
OLR Bill Analysis

sHB 5570

AN ACT CONCERNING A TAX CREDIT FOR MILK PRODUCERS.

SUMMARY

This bill establishes a refundable tax credit for “milk producers” (people, firms, and corporations registered with the Department of Agriculture (DoAg) as producers of milk for pasteurization). The credit amount is calculated using the same formula that is used for an existing state grant program that pays milk producers based on, generally, (1) the federally set milk price and (2) an amount needed to sustain state dairy operations.

The credit is available starting with the 2027 income and tax year and may be applied against the corporation business or personal income tax, but not the withholding tax. The bill caps the total amount of credits that may be reserved for this program at \$8 million per year.

EFFECTIVE DATE: January 1, 2027, and applicable to income and tax years starting on or after that date.

MILK PRICING AND TERMS

Federal law governs the price paid to dairy farmers for milk. Generally, U.S. Department of Agriculture (USDA) marketing orders set the price for milk and milk products by region. One order sets the price paid in the New England and Mid-Atlantic states and is broken down into class 1 (fluid) milk and various other classes of milk products.

Under existing law and the bill, “federal pay price” is the northeast monthly uniform price for milk in the Hartford zone pursuant to the USDA Northeast Federal Milk Marketing Order. “Minimum sustainable monthly cost of production” is 82% of the baseline the USDA’s Economic Research Service determines as the monthly average cost of production for a New England state, or, if the baseline is unavailable, a

baseline determined by the DoAg commissioner using data and variables published by USDA.

CREDIT FORMULA, RESERVATIONS, AND VOUCHERS

Under the bill, the tax credit equals, for each month of the income and tax year that the federal pay price is below the minimum sustainable monthly cost of production, the difference between the federal pay price and the minimum sustainable monthly cost of production, multiplied by the amount of milk a milk producer produced during the month.

Under the bill, milk producers may apply to the DoAg commissioner to reserve a credit allocation. The commissioner must create the application form, which must include the information he needs to administer the tax credit program. Relatedly, the bill requires milk producers to file with the commissioner information to support the amount of milk they produced, in a way he prescribes. Once verified, the commissioner must issue the milk producer a voucher for its credit amount. The milk producer must file this voucher with its state tax return for the applicable income or tax year.

CREDIT CLAIMS

If the milk producer is an S corporation or treated as a partnership for federal income tax purposes, the milk producer's shareholders and partners may claim the credit. If the milk producer is a single member limited liability company (LLC) that is disregarded as an entity separate from its owner, the LLC's owner may claim the credit, as long as the owner is subject to either the corporation business or personal income tax.

CREDIT REFUNDABILITY

As is the case under existing law for most other refundable tax credits, the bill requires the Department of Revenue Services commissioner to refund, without interest, any amount of the tax credit that exceeds a milk producer's liability, unless he retains the refund, which, by law, he may do if the milk producer (1) owes state or municipal taxes or other obligations or (2) is in default of a student loan made by the Connecticut Student Loan Foundation or the Connecticut

Higher Education Supplemental Loan Authority.

BACKGROUND

Related Bill

sSB 84, § 27, favorably reported by the Finance, Revenue and Bonding Committee, has identical provisions.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 53 Nay 0 (03/30/2026)