



CONNECTICUT GENERAL ASSEMBLY

Office of Fiscal Analysis

Office of Legislative Research

TO: Members of the Finance, Revenue and Bonding Committee

FROM: OFA & OLR Staff

RE: Items for April 2, 2024, Agenda

BILLS FOR REVIEW

1. [S.B. No. 251](#) (RAISED) AN ACT CONCERNING THE LEGISLATIVE COMMISSIONERS' RECOMMENDATIONS FOR TECHNICAL AND OTHER REVISIONS TO THE TAX AND RELATED STATUTES. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Makes minor and technical changes and corrections and repeals obsolete provisions
- EFFECTIVE DATE: October 1, 2024, except the repealed provisions are effective upon passage

Fiscal Impact:

- No fiscal impact

2. [S.B. No. 447](#) (RAISED) AN ACT CONCERNING THE FAILURE TO FILE FOR CERTAIN GRAND LIST EXEMPTIONS AND AUTHORIZING THE DEFERRAL OF A CERTAIN MUNICIPALITY'S REAL PROPERTY REVALUATION. (FIN) **Proposed Action: JFS to the Floor**

Summary of Substitute Bill:

- Allows taxpayers in specified municipalities to claim a property tax exemption for specified property and grand lists even though they missed the filing deadline
- Allows Stratford to delay its 2024 revaluation by one year
- EFFECTIVE DATE: July 1, 2024, except the revaluation delay provision is effective upon passage

Fiscal Impact:

- The bill provides an additional period for taxpayers in Litchfield, Manchester, Middletown, Thomaston, and West Haven to receive exemptions that they would have otherwise been eligible for if they had not missed the deadline. Depending on if payments have already been made, this results in a cost to these towns to reimburse such taxpayers, or a revenue loss. Any impact will only occur in FY 25.
- The bill allows Stratford to defer implementation of a revaluation by one year. This will shift out any fiscal impacts of the revaluation by one year.

3. [S.B. No. 448](#) (RAISED) AN ACT CONCERNING A WORKING GROUP TO EXAMINE EXISTING TAX EXPENDITURES IN THE STATE. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Creates a working group to examine existing state tax expenditures in order to simplify the tax code and identify expenditures that are redundant, obsolete, duplicative, or inconsistent
- Requires the group to submit a report with recommended statutory revisions by January 1, 2025
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- No fiscal impact

4. [S.B. No. 449](#) (RAISED) AN ACT CONCERNING A STUDY OF STATE TAXATION. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Requires DECD and DRS to study certain state taxes (e.g., personal income, sales and use, and corporation business taxes) and compare them with those in surrounding states to identify changes that may improve the state's economic competitiveness
- Requires them to submit a report by January 1, 2025, to the Finance, Revenue and Bonding Committee
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- No fiscal impact

5. [H.B. No. 5302](#) (RAISED) AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR TAX ADMINISTRATION. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Authorizes the DRS commissioner to reaudit (i.e., reexamine) insurance premiums tax returns and impose more than one deficiency assessment (i.e., reassessment) for a tax period; subjects these reexaminations and reassessments to the same requirements that apply to examinations and assessments under existing law, including interest, penalty, notice, and statute of limitations provisions
- Extends the due date for newly licensed nonresident or foreign licensed insurance companies to remit state taxes on the net direct premiums they received in the past five years
 - Currently they must pay these taxes within 45 days after receiving their initial license to do business in Connecticut; the bill extends the due date to 90 days
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- Section 1 results in a potential revenue gain to the extent reaudits result in additional deficiency assessments by the Department of Revenue Services.

