Regulation of Adult-Use Cannabis*, implements the policy.

Special Transportation Fund FY 22 and FY 23 Revenue Schedule

(in thousands)

Revenue Source	January Consensus FY 22	Governor Policies	Governor FY 22 Revenue	Consensus Update (April)	April Consensus FY 22	Legislative Revenue Policies	Legislative Revenue FY 22 Revenue
Taxes Less Refunds							
Sales Tax - STF	651,800	200	652,000	13,200	665,000	5,000	670,000
Motor Fuels	473,300	-	473,300	7,000	480,300	-	480,300
Sales Tax DMV	88,200	-	88,200	5,700	93,900	-	93,900
Oil Companies	246,300	-	246,300	4,100	250,400	-	250,400
Highway Use Tax	-	-	-	-	-	-	-
Total Taxes Less Refunds	1,459,600	200	1,459,800	30,000	1,489,600	5,000	1,494,600
Taxes							
Refunds of Taxes	(15,500)	-	(15,500)	-	(15,500)	-	(15,500)
Total Taxes	(15,500)	-	(15,500)	-	(15,500)	-	(15,500)
Other Sources							
Motor Vehicle Receipts	263,500	-	263,500	700	264,200	-	264,200
Licenses, Permits and Fees	140,700	-	140,700	100	140,800	-	140,800
Interest Income	5,100	-	5,100	-	5,100	-	5,100
Federal Grants	11,000	-	11,000	-	11,000	-	11,000
Total Other Sources	420,300	-	420,300	800	421,100	-	421,100
Refunds and Transfers							
Transfers From/To Other Funds	(5,500)	-	(5,500)	-	(5,500)	-	(5,500)
Refunds of Payments	(5,000)	-	(5,000)	-	(5,000)	-	(5,000)
Total Refunds and Transfers	(10,500)	-	(10,500)	-	(10,500)	-	(10,500)
Total Special Transportation Fund	1,853,900	200	1,854,100	30,800	1,884,700	5,000	1,889,700

Revenue Source	January Consensus FY 23	Governor Policies	Governor FY 23 Revenue	Consensus Update (April)	April Consensus FY 23	Legislative Revenue Policies	Legislative Revenue FY 23 Revenue
Taxes Less Refunds							
Sales Tax - STF	754,600	1,000	755,600	15,100	769,700	5,000	774,700
Motor Fuels	486,000	-	486,000	10,000	496,000	-	496,000
Sales Tax DMV	89,500	-	89,500	200	89,700	-	89,700
Oil Companies	268,000	-	268,000	900	268,900	-	268,900
Highway Use Tax	-	45,000	45,000	-	-	-	-
Total Taxes Less Refunds	1,598,100	46,000	1,644,100	26,200	1,624,300	5,000	1,629,300
Taxes							
Refunds of Taxes	(16,200)	-	(16,200)	-	(16,200)	-	(16,200)
Total Taxes	(16,200)	-	(16,200)	-	(16,200)	-	(16,200)
Other Sources							
Motor Vehicle Receipts	265,600	-	265,600	900	266,500	-	266,500
Licenses, Permits and Fees	141,900	-	141,900	200	142,100	-	142,100
Interest Income	5,500	-	5,500	-	5,500	-	5,500
Federal Grants	10,100	-	10,100	-	10,100	-	10,100
Total Other Sources	423,100	-	423,100	1,100	424,200	-	424,200
Refunds and Transfers							
Transfers From/To Other Funds	(5,500)	-	(5,500)	-	(5,500)	-	(5,500)
Refunds of Payments	(5,000)	2,500	(2,500)	-	(5,000)	2,500	(2,500)
Total Refunds and Transfers	(10,500)	2,500	(8,000)	-	(10,500)	2,500	(8,000)
Total Special Transportation Fund	1,994,500	48,500	2,043,000	27,300	2,021,800	7,500	2,029,300

Policies Details - Special Transportation Fund

Sales Tax - STF

Legalize Adult-use Cannabis

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
200,000	1,000,000	-	-	(200,000)	(1,000,000)

Governor: Legalize sales of adult-use cannabis beginning in May 2022.

