

Finance, Revenue and Bonding Committee

JOINT FAVORABLE REPORT

Bill No: SB-513 / [Bill Status](#) / [Public Hearing Testimony](#)

AN ACT CONCERNING STRUCTURAL EFFICIENCY IN THE COLLECTION OF

Title: STATE REVENUE.

Vote Date: 3/30/2026

Vote Action: Joint Favorable

PH Date: 3/27/2026

File No.:

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SPONSORS OF BILL:

Finance, Revenue & Bonding Committee

REASONS FOR BILL:

S.B. 513 proposes a voluntary payroll tax program to increase worker take-home pay, enhance retirement savings, and reduce electric bills. It allows employees to opt for employer-paid payroll taxes to reduce federal taxable income. The bill is intended to lower overall tax liability for working and middle-class residents, while also reducing public benefit charges on electric bills.

RESPONSE FROM ADMINISTRATION/AGENCY:

Mark D. Boughton, Commissioner, Department of Revenue Services

Commissioner Boughton comments that the bill would require significant administrative costs to administer and collect the proposed new tax. There are also concerns about technical issues that may need to be resolved before the bill is fully operational.

NATURE AND SOURCES OF SUPPORT:

Senator Martin Looney, Senate President Pro Tempore, Connecticut General Assembly

Senator Looney supports S.B. 513, commenting that it provides employees the option of entering an alternative tax system if it benefits their federal tax liability.

Patrick R. O'Brien, PhD, Research and Policy Director, Connecticut Voices for Children

O'Brien expresses support for the bill, stating that the proposed payroll tax system would provide federal tax relief to workers while generating state revenue. Additionally, there is support for the voluntary nature of the program and its progressive structure, noting that it addresses design concerns with prior payroll tax program proposals. O'Brien also states, however, that the program poses federal legal challenges and may place administrative burden on employers.

NATURE AND SOURCES OF OPPOSITION:

Anonymous 113 voices opposition to S.B. 513.

Kristina Baldwin, Vice President, American Property and Casualty Insurance Association

Eric George, President, Insurance Association of Connecticut

Sean McLaughlin, Regional Vice President, State Affairs Northeast of the National Association of Mutual Insurance Companies

The above submitted joint testimony in opposition to S.B. 513. They state that the bill could result in retaliatory tax implications from other states, damage Connecticut's competitive position in the insurance market, and possibly discourage insurers from maintaining or expanding business in the state. There is also concern for administrative burden from the proposed payroll tax systems on employers, as well as potential increase in costs being displaced to consumers.

Christopher Davis, Vice President of Public Policy, Connecticut Business & Industry Association

Davis acknowledges the intent of S.B. 513 to potentially increase take home pay for Connecticut workers, but notes that the system proposed by the bill is complex and may pose significant compliance burdens on employers. The bill would require employers to maintain multiple payroll systems and make mandatory retirement savings account deposits for participating employees, both of which impose new costs and operational challenges. Additionally, the required disclosure of this program to employees places further complexity on employers, especially those with limited resources.

Bonnie Stewart, CEO, Connecticut Society of Certified Public Accountants

Stewart acknowledges the intent of S.B. 513 but argues that the means of its application impose unnecessary burdens on employers and taxpayers. The proposed wage-reduction formula and payroll system add heightened complexity that is likely to cause confusion and misapplication. Stewart also comments that these new requirements will increase costs for employers.

GENERAL COMMENTS:

Francis R. Pickering, Executive Director, Western Council of Governments

The Western Council of Governments (WestCOG) appreciates the underlying objective of S.B. 513 to reduce the tax burden on Connecticut residents, but comments that the bill may not function as intended outside of the private sector. For public employers and other tax-exempt entities, there is the possibility of increasing federal tax liability given that tax deductibles may not be applicable in some cases. In this instance, there would be a net outflow of resources from Connecticut to the federal government. WestCOG suggests that the bill limit participation of the payroll tax program to employers who can deduct their payments for federal income tax purposes.

Reported by: Aliana Montalvo

Date: 4/06/2026