



Senate

General Assembly

File No. 704

February Session, 2026

Substitute Senate Bill No. 84

Senate, April 20, 2026

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING ADJUSTMENTS TO STATE REVENUE.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 12-217 of the 2026 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective from passage*):

4 (b) (1) For purposes of determining net income under this section, the
5 deduction allowed for depreciation shall be determined as provided
6 under the Internal Revenue Code of 1986, or any subsequent
7 corresponding internal revenue code of the United States, as from time
8 to time amended, provided in making such determination, the
9 provisions of Section 168(k) of said code and, for income years
10 commencing on or after January 1, 2026, the provisions of Section 168(n)
11 of said code, shall not apply.

12 (2) (A) For purposes of determining net income under this section for
13 taxable years ending after December 31, 2008, and to the extent any

14 income from the discharge of indebtedness, under Section 108 of the
15 Internal Revenue Code, as amended by Section 1231 of the American
16 Recovery and Reinvestment Act of 2009, in connection with any
17 reacquisition, after December 31, 2008, and [before] prior to January 1,
18 2011, of an applicable debt instrument or instruments, as those terms are
19 defined in said Section 108, as amended by said Section 1231, is not
20 properly includable in gross income for federal income tax purposes for
21 the taxable year, any deferral of the recognition of any such income shall
22 not be allowed.

23 (B) To the extent that any income from the discharge of indebtedness
24 in connection with any reacquisition, after December 31, 2008, and
25 [before] prior to January 1, 2011, of an applicable debt instrument or
26 instruments, as those terms are defined in Section 108 of the Internal
27 Revenue Code, as amended by Section 1231 of the American Recovery
28 and Reinvestment Act of 2009, is properly includable in gross income
29 for federal income tax purposes for the taxable year, any such income
30 shall be deductible in computing net income under this section for a
31 taxable year ending after December 31, 2008, to the extent that the
32 deferral of recognition of such income from such discharge was not
33 allowed pursuant to subparagraph (A) of this subdivision in computing
34 net income for a preceding taxable year.

35 (C) For income years commencing on or after January 1, 2018, eighty
36 per cent of any deduction claimed under Section 179 of the Internal
37 Revenue Code for federal income tax purposes shall be disallowed. To
38 the extent such a deduction is disallowed for purposes of computing the
39 tax under this chapter, twenty-five per cent of the disallowed portion of
40 the deduction shall be allowed as a deduction in each of the four
41 succeeding income years.

42 (D) For purposes of determining net income under this section:

43 (i) For income years commencing on or after January 1, 2022, the
44 deduction under Section 70302(f) of P.L. 119-21 is disallowed;

45 (ii) For income years commencing on or after January 1, 2025, and

46 prior to January 1, 2026, the deduction under Section 174A of the
47 Internal Revenue Code is disallowed; and

48 (iii) For income years commencing on or after January 1, 2022, and
49 prior to January 1, 2026, any research or experimental expenditures paid
50 or incurred for said income years shall be deducted as permitted under
51 Section 174 of the Internal Revenue Code, as in effect on July 3, 2025.

52 Sec. 2. (*Effective from passage*) (a) The provisions of section 12-242d of
53 the general statutes shall not apply to any additional tax due as a result
54 of (1) the changes made to subdivision (1) of subsection (b) of section 12-
55 217 of the general statutes pursuant to section 1 of this act, for income
56 years commencing on or after January 1, 2026, but prior to the effective
57 date of section 1 of this act, or (2) the enactment of subparagraph (D) of
58 subdivision (2) of subsection (b) of section 12-217 of the general statutes
59 pursuant to section 1 of this act, for income years commencing on or
60 after January 1, 2022, but prior to January 1, 2026.

61 (b) Notwithstanding the provisions of sections 12-3a and 12-229 of
62 the general statutes, the Commissioner of Revenue Services shall waive
63 any penalty or interest imposed on the portion of any underpayment for
64 an income year commencing on or after January 1, 2022, but prior to
65 January 1, 2026, that results from any additional tax due as a result of
66 the enactment of subparagraph (D) of subdivision (2) of subsection (b)
67 of section 12-217 of the general statutes pursuant to section 1 of this act.
68 The waiver under this subsection shall not apply to such additional tax
69 that remains underpaid after the later of (1) November 15, 2026, or (2)
70 the due date, without regard to any extension of time to file, of the return
71 on which such additional tax is reported. Taxpayers shall submit
72 information, in a form and manner prescribed by the commissioner, that
73 evidences their eligibility for a waiver under this subsection.

74 Sec. 3. (NEW) (*Effective from passage and applicable to taxable years*
75 *commencing on or after January 1, 2026*) (a) For purposes of this section:

76 (1) "Research and development expenses" means research or
77 experimental expenditures deductible under Section 174 of the Internal

78 Revenue Code of 1986, as in effect on May 28, 1993, determined without
79 regard to Section 280C(c) of said code or to any elections made by a
80 taxpayer to amortize such expenditures that were otherwise deductible
81 on its federal income tax return; and basic research payments, as defined
82 in Section 41 of said code; that (A) are paid or incurred for such research
83 and experimentation and basic research conducted in the state, and (B)
84 are not funded by a grant, contract or governmental entity or a person
85 other than the taxpayer;

86 (2) "Commissioner" means the Commissioner of Economic and
87 Community Development;

88 (3) "Qualified small business" means a partnership or an S
89 corporation, as both terms are defined in section 12-699 of the general
90 statutes, that (A) has gross income for the previous taxable year that
91 does not exceed seventy million dollars, and (B) has not, in the
92 determination of the commissioner, exceeded such gross income
93 threshold through transactions with a related person, as defined in
94 section 12-217w of the general statutes; and

95 (4) "Biotechnology business" means a qualified small business
96 engaged in the business of applying technologies, such as recombinant
97 DNA techniques, biochemistry, molecular and cellular biology, genetics
98 and genetic engineering, biological cell fusion techniques, and new
99 bioprocesses, using living organisms, or parts of organisms, to produce
100 or modify products, to improve plants or animals, to develop
101 microorganisms for specific uses, to identify targets for small molecule
102 pharmaceutical development, or to transform biological systems into
103 useful processes and products.

104 (b) (1) The Department of Economic and Community Development
105 shall administer a system of tax credit vouchers, within available
106 appropriations, to allow qualified small businesses to earn and utilize
107 credits for research and development expenses.

108 (2) For taxable years commencing on or after January 1, 2026, there
109 shall be allowed a credit for qualified small businesses against the tax

110 imposed under chapter 229 of the general statutes, other than the
111 liability imposed by section 12-707 of the general statutes. Such credit
112 shall be equal to six per cent of the research and development expenses
113 paid or incurred by a qualified small business for a taxable year and
114 shall only be allowed to the extent a qualified small business has applied
115 for and received a tax credit voucher pursuant to this section.

