
OLR Bill Analysis

sSB 2

AN ACT SUPPORTING LOCAL COMMERCE.

SUMMARY

This bill generally does the following:

1. creates a sales and use tax exemption for gas and electricity used by a commercial or industrial business with gross income of \$10 million or less for the prior income or tax year (§ 1);
2. dedicates, starting October 1, 2026, half of the additional 1% tax on meals and beverages to the Tourism Fund and the other half to a municipal diversification account that the bill creates for redistributing the tax revenue to the municipalities where the sales were generated (§§ 2-5); and
3. establishes a 23-member Connecticut-India Trade Commission within the Legislative Department to, among other things, advance bilateral trade and investment (§ 6).

The bill also makes technical and conforming changes.

EFFECTIVE DATE: October 1, 2026, and, for the sales and use tax changes, applicable to sales occurring on or after that date, except the Connecticut-India Trade Commission is effective upon passage.

§ 1 — NEW SALES AND USE TAX EXEMPTION FOR BUSINESSES

The bill's sales and use tax exemption for the above qualifying businesses specifically applies to the sale, furnishing, or service of gas and electricity when delivered to consumers through mains, lines, pipes, or bottles for use. This exemption is in addition to separate existing ones that exempt this gas and electricity (1) in residential dwellings and (2) if used directly in premises where at least 75% of the gas or electricity is used (a) for agricultural production, (b) in the

making of a finished product for sale, or (c) in an industrial manufacturing plant. By law, the second existing exemption extends to manufacturer permittees for (1) beer; (2) a farm winery; and (3) wine, cider, and mead (CGS § 12-412m).

§§ 2-5 — MEALS AND BEVERAGES TAX DIVERSION TO TOURISM FUND AND MUNICIPAL DIVERSIFICATION ACCOUNT

Existing law imposes an additional 1% tax on meals and certain beverages that applies on top of the 6.35% sales and use tax rate. Starting October 1, 2026, the bill directs 50% of the revenue from this 1% tax to the Tourism Fund and the other 50% to a municipal diversification account the bill creates. (Under current law, the Tourism Fund receives 10% of room occupancy tax revenue.)

Under the bill, the “municipal diversification account” is a separate, non-lapsing account that must contain any money required by law to be deposited into it, including the above tax revenue. The Department of Revenue Services (DRS) commissioner must use the account’s funds for making distributions to municipalities according to the bill’s provisions.

Towards making these distributions, the bill requires, starting October 1, 2026, certain retailers to provide disaggregated meal and beverage tax sales data in their quarterly sales tax returns. Specifically, the bill requires this of retailers with sales in more than one town in Connecticut and who sell other items in addition to meals and beverages. Under the bill, their returns must indicate the (1) town where each taxable sale occurred and (2) amount of sales tax they collected in each town. The bill relatedly requires the DRS commissioner to maintain an accounting aggregated by municipality of the tax revenue deposited into the municipal diversification account.

Beginning in the first quarter of 2027, the DRS commissioner must quarterly distribute money from the municipal diversification account to each municipality where the revenue from the tax was generated, as he determines. Any money for which he cannot determine a point of sale must be distributed proportionally to the municipalities where the meal and beverage sales were reported during the applicable quarter.

§ 6 — CONNECTICUT-INDIA TRADE COMMISSION

The bill establishes a Connecticut-India Trade Commission within the Legislative Department to do the following between Connecticut and India:

1. advance bilateral trade and investment,
2. initiate joint action on policy issues of mutual interest,
3. promote business and academic exchanges,
4. encourage mutual economic support and infrastructure investment, and
5. address other issues the commission determines.

To carry out its duties, the bill also authorizes the commission to (1) get necessary help and data from any executive department, board, commission, or agency of the state; (2) perform necessary and appropriate acts; and (3) accept gifts, donations, or bequests.

The bill requires the commission, starting by February 1, 2028, to annually report to the governor, Department of Economic and Community Development, and Commerce Committee on its activities during the prior year. At a minimum, the report must include recommendations for policy and legislative changes needed to carry out its duties.

Members

Under the bill, the commission consists of the following 23 appointed members:

1. two members each appointed by the six top legislative leaders;
2. two Commerce Committee members, one each appointed by the committee chairpersons;
3. two Commerce Committee ranking members, or their designees;
4. three members appointed by the governor;

5. one representative of a Connecticut public college or university, appointed by the governor;
6. one Connecticut chamber of commerce representative, appointed by the governor; and
7. two representatives of Indian or Indian-American communities in the state from different political parties, appointed by the governor.

Under the bill, commission members must be (1) currently or formerly involved in organizations promoting Indian affairs or (2) interested in trade relations between Connecticut and India.

Appointments

The bill requires appointing authorities to make their initial appointments by October 1, 2026, and fill any vacancies. Vacancies occurring other than by term expiration must be filled for the remainder of the unexpired term. All members, except those appointed by the governor, may be legislators.

Terms

Under the bill, members generally serve four-year terms, until their successors are appointed, except as follows:

1. initial gubernatorial and House majority and minority leader appointments end on September 30, 2029;
2. initial House speaker, Senate president pro tempore, and Senate majority and minority leader appointments end on September 30, 2030; and
3. initial and subsequent Commerce Committee chairperson appointments end with the appointing committee chairperson's term.

Under the bill, members serve without compensation but are reimbursed, within available funds, for necessary expenses incurred performing their duties.

Leadership and Meetings

The bill requires the House speaker and Senate president pro tempore to select the commission's chairpersons from among its members. The chairpersons must schedule and hold the commission's first meeting by November 1, 2026.

Under the bill, the commission must meet as often as the chairpersons or a majority of the members deem necessary. Members who miss three consecutive meetings or 50% of the meetings in a calendar year are deemed to have resigned. A majority of members is a quorum for conducting business.

The bill requires the Commerce Committee's administrative staff to serve in this capacity for the commission.

BACKGROUND

Related Bills

sSB 132 (File 70), § 2, as amended by Senate "A," favorably reported by the Commerce Committee and passed as amended by the Senate, creates a similar Connecticut-India Trade Commission.

sSB 133 (File 71), favorably reported by the Commerce Committee, creates a similar Connecticut-India Trade Commission.

sHB 5443, §§ 1 & 2, favorably reported by the Finance, Revenue and Bonding Committee, directs 50% of the additional 1% sales and use tax on meals and beverages to the Tourism Fund.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 50 Nay 3 (04/01/2026)