



Connecticut Legislative Update

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The following report is from LDAC Lobbyist, Carrie Rand of Nome Associates.

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Did You Know?

The lumber and building materials industry employs more than 36,000 people in Conn.

On April 22, the legislature's democratic-controlled Finance, Revenue, and Bonding Committee narrowly approved a multifaceted tax package containing more than \$1 billion in tax hikes.

The committee amended Governor Lamont's original budget proposal—which included no broad-based tax hikes—and added annual state tax increases of approximately \$600 million over the next two years. HB 6443 was approved on a 26-22 vote. Four members were absent for the vote.

The passage led to immediate criticism from the Lamont administration, moderate democrats, republicans, and the state's business community. Lamont, who has repeatedly rejected (among other elements in the proposal) personal income taxes on the state's wealthiest residents, said that he would not sign the bill as is.

The proposed tax increases and tax changes include:

• Capital gains tax

The proposal calls for a 2% surcharge on capital gains for couples earning \$1 million or more per year and individuals earning more than \$500,000 per year.

• Highway use tax on trucks

Beginning Jan. 1, 2023, a HUT would be imposed on carriers operating certain motor vehicles—those generally with trailers and a gross weight greater than 26,000 pounds. Lamont supports this aspect of the proposal. More information on this to come in NRLA's 2021 Legislative Issue of the Lumber Co-operator.

• Tax on insurance companies

A bill expanding state-subsidized health insurance would impose a tax on insurance carriers of \$50 million that would be used to provide subsidies to those who otherwise could not afford health insurance. Local insurance executives say this could force companies to shift workers elsewhere.

• Makes permanent a 10% corporation business tax surcharge that was set to expire

Businesses in the state have long opposed this measure.

• Digital advertising

A tax would be imposed on gross revenue from digital advertising. The tax rate ranges from 2.5% for companies with annual gross revenue of \$100 million–\$1 billion to 10% for companies with annual revenue over \$15 billion.

• Higher taxes for bigger incomes

The plan would impose a new consumption tax that would generate \$500 million per year from wealthy residents — in addition to the \$262 million per year from the capital gains surcharge. The consumption tax would be 0.7% for those earning between \$500,000 and \$2 million per year, and the highest rate would be 1.5% for those with a federal adjusted gross income of \$13 million or more. The concept is essentially a super-charged sales tax on high-end consumption, but Republicans view it as a thinly veiled increase in the state income tax because it is based on income.

• Healthcare-related taxes

Current legislation would terminate the 6% ambulatory surgical centers gross receipts tax and replaces it with a 6.35% sales tax, subject to certain exclusions.

• Business tax policy changes

A proposal would increase to 70% from 50.01% the amount a company may reduce its corporation business tax liability using research and development credits. Film and digital media production tax credits would be permitted to be claimed against the sales and use tax under certain circumstances. Hotels, restaurants, and bars would be allowed to keep 13.6% of the sales tax collected on sales of meals/beverages for the state's 2022 budget year.

• Taxpayer credits and exemptions

A number of changes to assist working and middle class residents are proposed, including exempting breastfeeding supplies from sales and use tax; increasing the earned income tax credit to 40% of the federal credit (from 23%); establishing a child tax credit against the personal income tax for taxpayers with qualifying incomes; and extending pension and annuity income tax exemptions to include income from individual retirement accounts.

Questions?

Please contact Kirk Ives, Director of Legislative & Regulatory Affairs at 518-880-6376 or kives@nrla.org.