116 (c) (1) Any qualified small business may apply to the commissioner,
117 in a form and manner and at a time prescribed by the commissioner, to
118 reserve an allocation for a credit based on the amount of research and
119 development expenses such business intends to pay or incur for a
120 taxable year. The application shall contain such information as the
121 commissioner deems necessary to administer the provisions of this
122 section.

123 (2) If the commissioner determines that such business is likely to pay
124 or incur research and development expenses for a taxable year, the
125 commissioner may issue a notice to such business, reserving a credit
126 under this section based on the amount the business intends to pay or
127 incur. In determining whether to issue such a notice, the commissioner
128 shall prioritize qualified small businesses that, in the commissioner's
129 opinion, exhibit a likelihood for growth in the state or will best
130 contribute to the economic ecosystem of the state.

131 (3) No qualified small business may reserve more than one million
132 five hundred thousand dollars of credits under this section for any
133 taxable year. The aggregate amount of credits that may be reserved
134 under this section shall not exceed twenty-five million dollars for any
135 taxable year.

136 (d) (1) Not later than ninety days after the end of a taxable year, any
137 qualified small business that received a notice under subsection (c) of
138 this section shall submit verification, in a form and manner prescribed
139 by the commissioner, of the research and development expenses
140 actually paid or incurred by such business for such taxable year. If the
141 commissioner determines, after reviewing such verification, that the
142 qualified small business paid or incurred such expenses for the taxable

143 year, the commissioner shall issue a tax credit voucher to such business
144 in an amount equal to six per cent of such expenses, provided such
145 amount shall not exceed the amount reserved for such business under
146 subsection (c) of this section.

147 (2) The commissioner shall notify the Commissioner of Revenue
148 Services and the Secretary of the Office of Policy and Management of
149 each tax credit voucher issued under subdivision (1) of this subsection.

150 (e) If the qualified small business is an S corporation or an entity
151 treated as a partnership for federal income tax purposes, the credit may
152 be claimed by the shareholders or partners of such business. If the
153 qualified small business is a single member liability company that is
154 disregarded as an entity separate from its owner, the credit may be
155 claimed by such business's owner, provided such owner is subject to the
156 tax imposed under chapter 229 of the general statutes.

157 (f) To the extent the credit exceeds a taxpayer's liability under chapter
158 229 of the general statutes, the taxpayer may apply to the Commissioner
159 of Revenue Services to exchange the credit, at the same time the
160 taxpayer files the return upon which such credit is claimed, for a credit
161 refund equal to ninety per cent of the excess if the credit was earned by
162 a biotechnology business and sixty-five per cent of the excess if the
163 credit was earned by a qualified small business other than a
164 biotechnology business.

165 (g) The credit allowed under this section shall be claimed before any
166 other credit allowable against the tax imposed under chapter 229 of the
167 general statutes.

168 (h) The commissioner may adopt regulations, in accordance with the
169 provisions of chapter 54 of the general statutes, to carry out the
170 provisions of this section.

171 Sec. 4. Subsection (a) of section 4-30a of the 2026 supplement to the
172 general statutes is repealed and the following is substituted in lieu
173 thereof (*Effective from passage*):

174 (a) (1) (A) For the fiscal years commencing on or after July 1, 2017,
175 and ending on or before June 30, 2024, all revenue in excess of three
176 billion one hundred fifty million dollars received by the state each fiscal
177 year from estimated and final payments of the personal income tax
178 imposed under chapter 229 and the affected business entity tax imposed
179 under section 12-699 shall be transferred by the Treasurer to a special
180 fund to be known as the Budget Reserve Fund. On and after July 1, 2018,
181 the threshold amount shall be adjusted annually by the compound
182 annual growth rate of personal income in the state over the preceding
183 five calendar years, using data reported by the United States Bureau of
184 Economic Analysis.

185 (B) For the fiscal year ending June 30, 2025, the threshold amount
186 prescribed by subparagraph (A) of this subdivision shall be four billion
187 seventy-nine million three hundred thousand dollars.

188 (C) For the fiscal year ending June 30, 2026, the threshold amount
189 prescribed by subparagraph (A) of this subdivision shall be [four billion
190 seven hundred twenty-eight million six hundred thousand] five billion
191 three hundred seventy-eight million six hundred thousand dollars.

192 (D) For the fiscal year ending June 30, 2027, the threshold amount
193 prescribed by subparagraph (A) of this subdivision shall be five billion
194 nine million one hundred thousand dollars. On and after July 1, [2026]
195 2027, the threshold amount shall be adjusted annually by the compound
196 annual growth rate of personal income in the state over the preceding
197 five calendar years, using data reported by the United States Bureau of
198 Economic Analysis.

199 (2) The General Assembly may amend the threshold amount
200 determined under subdivision (1) of this subsection, by vote of at least
201 three-fifths of the members of each house of the General Assembly, due
202 to changes in state or federal tax law or policy or significant adjustments
203 to economic growth or tax collections.

204 Sec. 5. Section 42 of public act 25-168 is repealed and the following is
205 substituted in lieu thereof (*Effective from passage*):

206 Not later than June 30, 2026, the Comptroller shall transfer two
207 hundred [forty-four] fourteen million dollars of the resources of the
208 General Fund for the fiscal year ending June 30, 2026, to be accounted
209 for as revenue of the General Fund for the fiscal year ending June 30,
210 2027.

211 Sec. 6. Section 43 of public act 25-168 is repealed and the following is
212 substituted in lieu thereof (*Effective from passage*):

213 The following amounts shall be transferred from the resources of the
214 General Fund to the Municipal Revenue Sharing Fund: (1) For the fiscal
215 year ending June 30, 2026, [one hundred one million] eighty-seven
216 million nine hundred thousand dollars, and (2) for the fiscal year ending
217 June 30, 2027, [ninety million] sixty-eight million six hundred thousand
218 dollars.

219 Sec. 7. Section 472 of public act 25-168, as amended by section 203 of
220 public act 25-174, is repealed and the following is substituted in lieu
221 thereof (*Effective July 1, 2026*):

222 The Secretary of the Office of Policy and Management shall grant
223 additional municipal aid, from Other Expenses, as follows: [(1)] To the
224 city of New Haven, \$500,000 for the fiscal year ending June 30, 2026. [;
225 and (2) to the towns of Ledyard and Montville, \$800,000 to each town
226 for the fiscal year ending June 30, 2027.]

227 Sec. 8. (*Effective July 1, 2026*) Notwithstanding the provisions of
228 section 25 of public act 25-168, as amended by this act, for the fiscal year
229 ending June 30, 2027, the grants paid to the towns of Ledyard and
230 Montville from the moneys available in the Mashantucket Pequot and
231 Mohegan Fund established pursuant to section 3-55i of the general
232 statutes shall be as follows: To the town of Ledyard, \$2,191,000; and to
233 the town of Montville, \$2,246,162.

