
OLR Bill Analysis

sSB 511

AN ACT ESTABLISHING MUNICIPAL GROWTH DIVIDEND PAYMENTS.

SUMMARY

This bill establishes a revenue sharing program that diverts a portion of state revenue from income, sales and use, and corporation business taxes into a new statewide municipal growth account and requires the Office of Policy and Management (OPM) to disburse the funds as “municipal growth dividends” to eligible municipalities (towns, cities, consolidated towns and cities, and consolidated towns and boroughs).

Under the bill, these dividends start in FY 31 and are generally tied to the amount of this tax revenue for a given year that the Department of Revenue Services (DRS) determines is attributed to each municipality compared to that amount for FY 26 (the “municipally attributable revenue (MAR) baseline”). For municipalities that have received certain state capital funds to support a municipal development project, the dividend is instead (1) tied to the amount of the specified tax revenue attributable to the project and (2) split with the state.

Starting with FY 30, the bill requires (1) the state treasurer to annually transfer the total amount of municipal growth dividends for all municipalities to the statewide municipal growth account and (2) consensus revenue estimates to include a line item, designated as the municipal growth dividend, reflecting the estimated amount of this transfer. (Consensus revenue estimates are the basis for the governor’s proposed budget and the revenue statement included in the budget act the legislature passes.) Under the bill, the statewide municipal growth account is a separate, nonlapsing account that contains any money required by law to be deposited into it, including any investment earnings credited to the account.

Starting by November 1, 2030, the OPM secretary must annually report to the Finance, Revenue and Bonding and Planning and Development committees on (1) each municipality's MAR for the applicable fiscal year and (2) any municipal growth dividends distributed.

EFFECTIVE DATE: October 1, 2026

MUNICIPALLY ATTRIBUTABLE REVENUE

The bill requires DRS to determine, and provide to OPM, the (1) MAR baseline for each municipality by November 1, 2028, and (2) amount of each municipality's MAR for each fiscal year starting with FY 30.

Under the bill, a municipality's MAR is the sum of the following:

1. sales and use tax revenue attributable to sales made at physical business locations in the municipality;
2. the withholding portion of the personal income tax attributable to wages earned at physical places of employment in the municipality; and
3. corporation business tax attributable to business activity occurring within a physical nexus in a municipality. (The bill does not define "physical nexus.")

MUNICIPAL GROWTH DIVIDENDS

Amounts

Starting with FY 31, the OPM secretary must annually distribute municipal growth dividends to municipalities that have MAR for the preceding fiscal year that equals or exceeds their MAR baseline. These dividends must generally equal 0.5% of each municipality's MAR for the preceding fiscal year.

The exception is for municipalities with municipal development projects designed to support municipal economic growth that received "instrumental capital" from the state. (The bill does not define municipal development projects or instrumental capital for these purposes.) In these cases, instead of receiving 0.5% of its MAR for the preceding fiscal year, the municipality receives a municipal growth

dividend attributable to the project only. The dividend is split, with half going to the municipality and half going to the state, until the state recoups the full amount of its capital expense in the project.

If a municipality's MAR for a fiscal year is less than its MAR baseline, it receives no municipal growth dividend distribution for that year.

Required Uses

Under the bill, each municipality must set up a municipal revenue stabilization fund and deposit their municipal growth dividends in the fund. They may use the dividends to (1) reduce their mill rates; (2) pay for municipal services, as allowed under the bill; or (3) do both.

Municipal services funded with the dividends may either be one-time expenditures or on-going expenditures, but the latter is allowed only if the municipality's legislative body certifies that the fund is sufficiently capitalized to sustain the expenditure for at least three fiscal years.

BACKGROUND

2025 Law on Sourcing Revenue to Municipalities

A 2025 law requires DRS, starting with FY 26, to track and record the source of state sales and use, personal income, and corporation business tax revenue to accurately and fairly attribute the revenue from each of these taxes to municipalities. The commissioner must determine the sourcing method for attributing this revenue to each municipality, based on certain criteria established under the law. Taxpayers paying these taxes must provide disaggregated information and any other data the commissioner requests to carry out these requirements.

Annually, starting by October 31, 2026, the commissioner must post on DRS's website the amount of revenue from each of these taxes attributed to each municipality for the applicable fiscal year (PA 25-168, § 391, codified at CGS, 2026 Supp., § 12-7e).

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 43 Nay 11 (03/30/2026)