6. [H.B. No. 5489](#) (RAISED) AN ACT CONCERNING INTERCHANGE FEES ON ELECTRONIC PAYMENT TRANSACTIONS. (FIN) **Proposed Action: JFS to the Floor**

Summary of Substitute Bill:

- Requires payment card networks, when processing electronic payment transactions, to exclude sales tax from the transaction's interchange fee calculation; the "interchange fee" is the fee charged to retailers to compensate the financial institution that issued the credit or debit card for its involvement in the transaction
- Allows the attorney general to bring an action against any payment card network that violates the bill's requirements to (1) impose and recover a civil penalty of up to \$1,000 per violation and (2) refund retailers for the interchange fees imposed in violation of the bill
- EFFECTIVE DATE: October 1, 2024, and applicable to sales made on or after that date

Fiscal Impact:

- No fiscal impact

7. [H.B. No. 5491](#) (RAISED) AN ACT ESTABLISHING A PROPERTY TAX EXEMPTION FOR VETERANS WHO HAVE A SERVICE-CONNECTED PERMANENT AND TOTAL DISABILITY RATING. (FIN) **Proposed Action: JFS to the Floor**

Summary of Substitute Bill:

- Exempts from property tax (1) a home owned and used as a primary residence by a veteran who has a service-connected permanent and total disability rating or (2) if the veteran does not have such a home, one motor vehicle that he or she owns; exemption extends to the veteran's spouse if the veteran does not have the property in his or her name (or surviving spouse or minor children if the veteran is deceased)
- Makes conforming changes to (1) remove veterans with permanent and total disability ratings from existing law's tax exemption for disabled veterans and (2) the local option exemption for specially equipped vehicles owned by veterans with disabilities
- EFFECTIVE DATE: October 1, 2024, and applicable to assessment years beginning on or after that date

Fiscal Impact:

- The bill establishes a full property tax exemption for veterans with a Permanent and Total (P&T) disability rating from the United States Department of Veterans Affairs, or their spouse if such a veteran does not own a qualifying residence. If neither veteran nor spouse owns such a residence, the bill exempts a motor vehicle owned by such a resident or their spouse. There are 1,209 veterans in the state of Connecticut with a P&T designation, and it is estimated that **the bill will result in a grand list reduction of approximately \$4.9 million beginning in FY 26**. This estimate takes into account home and motor vehicle ownership rates amongst veterans, and the impact will continue into the future subject to inflation and the number of qualifying veterans.

8. [H.B. No. 5492](#) (RAISED) AN ACT ESTABLISHING A FARM INVESTMENT PROPERTY TAX CREDIT AND CONCERNING THE THRESHOLD FOR CERTAIN OPTIONAL FARM-RELATED PROPERTY TAX EXEMPTIONS. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Creates a tax credit for “farm investment property” expenses equal to 20% of the amount eligible farmers spend on this property in the applicable tax or income year; credit may be applied to the corporation business or personal income tax and is fully refundable
- Increases the maximum local option property tax exemptions for farm machinery and farm buildings by allowing a municipality to exempt:
 - \$250,000, rather than \$100,000, of farm machinery’s assessed value and
 - up to \$500,000, rather than up to \$100,000, for each eligible building used exclusively for farming or to house the farmer’s seasonal employees
- EFFECTIVE DATE: January 1, 2025, and applicable to income and tax years beginning on or after that date

Fiscal Impact:

- Section 1 results in (1) a 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 potential grand list reduction to various municipalities beginning in FY 26. Any impact is dependent on which municipalities offer this optional exemption and the amount of property that would become exempt.

9. [H.B. No. 5512](#) (RAISED) AN ACT CONCERNING A STUDY OF STATE REVENUE COLLECTIONS. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Requires the DRS commissioner to (1) study the agency’s collections processes to identify legislative and programmatic changes to improve their efficiency and reduce administrative costs and (2) report his findings to the Finance, Revenue and Bonding Committee by January 1, 2025
- EFFECTIVE DATE: Upon passage

Fiscal Impact:

- No fiscal impact

10. [H.B. No. 5513](#) (RAISED) AN ACT CONCERNING THE DEDUCTION AND WITHHOLDING OF PERSONAL INCOME TAX FROM CERTAIN PAYMENTS AND DISTRIBUTIONS. (FIN) **Proposed Action: JF to the Floor**

Summary:

- Allows, rather than requires, income tax withholding for retirement income distributions, other than certain lump-sum distributions
- Retains the mandatory withholding requirement for payments of more than \$5,000 or 50% of the taxpayer’s entire retirement account balance, whichever is less, excluding any other tax withholding and administrative charges and fees (i.e., “lump sum distributions”)

- Allows taxpayers to request a specific withholding amount for these lump sum distributions; if they do not do so, payers must withhold at the highest marginal rate
- EFFECTIVE DATE: January 1, 2025, and applicable to tax years beginning on or after that date

Fiscal Impact:

- The bill shifts the timing of receipt of certain personal income tax revenue but not the overall amount due.