234 Sec. 9. Subsections (a) to (c), inclusive, of section 20-432 of the general
235 statutes are repealed and the following is substituted in lieu thereof
236 (*Effective July 1, 2026*):

237 (a) The commissioner shall establish and maintain the Home
238 Improvement Guaranty Fund.

239 (b) Each salesman who receives a certificate pursuant to this chapter
240 shall pay a fee of forty dollars annually. Each contractor (1) who receives
241 a certificate pursuant to this chapter, or (2) receives a certificate pursuant
242 to chapter 399a and has opted to engage in home improvement pursuant
243 to subsection (f) of section 20-417b shall pay a fee of one hundred dollars
244 annually to the guaranty fund. Such fee shall be payable with the fee for
245 an application for a certificate or renewal thereof. The annual fee for a
246 contractor who receives a certificate of registration as a home
247 improvement contractor acting solely as the contractor of record for a
248 corporation shall be waived, provided the contractor of record shall use
249 such registration for the sole purpose of directing, supervising or
250 performing home improvements for such corporation.

251 (c) Payments received under subsection (b) of this section shall be
252 credited to the guaranty fund until the balance in such fund equals
253 [seven hundred fifty thousand] one million dollars. Annually, if the
254 balance in the fund exceeds [seven hundred fifty thousand dollars] said
255 amount, the first four hundred thousand dollars of the excess shall be
256 deposited into the consumer protection enforcement account
257 established in section 21a-8a. Any excess thereafter shall be deposited in
258 the General Fund. Any money in the guaranty fund may be invested or
259 reinvested in the same manner as funds of the state employees
260 retirement system, and the interest arising from such investments shall
261 be credited to the guaranty fund.

262 Sec. 10. Section 20-12j of the general statutes is repealed and the
263 following is substituted in lieu thereof (*Effective October 1, 2026*):

264 (a) As used in this section:

265 (1) "Contact hour" means a minimum of fifty minutes of continuing
266 education and activities; and

267 (2) "Registration period" means the one-year period for which a

268 license has been renewed in accordance with section 19a-88, as amended
269 by this act, and is current and valid.

270 (b) Each person holding a license as a physician assistant shall,
271 annually, during the month of such person's birth, renew such license
272 with the Department of Public Health [, upon payment of a fee of one
273 hundred fifty-five dollars,] on a form to be provided by the department
274 for such purpose, giving such person's name in full, such person's
275 residence and business address and such other information as the
276 department requests. No such license shall be renewed unless the
277 department is satisfied that the practitioner (1) has met the mandatory
278 continuing medical education requirements of the National
279 Commission on Certification of Physician Assistants or a successor
280 organization for the certification or recertification of physician assistants
281 that may be approved by the department; (2) has passed any
282 examination or continued competency assessment the passage of which
283 may be required by said commission for maintenance of current
284 certification by said commission; (3) has completed not less than one
285 contact hour of training or education in prescribing controlled
286 substances and pain management in the preceding two-year period; and
287 (4) for registration periods beginning on and after January 1, 2022,
288 during the first renewal period and not less than once every six years
289 thereafter, earn not less than two contact hours of training or education
290 screening for post-traumatic stress disorder, risk of suicide, depression
291 and grief and suicide prevention training administered by the American
292 Academy of Physician Associates, or the American Academy of
293 Physician Associates' successor organization, a hospital or other
294 licensed health care institution or a regionally accredited institution of
295 higher education.

296 (c) Each physician assistant applying for license renewal pursuant to
297 section 19a-88, as amended by this act, shall sign a statement attesting
298 that he or she has satisfied the continuing education requirements of
299 subsection (b) of this section on a form prescribed by the Department of
300 Public Health. Each licensee shall retain records of attendance or
301 certificates of completion that demonstrate compliance with the

302 continuing education requirements of subsection (b) of this section for a
303 minimum of three years following the year in which the continuing
304 education was completed and shall submit such records or certificates
305 to the department for inspection not later than forty-five days after a
306 request by the department for such records or certificates.

307 (d) No fee shall be required for the renewal of a license under this
308 section.

309 Sec. 11. Section 20-86g of the general statutes is repealed and the
310 following is substituted in lieu thereof (*Effective October 1, 2026*):

311 Any person who held a current valid license as a midwife on June 30,
312 1983, shall be entitled to renew such license annually [, upon payment
313 of a fee of fifteen dollars,] in accordance with the provisions of section
314 19a-88, as amended by this act.

315 Sec. 12. Subsection (a) of section 20-206ll of the 2026 supplement to
316 the general statutes is repealed and the following is substituted in lieu
317 thereof (*Effective October 1, 2026*):

318 (a) The commissioner shall issue a license as a paramedic to any
319 applicant who furnishes evidence satisfactory to the commissioner that
320 the applicant has met the requirements of section 20-206mm, as
321 amended by this act. The commissioner shall develop and provide
322 application forms. The license may be renewed annually pursuant to
323 section 19a-88, as amended by this act. [for a fee of one hundred fifty-
324 five dollars.] No fee shall be required for the application for a license or
325 for the renewal of such license under this section.

326 Sec. 13. Subsection (c) of section 20-206mm of the general statutes is
327 repealed and the following is substituted in lieu thereof (*Effective October*
328 *1, 2026*):

329 (c) Any person who is certified as an emergency medical technician-
330 paramedic by the Department of Public Health on October 1, 1997, shall
331 be deemed a licensed paramedic. Any person so deemed shall renew his
332 license pursuant to section 19a-88, as amended by this act. [for a fee of

333 one hundred fifty-five dollars.] No fee shall be required for the renewal
334 of such license.

335 Sec. 14. Section 20-74h of the general statutes is repealed and the
336 following is substituted in lieu thereof (*Effective October 1, 2026*):

337 (a) Licenses for occupational therapists and occupational therapy
338 assistants issued under this chapter shall be subject to renewal once
339 every two years and shall expire unless renewed in the manner
340 prescribed by regulation. [upon the payment of two times the
341 professional services fee payable to the State Treasurer for class B as
342 defined in section 33-182l, plus five dollars.] The department shall notify
343 any person or entity that fails to comply with the provisions of this
344 section that the person's or entity's license shall become void ninety days
345 after the time for its renewal unless it is so renewed. Any such license
346 shall become void upon the expiration of such ninety-day period. No
347 fee shall be required for the renewal of a license under this section.