- There are three tax types on cannabis: excise taxes on cultivation, a municipal sales tax at retail, and the state sales tax at retail and delivery.
- The excise taxes are \$1.25 per dry gram of flower, \$0.50 per dry gram of trim, and \$0.28 per gram for wet cannabis.
 - The excise tax will be collected upon the first use, transfer, or sale of cannabis.
 - In total, the state excise taxes represent an approximate 9% tax rate.
 - 50% of the excise tax proceeds will be directed toward municipal aid.
- The standard sales tax rate will apply statewide (including prepared foods), and towns will collect a 3% sales tax for their own revenues.
- Various new licensing fees apply.

SB 888, *An Act Responsibly and Equitably Regulating Adult-Use Cannabis*, implements the policy.

Legislative Revenue: Reflect the impact of PA 21-1 JSS, *AAC Responsible and Equitable Regulation of Adult-Use Cannabis*.

See Section IV for more details on this policy.

Reflect Revenue Update

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	-	5,000,000	5,000,000	5,000,000	5,000,000

Legislative Revenue: Reflect updated (May 2021) revenue projections by the Office of Fiscal Analysis.

Highway Use Tax

Implement a Highway Use Tax (HUT)

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	45,000,000	-	-	-	(45,000,000)

Governor: Implement a new highway use tax (HUT) which taxes the mileage of heavy vehicles traveling through the state of Connecticut beginning January 1, 2023. The estimated revenue gain is \$45 million in FY 23 and \$90 million annually thereafter beginning in FY 24. Section 24 of HB 6443, *AAC Revenue Items to Implement the Biennial Budget*, implements the policy.

Legislative Revenue: Highway use tax revenue is not reflected in the budgetary revenue schedule adopted by the Finance, Revenue and Bonding Committee on June 7, 2021.

PA 21-177, *AAC A Highway Use Fee*, implements a substantially similar policy as the Governor's proposal (PA 21-177 exempts certain dairy trucks while the Governor's proposal did not), and is estimated to result in a Special

Transportation Fund revenue gain of \$45 million in FY 23, and \$90 million once fully annualized in FY 24 and beyond.

Beginning January 1, 2023, PA 21-177 imposes a HUT on every “carrier,” as defined in the Act, for the privilege of operating, or causing to be operated, certain heavy, multi-unit motor vehicles on any highway (i.e., public road) in the state. The HUT is calculated based on a vehicle’s weight and the number of miles driven in the state. The per-mile tax rates increase based on vehicle gross weight, ranging from (1) 2.5 cents per mile for vehicles weighing 26,000-28,000 pounds (lbs.) to (2) 17.5 cents per mile for vehicles weighing more than 80,000 lbs. Carriers must file returns and remit the tax to the Department of Revenue Services (DRS) on a monthly basis. The Act requires carriers to obtain HUT permits from DRS and establishes procedures for suspending or revoking them.

Refunds of Payments

Impose Convenience Fee for Credit/Debit Card Use

Governor FY 22	Governor FY 23	Legislative Revenue FY 22	Legislative Revenue FY 23	Difference FY 22	Difference FY 23
-	2,500,000	-	2,500,000	-	-

Background: The FY 19 state cost for credit card service fees is approximately \$5 million in total.

Governor: Mandate state agencies to impose the charge. Sections 1-6 of HB 6443, *AAC Revenue Items to Implement the Governor's Budget*, enact the proposal.

Legislative Revenue: Same as Governor.

Sections 438-443 of PA 21-2 JSS, *AAC Provisions Related to Revenue and Other Items to Implement the State Budget for the Biennium Ending June 30, 2023*, implement the policy.