

2025 Taxes by Budget Bill Sections

Youth Development Organization Tax Credit: Limits eligible donations for the youth development organization tax credit to contributions made to qualifying nonprofits in Connecticut. (Section 55)

R&D and R&E Tax Credits for Qualifying LLCs: Allows a single-member LLC that meets specific employment and industry criteria to earn Research and Development (R&D) and Research and Experimentation (R&E) tax credits, which the LLC's corporate owner can then claim. (Sections 59 & 60)

Elimination of the Digital Animation Tax Credit: Repeals the digital animation tax credit and makes related adjustments. (Sections 72-75)

Elimination of the Connecticut New Opportunities Fund: Repeals the Connecticut New Opportunities Fund along with all related responsibilities, which aimed to invest in seed-stage and emerging growth companies within the state. (Section 77)

Workforce Housing Opportunity Development Tax Credits: Establishes the tax credit for the workforce housing opportunity development program at 50% of qualifying cash contributions, replacing the current law's requirement that the amount be determined by the Department of Housing (DOH) commissioner. (Section 107)

Veteran Property Tax Exemptions: Revises the 100% Property and Total Disability pension veteran property tax exemption and introduces two new municipal-option exemptions for (1) surviving spouses of service members killed in the line of duty, and (2) state residents with a service-connected Total Disability Individual Unemployability (TDIU) rating as determined by the U.S. Department of Veterans Affairs (DVA). (Sections 247-256)

Net Operating Loss Deduction for Certain Combined Groups: Removes the alternative Net Operating Loss (NOL) rule for combined groups with over \$6 billion in pre-2013 NOLs, aligning their NOL treatment with that of other corporations and potentially increasing their tax obligations. (Section 378)

Cap on a Combined Group's Tax Liability on a Unitary Basis: Eliminates the \$2.5 million cap on the excess tax a combined group can owe when calculated on a unitary basis compared to a separate basis, potentially increasing their tax liabilities and impacting financial planning. (Section 379)

Relief from Interest on Estimated Tax Underpayments: Exempts corporation business taxpayers from interest on estimated tax due to specific tax changes enacted under the bill. (Section 380)

Corporation Business Tax Surcharge: Extends the 10% corporation business tax surcharge for an additional three years, covering the 2026 through 2028 income years. (Sections 381-382)

Refund Value of R&D and R&E Credits for Qualifying Small Biotechnology Companies: Increases the cash refund for unused R&D and R&E tax credits from 65% to 90% for qualifying small biotechnology companies. (Section 383)

Tax on Nursing Homes and Intermediate Care Facilities: Ends the quarterly user fee on nursing homes and Intermediate Care Facilities (ICFs) as of July 1, 2026, and imposes a quarterly 6% tax on their revenue instead. (Sections 384, 386, 388-389)

Hospital Provider Tax: Makes various changes to the hospital provider tax, including tying the base year to an applicable federal fiscal year and increasing the total revenue on which the tax is calculated. (Sections 385-386)

Sales and Use Tax Exemption for Ambulances: Exempts certain ambulances and ambulance-type vehicles from sales and use tax. (Sections 393)

Sales Tax Exemption for Certain Aircraft Industry Joint Ventures: Extends the sales and use tax exemption for qualifying aircraft industry joint ventures from 40 to 50 years. (Section 394)

Dues Tax Exemption: Raises the threshold for exempting annual dues and initiation fees from the state's 10% dues tax from \$100 to \$250. (Section 395)

Earned Income Tax Credit Increase: Increases the state Earned Income Tax Credit (EITC) by \$250 for taxpayers with at least one qualifying child. (Section 396)

Income Tax Credit for Family Child Care Home Owners: Establishes a refundable income tax credit for taxpayers who own a state-licensed family child care home. (Section 397)

Farm Investment Tax Credit: Creates a refundable business tax credit for farmers' investments in eligible machinery, equipment, and buildings. (Section 398)

CHET Contribution Tax Credit: Establishes a new business tax credit for employer contributions to a qualifying employee's CHET account. (Section 399)

UConn Tax Credit Incentive Program: Authorizes the University of Connecticut (UConn) to establish and administer a tax credit incentive program to promote and publicly recognize the university and its programs, services, and mission. (Sections 409-410)

DRS Tax Gap Report: Extends the deadline for the Department of Revenue Services (DRS) to submit its next tax gap report by one year and requires the agency to submit future reports every two years instead of annually. (Section 412)

DRS Tax Incidence Report: Limits the frequency of the DRS's tax incidence reports to include projections for property tax and any other tax that generated \$100 million or more in the fiscal year before the report's submission. (Section 413)

Sourcing Revenue to Municipalities: Requires the DRS commissioner to track and record the sources of state sales and use, personal income, and corporation business tax revenue to accurately attribute the revenue from each of these taxes to municipalities. (Sections 416-417)

Cigarettes: Updates the definition of "cigarettes" in the state's cigarette tax laws and related regulations. (Section 419)

E-Cigarettes: Implements restrictions and penalties on e-cigarettes that are similar to those currently applied to traditional cigarettes. (Sections 420-421)

Pilot Program for Collecting Delinquent State Taxes: Mandates the Office of Policy and Management (OPM) secretary and the Department of Revenue Services (DRS) commissioner to establish a pilot program aimed at collecting unpaid state taxes, penalties, and interest from individuals receiving payments from state agencies. (Section 422)

Housing Tax Credit Contribution Program Procedures: Removes the requirement for the DRS commissioner to approve the Connecticut Housing Finance Authority (CHFA)'s procedures for implementing the Housing Tax Credit Contribution Program. (Section 423)

Income Tax Withholding for Certain Retirement Income Distributions: Temporarily suspends the income tax withholding requirement on lump-sum distributions from pensions, annuities, and other specific sources. (Section 426)

Tax Exemption for Property on Certain Reservation Lands: Creates a tax exemption for property located on reservation land held in trust for federally recognized Indian tribes. (Section 459)

Sales and Use Tax Exemption for Precious Metals and Rare or Antique Coins: Adjusts the sales and use tax exemption for certain sales of rare or antique coins, as well as gold or silver bullion and legal tender in gold or silver. (Section 469)

Municipal Tax Lien Assignment: Prohibits assignees of municipal tax liens for unpaid taxes from charging post-charge-off fees for collection costs. These assignees will be treated as consumer collection agencies and will be subject to banking department regulations. (Sections 501-503)

Farm Machinery Property Tax Exemption: Increases the mandatory property tax exemption for farm machinery, excluding motor vehicles. (Section 510)