348 (b) The commissioner shall establish additional requirements for
349 licensure renewal which provide evidence of continued competency,
350 which, on and after January 1, 2022, shall include not less than two hours
351 of training or education, offered or approved by the Connecticut
352 Occupational Therapy Association, a hospital or other licensed health
353 care institution or a regionally accredited institution of higher
354 education, on (1) screening for post-traumatic stress disorder, risk of
355 suicide, depression and grief, and (2) suicide prevention training during
356 the first renewal period and not less than once every six years thereafter.
357 The requirement described in subdivision (2) of this [section] subsection
358 may be satisfied by the completion of the evidence-based youth suicide
359 prevention training program administered pursuant to section 17a-52a.

360 (c) The holder of an expired license may apply for and obtain a valid
361 license only upon compliance with all relevant requirements for
362 issuance of a new license. A suspended license is subject to expiration
363 and may be renewed as provided in this section, but such renewal shall
364 not entitle the licensee, while the license remains suspended and until it
365 is reinstated, to engage in the licensed activity, or in any other conduct

366 or activity in violation of the order or judgment by which the license was
367 suspended. [If a license revoked on disciplinary grounds is reinstated,
368 the licensee, as a condition of reinstatement, shall pay the renewal fee.]

369 Sec. 15. Subsections (a) to (c), inclusive, of section 19a-88 of the 2026
370 supplement to the general statutes are repealed and the following is
371 substituted in lieu thereof (*Effective October 1, 2026*):

372 (a) Each person holding a license to practice dentistry, optometry,
373 midwifery or dental hygiene shall, annually, during the month of such
374 person's birth, register with the Department of Public Health, upon
375 payment of: (1) The professional services fee for class I, as defined in
376 section 33-182*l*, plus ten dollars, in the case of a dentist, except as
377 provided in sections 19a-88b and 20-113b; (2) the professional services
378 fee for class H, as defined in section 33-182*l*, plus five dollars, in the case
379 of an optometrist; (3) twenty dollars in the case of a midwife; and (4)
380 [one hundred five dollars] in the case of a dental hygienist, no fee shall
381 be due. Such registration shall be on blanks to be furnished by the
382 department for such purpose, giving such person's name in full, such
383 person's residence and business address and such other information as
384 the department requests. Each person holding a license to practice
385 dentistry who has retired from the profession may renew such license,
386 but the fee shall be ten per cent of the professional services fee for class
387 I, as defined in section 33-182*l*, or ninety-five dollars, whichever is
388 greater. Any license provided by the department at a reduced fee
389 pursuant to this subsection shall indicate that the dentist is retired.

390 (b) Each person holding a license to practice medicine, surgery,
391 podiatry, chiropractic or naturopathy shall, annually, during the month
392 of such person's birth, register with the Department of Public Health,
393 upon payment of the professional services fee for class I, as defined in
394 section 33-182*l*, plus five dollars. Each person holding a license to
395 practice medicine or surgery shall pay five dollars in addition to such
396 professional services fee. Such registration shall be on blanks to be
397 furnished by the department for such purpose, giving such person's
398 name in full, such person's residence and business address and such

399 other information as the department requests. On and after January 1,
400 2026, each person holding a license to practice medicine who has retired
401 from the profession may renew such license. The fee for such license
402 renewal shall be ten per cent of the professional services fee for class I,
403 as determined in accordance with section 33-182l, or ninety-five dollars,
404 whichever is greater. Any such license provided by the department at a
405 reduced fee pursuant to this subsection shall indicate that the
406 practitioner is retired.

407 (c) (1) Each person holding a license to practice as a registered nurse,
408 shall, annually, during the month of such person's birth, register with
409 the Department of Public Health [, upon payment of one hundred ten
410 dollars,] on blanks to be furnished by the department for such purpose,
411 giving such person's name in full, such person's residence and business
412 address and such other information as the department requests. Each
413 person holding a license to practice as a registered nurse who has retired
414 from the profession may renew such license [, but the fee shall be ten
415 per cent of the professional services fee for class B, as defined in section
416 33-182l, plus five dollars. Any license provided by the department at a
417 reduced fee] but any such license shall indicate that the registered nurse
418 is retired.

419 (2) Each person holding a license as an advanced practice registered
420 nurse shall, annually, during the month of such person's birth, register
421 with the Department of Public Health [, upon payment of one hundred
422 thirty dollars,] on blanks to be furnished by the department for such
423 purpose, giving such person's name in full, such person's residence and
424 business address and such other information as the department
425 requests. No such license shall be renewed unless the department is
426 satisfied that the person maintains current certification as either a nurse
427 practitioner, a clinical nurse specialist or a nurse anesthetist from one of
428 the following national certifying bodies which certify nurses in
429 advanced practice: The American Nurses' Association, the Nurses'
430 Association of the American College of Obstetricians and Gynecologists
431 Certification Corporation, the National Board of Pediatric Nurse
432 Practitioners and Associates or the American Association of Nurse

433 Anesthetists. Each person holding a license to practice as an advanced
434 practice registered nurse who has retired from the profession may
435 renew such license [, but the fee shall be ten per cent of the professional
436 services fee for class C, as defined in section 33-182l, plus five dollars.
437 Any license provided by the department at a reduced fee] but any such
438 license shall indicate that the advanced practice registered nurse is
439 retired.

440 (3) Each person holding a license as a licensed practical nurse shall,
441 annually, during the month of such person's birth, register with the
442 Department of Public Health [, upon payment of seventy dollars,] on
443 blanks to be furnished by the department for such purpose, giving such
444 person's name in full, such person's residence and business address and
445 such other information as the department requests. Each person holding
446 a license to practice as a licensed practical nurse who has retired from
447 the profession may renew such license [, but the fee shall be ten per cent
448 of the professional services fee for class A, as defined in section 33-182l,
449 plus five dollars. Any license provided by the department at a reduced
450 fee] but any such license shall indicate that the licensed practical nurse
451 is retired.

452 (4) Each person holding a license as a nurse-midwife shall, annually,
453 during the month of such person's birth, register with the Department
454 of Public Health [, upon payment of one hundred thirty dollars,] on
455 blanks to be furnished by the department for such purpose, giving such
456 person's name in full, such person's residence and business address and
457 such other information as the department requests. No such license shall
458 be renewed unless the department is satisfied that the person maintains
459 current certification from the Accreditation Midwifery Certification
460 Board.

461 (5) (A) Each person holding a license to practice physical therapy
462 shall, annually, during the month of such person's birth, register with
463 the Department of Public Health [, upon payment of the professional
464 services fee for class B, as defined in section 33-182l, plus five dollars,]
465 on blanks to be furnished by the department for such purpose, giving

466 such person's name in full, such person's residence and business address
467 and such other information as the department requests.

468 (B) Each person holding a physical therapist assistant license shall,
469 annually, during the month of such person's birth, register with the
470 Department of Public Health [, upon payment of the professional
471 services fee for class A, as defined in section 33-182l, plus five dollars,]
472 on blanks to be furnished by the department for such purpose, giving
473 such person's name in full, such person's residence and business address
474 and such other information as the department requests.