11. [Substitute for S.B. No. 13](#) (COMM) AN ACT INCENTIVIZING STUDENT LOAN REPAYMENT ASSISTANCE. (HED,FIN) **Proposed Action: JF to the Floor**

Summary:

- Requires CHESLA, subject to available funding, to establish a High Priority Occupation Loan Subsidy Program
- Expands the tax credit for eligible employers providing student loan repayment assistance to their employees to apply to any student loan, rather than only CHESLA loans, and caps the aggregate credits at \$10 million per year
- EFFECTIVE DATE: July 1, 2024, except the tax credit provision is effective January 1, 2025, and applicable to tax years starting on or after that date

Fiscal Impact:

- Section 1 does not result in any fiscal impact as the bill caps the expanded credit at \$10 million and current revenue projections (January 16, 2024 Consensus) include an estimated \$10 million revenue loss associated with the current program.

12. [Substitute for H.B. No. 5347](#) (RAISED) AN ACT CONCERNING AUTHORIZATION OF STATE GRANT COMMITMENTS FOR SCHOOL BUILDING PROJECTS AND REVISIONS TO THE SCHOOL BUILDING PROJECTS STATUTES. (ED,FIN) **Proposed Action: JFS to the Floor**

Summary of Substitute Bill:

- Authorizes 11 school construction state grant commitments totaling \$470.2 million toward total estimated project costs of \$583.3 million; reauthorizes three projects with an additional state grant commitment of \$73.9 million (§ 1)
- Makes numerous changes to the school building project and related statutes (§§ 2-17), including:
 - increasing, from 5 to 15 percentage points, the bonus rate for projects that include space for certain early childhood programs; expands the types of programs eligible for the bonus rate (§ 6)
 - increasing, from 10 to 15 percentage points, the bonus rate for projects relating to (1) the Early Reading Success program or (2) full-day kindergarten or preschool in priority school districts or priority schools (§ 7)
 - prohibiting construction managers from receiving additional compensation beyond the project's guaranteed maximum price as a result of a change order, ineligible costs, or other change directive (§§ 9 & 11)
 - increasing from 5% to 11%, the percentage of a grant DAS must withhold pending completion of an audit (§ 13)

- requiring that school districts, upon approval of a Smart Start grant application, receive grants for capital and operating expenses to expand or establish preschool programs (under current law they “may” receive these grants) (§ 16)
- making endowed academies and state charter schools eligible for indoor air quality grants (§ 17)
- allowing, under certain conditions, indoor air quality grants for uniform inspection and evaluation of existing HVAC systems (§ 17)
- requiring DAS, for FYs 25 & 26, to reconsider any rejected application that a school board or regional education service center (RESC) submitted before July 1, 2024 (§ 17)
- EFFECTIVE DATE: July 1, 2024, except the new grant commitments are effective upon passage

Fiscal Impact:

School Construction

The \$544 million state share for the newly approved or adjusted projects will be paid for through General Obligation bonds. This bill does not authorize new bonds.

Potential increased state cost and municipal revenue associated with increased reimbursement rates for:

- eligible early childhood care renovations in elementary schools (15 point increase in place of existing 5 point increase)
- offer full day kindergarten or reduce class size in priority schools (15 point increase in place of existing 10 point increase)

Possible state increase/municipal revenue gain for share of cost of creating enrollment projections.

Potentially forgoes minimal state revenue gain/municipal cost from allowing municipal use of school buildings, in addition to public school use, during amortization period of school building projects (10 or 20 years per project).

Various unknown potential changes to future project costs and final project costs of projects currently underway. Total costs of future projects will be considered as part of future priority list bills.

School Air Quality Grants

- Possible quicker use of existing funds due to expansion of allowed recipients and uses of school air quality grants, along with reconsideration of previously denied applications.