Governor Ned Lamont
State of Connecticut

FACT SHEET
2022 Legislative Session

SENATE BILL 11
GOVERNOR'S BILL
AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET

Summary of Proposal

This bill contains the major revenue elements of the Governor's proposed FY 2023 budget adjustments. General Fund revenue would decrease $643.1 million in FY 2022 and decrease by $334.6 million in FY 2023 prior to accounting for the state's revenue cap. The Special Transportation Fund revenue would not be affected in FY 2022 and FY 2023.

Reason for Proposal

To support Governor Lamont's tax relief package as part of the proposed FY 2023 midterm adjustments.

Significant Impacts

The bill will have the following impact on the state's revenue in FY 2022 and FY 2023 (all dollar amounts in millions):

Sec.	Legislative Proposals – General Fund	FY 2022	FY 2023
***	Accelerate Existing Pensions/Annuities Exemption to 100% in TY 2022	$ 0.0	$ (42.9)
***	Expand Employer Student Loan Tax Credit Eligibility to all CHESLA Borrowers	0.0	(9.4)
***	Captive Insurers Initiative	0.0	7.5
***	Accelerate Reversion to Full Eligibility of Property Tax Credit to TY 2022	0.0	(53.0)
***	Expand Property Tax Credit Value from $200 to $300	0.0	(70.0)
***	Transfer HCBS/SUD Revenue from FY 2022 to FY 2023	(83.2)	83.2
***	Reduce Revenue Replacement from ARPA - Federal Stimulus	(559.9)	(250.0)
	TOTAL GENERAL FUND REVENUE	**$ (643.1)**	**$ (334.6)**

Section 1 expands the property tax credit value from $200 to $300. In addition to restoring the property tax credit to full eligibility, this proposal would increase the property tax credit value from its current rate of $200 to a maximum of $300 per filer. This would benefit 1.1 million

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persons. This proposal would decrease revenue in the General Fund in FY 2023 by $70 million. Effective 1/1/22.

Section 1 accelerates reversion to full eligibility for the property tax credit to Tax Year 2022. This proposal would restore full eligibility for the property tax credit for income year 2022. Under current state law, the property tax credit is limited to those over the age of 65 or those with dependents. This would benefit an additional 500,000 persons. Expanding the credit to all adults within the current income limits – adjusted gross income (AGI) of $107,500 for single filers/$130,500 for joint filers – would decrease General Fund revenue by $53 million in FY 2023 and would not negatively impact the long-term fiscal trajectory of the state's General Fund as the existing restoration to full eligibility is already assumed in the January 2022 consensus forecast. Effective 1/1/22.

Section 2 accelerates existing pensions/annuities exemption to 100% in TY 2022. This would accelerate the planned phase-in of the pensions and annuities exemption under the state income tax by three years – from 2025 to 2022. Under current state law, income year 2022 is scheduled for a 56% exemption as the fourth year of a seven-year phase-in of the exemption, which is scheduled to reach 100% for income year 2025. Single filers with an adjusted gross income of less than $75,000 and joint filers with less than $100,000 qualify for the exemption. This is expected to benefit 250,000 persons. This would decrease FY 2023 General Fund revenues by $42.9 million and would not negatively impact the long-term fiscal trajectory of the state's General Fund as the existing phase-in is already assumed in the January 2022 consensus forecast. Effective 1/1/22.

Section 2 exempts enhanced economic stimulus payments based on the EITC from the state personal income tax. This proposal would make the enhanced economic stimulus payments that were based on the state's Earned Income Tax Credit (EITC) eligibility exempt from the personal income tax. These enhanced payments were funded through both the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and the American Rescue Plan Act of 2021 (ARPA) dollars. In December 2021, the Governor announced $75 million of CARES Act funding would be used to effectively increase the 2020 EITC payment from 23% to replicate approximately a 41.5% EITC. The Governor's February 9, 2022, proposal includes a second round based on the 2021 income year and would effectively increase the EITC payment from 30.5% to replicate approximately a 40% EITC at a cost of about $42.25 million. This would have no impact to revenue in the General Fund as no revenue impact was established upon the decision to make these payments. Effective upon passage.

Section 3 expands employer student loan tax credit eligibility to all CHESLA borrowers. This proposal would expand the eligibility for an employer student loan tax credit from borrowers that are part of CT Higher Education Student Loan Authority's (CHESLA) refinancing program (about 172 borrowers) to all CHESLA borrowers (about 32,200 borrowers). This proposal would also make the tax credit refundable for employers with sales less than $5 million annually. This program allows employers to make payments to their employees' student loans (up to $5,250 per employee per year) and employers receive a tax credit worth 50% of the amount paid (up to $2,625 per employee per year). The credit can be taken against corporation and insurance premiums tax liabilities. The program leverages business expenditures alongside the state tax credit to help relieve employees of student loan debt. This proposal would decrease revenue in the General Fund by an estimated $9.4 million. Effective 1/1/22.

Section 4 reduces revenue replacement from ARPA. This proposal would eliminate the $559.9 million of revenue replacement in FY 2022 and reduce the revenue replacement by $250 million in FY 2023 from the Coronavirus State Fiscal Recovery Fund (CSFRF) under the American Rescue Plan Act of 2021 (ARPA). Effective upon passage.

Section 5 transfers HCBS/SUD revenue from FY 2022 to FY 2023. This proposal would reserve $83.2 million of home and community-based services (HCBS) and substance use disorder (SUD) federal grant revenue in FY 2022 for use in FY 2023 for pursuant to section 9817 of the American Rescue Plan Act of 2021. Effective upon passage.

Sections 7-17 make Connecticut more attractive to captive insurers. This proposal would encourage captive insurers to domicile/re-domicile to the state by allowing such firms to address tax payments from taxable periods between July 1, 2019 and June 30, 2022 plus interest but without penalty. Captives are formed when businesses set up a wholly-owned insurance division to self-insure their own risk. Currently, most captives are domiciled off-shore. The captive insurance tax rate in CT is set much lower than the state's regular insurance tax rate – 0.38% (max rate) versus 1.5%. Total tax due for captive insurers ranges from a $7,500 minimum tax to a maximum of $200,000. This proposal is estimated to generate $7.5 million in revenue for the General Fund in FY 2023. Effective 7/1/22.

Section 18 repeals the child tax credit study. This proposal would repeal the Child Tax Credit study that was implemented in section 431 of Public Act 21-2 of the June Special Session. This section required the Secretary of the Office of Policy and Management to create a plan to establish a state Child Tax Credit within six months after a decrease in the amount of the federal child tax credit or after a change in eligibility criteria for said credit in effect pursuant to the American Rescue Plan Act of 2021. Effective upon passage.