475 Sec. 16. Section 19a-12d of the general statutes is repealed and the
476 following is substituted in lieu thereof (*Effective October 1, 2026*):

477 (a) On or before the last day of January, April, July and October in
478 each year, the Commissioner of Public Health shall certify the amount
479 of revenue received as a result of any fee increase in the amount of five
480 dollars (1) that took effect October 1, 2015, pursuant to sections 19a-88,
481 as amended by this act, 19a-515, 20-65k, 20-74bb, 20-74h, as amended by
482 this act, 20-74s, 20-149, 20-162o, 20-162bb, 20-191a, 20-195c, as amended
483 by this act, 20-195o, as amended by this act, 20-195cc, as amended by
484 this act, 20-201, 20-206b, 20-206n, 20-206r, 20-206bb, 20-206ll, as
485 amended by this act, 20-222a, 20-275, 20-395d, 20-398 and 20-412, (2) that
486 took effect October 1, 2021, pursuant to section 20-185k, and (3) that took
487 effect July 1, 2021, pursuant to section 20-12j, as amended by this act,
488 and transfer such amount to the professional assistance program
489 account established in section 19a-12c.

490 (b) On and after October 1, 2025, until [January 1, 2028] October 1,
491 2026, in addition to the transfers made pursuant to subsection (a) of this
492 section, the commissioner shall transfer an additional two dollars from
493 each license renewed pursuant to subdivision (1) or (3) of subsection (c)
494 of section 19a-88, as amended by this act, to the professional assistance
495 program account established pursuant to section 19a-12c. Transfers
496 made pursuant to this subsection shall occur at the same times and
497 frequency as the transfers made pursuant to subsection (a) of this
498 section.

499 Sec. 17. Section 20-195c of the 2026 supplement to the general statutes
500 is repealed and the following is substituted in lieu thereof (*Effective*
501 *October 1, 2026*):

502 (a) Each applicant for licensure as a marital and family therapist shall
503 present to the department satisfactory evidence that such applicant has:
504 (1) Completed a graduate degree program specializing in marital and
505 family therapy offered by a regionally accredited college or university
506 or an accredited postgraduate clinical training program accredited by
507 the Commission on Accreditation for Marriage and Family Therapy
508 Education offered by a regionally accredited institution of higher
509 education; (2) completed a supervised practicum or internship with
510 emphasis in marital and family therapy supervised by the program
511 granting the requisite degree or by an accredited postgraduate clinical
512 training program accredited by the Commission on Accreditation for
513 Marriage and Family Therapy Education and offered by a regionally
514 accredited institution of higher education; (3) completed twenty-four
515 months of relevant postgraduate experience, including (A) a minimum
516 of one thousand hours of direct client contact offering marital and
517 family therapy services subsequent to being awarded a master's degree
518 or doctorate or subsequent to the training year specified in subdivision
519 (2) of this subsection, and (B) one hundred hours of postgraduate
520 clinical supervision provided by a licensed marital and family therapist;
521 and (4) passed an examination prescribed by the department.

522 (b) Each applicant for licensure as a marital and family therapist
523 associate shall present to the department satisfactory evidence that such
524 applicant has completed a graduate degree program specializing in
525 marital and family therapy offered by a regionally accredited institution
526 of higher education or an accredited postgraduate clinical training
527 program accredited by the Commission on Accreditation for Marriage
528 and Family Therapy Education and offered by a regionally accredited
529 institution of higher education.

530 (c) The department may grant licensure without examination to any
531 applicant who is currently licensed or certified as (1) a marital or

532 marriage and family therapist in another state, territory or
533 commonwealth of the United States, or (2) a marital and family therapist
534 associate in another state, territory or commonwealth of the United
535 States, provided the state, territory or commonwealth where such
536 marital and family therapist associate is currently licensed or certified
537 maintains licensure or certification standards which, in the opinion of
538 the department, are equivalent to or higher than the standards of this
539 state. No license shall be issued under this section to any applicant
540 against whom professional disciplinary action is pending or who is the
541 subject of an unresolved complaint.

542 (d) (1) A license issued to a marital and family therapist issued under
543 this section may be renewed annually in accordance with the provisions
544 of section 19a-88, as amended by this act. [The fee for such renewal shall
545 be two hundred dollars.] Each licensed marital and family therapist
546 applying for license renewal shall furnish evidence satisfactory to the
547 commissioner of having participated in continuing education programs.
548 The commissioner shall adopt regulations, in accordance with chapter
549 54, to (A) define basic requirements for continuing education programs,
550 which shall include not less than one contact hour of training or
551 education each registration period on the topic of cultural competency
552 and, on and after January 1, 2016, not less than two contact hours of
553 training or education during the first renewal period in which
554 continuing education is required and not less than once every six years
555 thereafter on the topic of mental health conditions common to veterans
556 and family members of veterans, including (i) determining whether a
557 patient is a veteran or family member of a veteran, (ii) screening for
558 conditions such as post-traumatic stress disorder, risk of suicide,
559 depression and grief, and (iii) suicide prevention training, (B) delineate
560 qualifying programs, (C) establish a system of control and reporting,
561 and (D) provide for waiver of the continuing education requirement for
562 good cause.

563 (2) A license issued to a marital and family therapist associate (A)
564 prior to July 1, 2023, shall expire on or before twenty-four months after
565 the date on which such license was issued, and (B) on or after July 1,

566 2023, shall expire on or before twelve months after the date on which
567 such license was issued. Such license may be renewed not more than
568 two times if issued prior to July 1, 2023, and not more than three times
569 if issued on or after July 1, 2023, for twelve months in accordance with
570 the provisions of section 19a-88, as amended by this act. [The fee for such
571 renewal shall be one hundred twenty-five dollars.] Each licensed
572 marital and family therapist associate applying for license renewal shall
573 furnish evidence satisfactory to the commissioner of having satisfied the
574 continuing education requirements prescribed in subdivision (1) of this
575 subsection.

576 (e) No fee shall be required for an application for licensure under
577 subsection (a) or (b) of this section or for the renewal of a license under
578 subsection (d) of this section.

579 (f) Notwithstanding the provisions of this section, a person who is a
580 graduate of a graduate degree program or a postgraduate clinical
581 training program described in subsection (b) of this section may practice
582 marital and family therapy for a period not greater than one hundred
583 twenty calendar days after the date such person completed such
584 program, provided such person works under the clinical supervision of
585 a licensed marital family therapist.

586 Sec. 18. Section 20-195o of the 2026 supplement to the general statutes
587 is repealed and the following is substituted in lieu thereof (*Effective*
588 *October 1, 2026*):

589 (a) Application for licensure shall be on forms prescribed and
590 furnished by the commissioner. Each applicant shall furnish evidence
591 satisfactory to the commissioner that he or she has met the requirements
592 of section 20-195n.

593 (b) (1) Notwithstanding the provisions of section 20-195n concerning
594 examinations, on or before October 1, 2015, the commissioner may issue
595 a license without examination, to any master social worker applicant
596 who demonstrates to the satisfaction of the commissioner that, on or
597 before October 1, 2013, he or she held a master's degree from a social

598 work program accredited by the Council on Social Work Education or,
599 if educated outside the United States or its territories, completed an
600 educational program deemed equivalent by the council.

601 (2) Notwithstanding the provisions of section 20-195n concerning
602 examinations, the commissioner shall waive the requirement to pass the
603 masters level examination of the Association of Social Work Boards or
604 any other examination prescribed by the commissioner, as described in
605 subsection (b) of section 20-195n until January 1, 2026, at which time
606 such requirement shall be reinstated. Not later than July 1, 2025, the
607 commissioner shall notify institutions of higher education offering
608 social work programs about the reinstatement of the examination for all
609 persons graduating after January 1, 2026.

610 (c) Each person licensed pursuant to this chapter may apply for
611 renewal of such licensure in accordance with the provisions of
612 subsection (e) of section 19a-88. [A fee of two hundred dollars shall
613 accompany each renewal application for a licensed clinical social worker
614 and a fee of one hundred twenty-five dollars shall accompany each
615 renewal application for a licensed master social worker.] Each such
616 applicant shall furnish evidence satisfactory to the commissioner of
617 having satisfied the continuing education requirements prescribed in
618 section 20-195u.

619 (d) No fee shall be required for an application for licensure under
620 subsection (a) of this section or for the renewal of a license under
621 subsection (c) of this section.

622 (e) (1) An individual who has been convicted of any criminal offense
623 may request, in writing, at any time, that the commissioner determine
624 whether such individual's criminal conviction disqualifies the
625 individual from obtaining a license issued or conferred by the
626 commissioner pursuant to this chapter based on (A) the nature of the
627 conviction and its relationship to the individual's ability to safely or
628 competently perform the duties or responsibilities associated with such
629 license, (B) information pertaining to the degree of rehabilitation of the
630 individual, and (C) the time elapsed since the conviction or release of

631 the individual.

632 (2) An individual making such request shall include (A) details of the
633 individual's criminal conviction, and (B) any payment required by the
634 commissioner. The commissioner may charge a fee of not more than
635 fifteen dollars for each request made under this subsection. The
636 commissioner may waive such fee.

637 (3) Not later than thirty days after receiving a request under this
638 subsection, the commissioner shall inform the individual making such
639 request whether, based on the criminal record information provided,
640 such individual is disqualified from receiving or holding a license
641 issued or conferred pursuant to this chapter.

642 (4) The commissioner is not bound by a determination made under
643 this subsection, if, upon further investigation, the commissioner
644 determines that an individual's criminal conviction differs from the
645 information presented in the determination request.

646 Sec. 19. Section 20-195cc of the 2026 supplement to the general
647 statutes is repealed and the following is substituted in lieu thereof
648 (*Effective October 1, 2026*):

649 (a) The Commissioner of Public Health shall grant a license (1) as a
650 professional counselor to any applicant who furnishes evidence
651 satisfactory to the commissioner that such applicant has met the
652 requirements of section 20-195dd, and (2) as a professional counselor
653 associate to any applicant who furnishes evidence satisfactory to the
654 commissioner that such applicant has met the requirements of section
655 20-195dd. The commissioner shall develop and provide application
656 forms.

657 (b) Licenses issued to professional counselors and professional
658 counselor associates under this section may be renewed annually
659 pursuant to section 19a-88, as amended by this act. [The fee for such
660 renewal shall be two hundred dollars for a professional counselor and
661 one hundred twenty-five dollars for a professional counselor associate.]

662 Each licensed professional counselor and professional counselor
663 associate applying for license renewal shall furnish evidence
664 satisfactory to the commissioner of having participated in continuing
665 education programs. The commissioner shall adopt regulations, in
666 accordance with chapter 54, to (1) define basic requirements for
667 continuing education programs that shall include (A) not less than one
668 contact hour of training or education each registration period on the
669 topic of cultural competency, (B) on and after January 1, 2016, not less
670 than two contact hours of training or education during the first renewal
671 period in which continuing education is required and not less than once
672 every six years thereafter on the topic of mental health conditions
673 common to veterans and family members of veterans, including (i)
674 determining whether a patient is a veteran or family member of a
675 veteran, (ii) screening for conditions such as post-traumatic stress
676 disorder, risk of suicide, depression and grief, and (iii) suicide
677 prevention training, and (C) on and after January 1, 2018, not less than
678 three contact hours of training or education each registration period on
679 the topic of professional ethics, (2) delineate qualifying programs, (3)
680 establish a system of control and reporting, and (4) provide for a waiver
681 of the continuing education requirement for good cause.

682 (c) (1) Any individual who has been convicted of any criminal offense
683 may request, at any time, that the commissioner determine whether
684 such individual's criminal conviction disqualifies the individual from
685 obtaining a license issued or conferred by the commissioner pursuant to
686 this chapter based on (A) the nature of the conviction and its
687 relationship to the individual's ability to safely or competently perform
688 the duties or responsibilities associated with such license, (B)
689 information pertaining to the degree of rehabilitation of the individual,
690 and (C) the time elapsed since the conviction or release of the individual.

691 (2) An individual making such request shall include (A) details of the
692 individual's criminal conviction, and (B) any payment required by the
693 commissioner. The commissioner may charge a fee of not more than
694 fifteen dollars for each request made under this subsection. The
695 commissioner may waive such fee.

696 (3) Not later than thirty days after receiving a request under this
697 subsection, the commissioner shall inform the individual making such
698 request whether, based on the criminal record information submitted,
699 such individual is disqualified from receiving or holding a license
700 issued or conferred pursuant to this chapter.

701 (4) The commissioner is not bound by a determination made under
702 this section, if, upon further investigation, the commissioner determines
703 that the individual's criminal conviction differs from the information
704 presented in the determination request.

705 (d) Notwithstanding the provisions of this section, a person who is a
706 graduate of a course of study described in subdivision (1) or (2) of
707 subsection (b) of section 20-195dd may practice professional counseling
708 for a period not greater than one hundred twenty calendar days after
709 the date such person completed such course of study, provided such
710 person works under professional supervision.

711 (e) No fee shall be required for an application for licensure under
712 subsection (a) of this section or for the renewal of a license under
713 subsection (b) of this section.

714 Sec. 20. Section 20-333 of the 2026 supplement to the general statutes
715 is repealed and the following is substituted in lieu thereof (*Effective*
716 *October 1, 2026*):

717 (a) (1) To obtain a license under this chapter, an applicant shall have
718 attained such applicant's eighteenth birthday and shall furnish such
719 evidence of competency as the appropriate board or the Commissioner
720 of Consumer Protection shall require. A recommendation for review
721 issued pursuant to section 31-22u shall be sufficient to demonstrate such
722 competency. The applicant shall satisfy such board or the commissioner
723 that such applicant possesses a diploma or other evidence of graduation
724 from the eighth grade of grammar school, or possesses an equivalent
725 education to be determined on examination and has the requisite skill
726 to perform the work in the trade for which such applicant is applying
727 for a license and can comply with all other requirements of this chapter

728 and the regulations adopted under this chapter. A recommendation for
729 review issued pursuant to section 31-22u shall be sufficient to
730 demonstrate that an applicant possesses such requisite skill and can
731 comply with all other requirements of this chapter and the regulations
732 adopted under this chapter. For any application submitted pursuant to
733 this section that requires a hearing or other action by the applicable
734 examining board or the commissioner, such hearing or other action by
735 the applicable examining board or the commissioner shall occur not
736 later than thirty days after the date of submission for such application.

737 [Upon] (2) Except as provided in subdivision (3) of this subsection,
738 upon application for any such license, the applicant shall pay to the
739 department a nonrefundable application fee [of ninety dollars for a
740 license under subdivisions (2) and (3) of subsection (a) and subdivision
741 (4) of subsection (e) of section 20-334a, or a nonrefundable application
742 fee of one hundred fifty dollars for a license under subdivision (1) of
743 subsection (a), subdivisions (1) and (2) of subsection (b), subdivision (1)
744 of subsection (c) and subdivisions (1), (2) and (3) of subsection (e) of
745 section 20-334a.] as follows:

746 (A) For an unlimited contractor's or a limited contractor's license
747 under subdivision (1) of subsection (a) of section 20-334a, as amended
748 by this act, one hundred fifty dollars; and

749 (B) For an unlimited journeyman's or a limited journeyman's license
750 or an apprentice's permit under subdivisions (2) and (3) of subsection
751 (a) of section 20-334a, as amended by this act, ninety dollars.

752 (3) No application fee shall be required for the following licenses:

753 (A) Unlimited electrical contractor or unlimited electrical
754 journeyman;

755 (B) Limited electrical contractor or limited electrical journeyman;

756 (C) Limited solar electric contractor or limited solar electric
757 journeyman;

758 (D) Unlimited heating, piping and cooling contractor or unlimited
759 heating, piping and cooling journeyman;

760 (E) Limited heating, piping and cooling contractor or limited heating,
761 piping and cooling journeyman;

762 (F) Heating, piping and cooling operating stationary engineer;

763 (G) Unlimited plumbing and piping contractor or unlimited
764 plumbing and piping journeyman;

765 (H) Limited plumbing and piping contractor or limited plumbing
766 and piping journeyman; or

767 (I) Limited sheet metal work contractor or limited sheet metal work
768 journeyman.

769 (4) Any [such] application fee required under this section shall be
770 waived for persons who present a recommendation for review issued
771 pursuant to section 31-22u.

772 (b) (1) The department shall conduct such written, oral and practical
773 examinations as the appropriate board, with the consent of the
774 commissioner, deems necessary to test the knowledge of the applicant
775 in the work for which a license is being sought. The department shall
776 allow any applicant, who has not participated in a registered
777 apprenticeship program, as set forth in section 31-22r, but either
778 presents a recommendation for review issued pursuant to section 31-
779 22u or demonstrates to the department, in consultation with the
780 applicable board, equivalent experience and training, to sit for any such
781 examination.

782 (2) Any person completing the required apprentice training program
783 for a journeyman's license under section 20-334a, as amended by this
784 act, shall, not later than thirty days after completing such program,
785 apply for a licensure examination given by the department or a person
786 authorized by the department to give such examination. If an applicant
787 does not pass such licensure examination, the commissioner shall

788 provide each failed applicant with information on how to retake the
789 examination and a report describing the applicant's strengths and
790 weaknesses in such examination. Any apprentice permit issued under
791 section 20-334a, as amended by this act, to an applicant who fails three
792 licensure examinations in any one-year period shall remain in effect if
793 such applicant applies for and takes the first licensure examination
794 given by the department following the one-year period beginning on
795 the date of such applicant's third and last unsuccessful licensure
796 examination. Otherwise, such permit shall be revoked as of the date of
797 the first examination given by the department following expiration of
798 such one-year period. Upon application to the department for an initial
799 license under the provisions of this chapter, an applicant shall submit
800 evidence of successful completion of the applicant's final licensure
801 examination, which successful completion shall occur not more than
802 two years prior to the date of the relevant licensure application, unless
803 the appropriate board grants a hardship extension of such two-year
804 period.

805 (c) The Commissioner of Consumer Protection, subject to section 46a-
806 80, may deny a license or may issue a license pursuant to a consent order
807 containing conditions that shall be met by the applicant if the applicant
808 reports that he or she has been found guilty or convicted as a result of
809 an act which constitutes a felony under (1) the laws of this state at the
810 time of application for such license, (2) federal law at the time of
811 application for such license, or (3) the laws of another jurisdiction, and
812 which, if committed within this state, would constitute a felony under
813 the laws of this state.

814 (d) When an applicant has qualified for a license, the department
815 shall, upon receipt of the license fee, if applicable, or upon waiver of
816 such fee pursuant to section 20-335, as amended by this act, issue to such
817 applicant a license entitling such applicant to engage in the work or
818 occupation for which a license was sought and shall register each
819 successful applicant's name and address in the roster of licensed persons
820 authorized to engage in the work or occupation within the appropriate
821 board's authority. All fees and other moneys collected by the

822 department shall be promptly transmitted to the State Treasurer as
823 provided in section 4-32.

824 Sec. 21. Section 20-334a of the general statutes is repealed and the
825 following is substituted in lieu thereof (*Effective October 1, 2026*):

826 (a) Except as otherwise provided in this section, the following
827 licenses may be issued by the Department of Consumer Protection, with
828 the advice and assistance of the boards, under the provisions of section
829 20-333, as amended by this act:

830 (1) (A) An unlimited contractor's license may be issued to a person
831 who has served as a journeyman in the trade for which such person
832 seeks a license for not less than two years and, if such service as a
833 journeyman was outside this state, has furnished evidence satisfactory
834 to the appropriate state board or the department that such service is
835 comparable to similar service in this state, or has furnished satisfactory
836 evidence of education and experience and has passed an examination
837 which has demonstrated that such person is competent in all aspects of
838 such trade to be an unlimited contractor. (B) A limited contractor's
839 license may be issued to a person who fulfills the requirements of
840 subparagraph (A) of this subdivision as to a specific area or areas within
841 the trade for which such person seeks a license. (C) The holder of an
842 unlimited or a limited contractor's license may, within the trade, or the
843 area or areas of the trade, for which such holder has been licensed,
844 furnish supplies and do layout, installation, repair and maintenance
845 work and distribute and handle materials, provided nothing in this
846 subdivision shall be construed to authorize the performance of any
847 action for which licensure is required under the provisions of chapter
848 390 or 391. Such licensee shall furnish the board or the department with
849 evidence that such licensee will comply with all state requirements
850 pertaining to workers' compensation and unemployment insurance and
851 that such evidence shall be available to any properly interested person
852 prior to the issuance of a license under this subdivision.

853 (2) (A) An unlimited journeyman's license may be issued to any
854 person who has completed a bona fide apprenticeship program,

855 including not less than four years' experience in the trade for which such
856 person seeks a license, and has demonstrated such person's competency
857 to perform all services included in the trade for which a license is sought
858 by successfully completing the applicable state licensure examination.
859 (B) A limited journeyman's license may be issued to a person who fulfills
860 the requirements of subparagraph (A) of this subdivision in a specific
861 area or areas of the trade for which such person seeks a license, provided
862 the length of experience required may be less than four years for such
863 area or areas of the trade.

864 (3) An apprentice's permit may be issued for the performance of work
865 in a trade licensed under the provisions of this chapter, for the purpose
866 of training, which work may be performed only under the supervision
867 of a licensed contractor or journeyman.

868 (4) An apprentice permit shall expire upon the failure of the
869 apprentice holding such permit to apply for the first licensure
870 examination given by the department following completion of an
871 apprentice training program as provided in subdivision (2) of this
872 subsection.

873 (b) The following licenses for solar thermal work may be issued by
874 the department, with the advice and assistance of the examining board
875 for heating, piping, cooling and sheet metal work, under the provisions
876 of section 20-333, as amended by this act, including an examination on
877 solar work:

878 (1) A solar thermal contractor's license may be issued to any person
879 who (A) not later than July 1, 1984, (i) has been issued a P-1, P-3, S-1, S-
880 3, S-5, S-7, D-1 or D-3 license under subdivision (1) of subsection (a) of
881 this section or installs at least six fully operational solar hot water
882 heating systems, and (ii) qualifies for a solar thermal contractor's license
883 under section 20-333, as amended by this act, or (B) has served as a solar
884 thermal journeyman for not less than two years.

885 (2) A solar thermal journeyman's license may be issued to any person
886 who (A) not later than July 1, 1984, (i) is issued a P-2, P-4, S-2, S-4, S-6,

887 S-8, D-2 or D-4 license under subdivision (2) of subsection (a) of this
888 section, and (ii) qualifies for a solar thermal journeyman's license under
889 section 20-333, as amended by this act, (B) after July 1, 1984, is issued a
890 P-2, P-4, S-2, S-4, S-6, S-8, D-2 or D-4 license under subdivision (2) of
891 subsection (a) of this section and whose bona fide apprenticeship
892 program includes instruction in solar thermal work, or (C) after July 1,
893 1984, completes a bona fide solar thermal work apprenticeship program
894 and has not less than two years' experience in solar thermal work. A
895 solar thermal journeyman may work only under the supervision of a
896 licensed solar thermal contractor.

897 (3) A solar thermal apprentice's permit may be issued for the
898 performance of solar thermal work for the purpose of training. Such
899 work may be performed only under the supervision of a licensed solar
900 thermal contractor or journeyman.

901 (c) The following licenses for fire protection sprinkler systems work
902 may be issued by the department:

903 (1) A fire protection sprinkler contractor's license may be issued to a
904 person who provides satisfactory evidence of education and experience
905 in fire protection sprinkler systems work, as defined in subdivision (9)
906 of section 20-330, and who has passed an examination which has
907 demonstrated competence in all aspects of such trade. Applicants for
908 such license shall complete a form provided by the commissioner; and

909 (2) [a] A journeyman sprinkler fitter's license may be issued to a
910 person who has completed a bona fide apprenticeship program
911 pursuant to section 20-334c, and who has not less than four [years] years'
912 experience in fire protection sprinkler systems work, as defined in
913 subdivision (9) of section 20-330, or who has been licensed under this
914 section, and has passed an examination which has demonstrated
915 competence in all aspects of such trade. Applicants for such license shall
916 complete a form provided by the department.

917 (d) The following licenses for irrigation work may be issued by the
918 department upon authorization of the examining board for plumbing

919 and piping work under the provisions of section 20-333, as amended by
920 this act: (1) An irrigation contractor's license, and (2) an irrigation
921 journeyman's license.

922 (e) The following licenses for sheet metal work may be issued by the
923 department upon authorization of the examining board for heating,
924 piping, cooling and sheet metal work, under the provisions of section
925 20-333, as amended by this act, in addition to any licenses or permits
926 issued for such work under subsection (a) of this section:

927 [(1) Prior to January 1, 2002, a limited contractor's license for large
928 commercial sheet metal work may be issued to any person who has
929 worked as a sheet metal contractor or successfully worked in such trade
930 in the capacity of a journeyman sheet metal worker for not less than two
931 years.

932 (2) On or after January 1, 2002, a] (1) A limited contractor's license for
933 large commercial sheet metal work may be issued to any person who
934 has (A) served as a journeyman in the trade for which such person seeks
935 a license for not less than two years, and (B) if such service as a
936 journeyman was outside this state, furnished evidence satisfactory to
937 the examining board for heating, piping, cooling and sheet metal work
938 that such service is comparable to similar service in this state.

939 [(3) Prior to January 1, 2002, a limited journeyman's license for large
940 commercial sheet metal work may be issued to any person who has (A)
941 successfully completed a bona fide apprenticeship program, including
942 not less than four years of experience in the trade for which such person
943 seeks a license, or (B) demonstrated such person's competency to
944 perform such work by furnishing proof of continuous employment in
945 such trade for not less than eight thousand hours within the previous
946 five years, subject to the approval of the examining board for heating,
947 piping, cooling and sheet metal work.

948 (4) On or after January 1, 2002, a] (2) A limited journeyman's license
949 for large commercial sheet metal work may be issued to any person who
950 has (A) successfully completed a bona fide apprenticeship program,

951 including not less than four years of experience in the trade for which
952 such person seeks a license, and (B) demonstrated such person's
953 competency to perform all services included in the trade for which a
954 license is sought by successfully completing the applicable state
955 licensure examination.

956 (f) On and after January 1, 2002, the following licenses for automotive
957 glass work and flat glass work may be issued by the department upon
958 authorization of the examining board for automotive glass work and flat
959 glass work, under the provisions of section 20-333, as amended by this
960 act:

961 (1) [On and after January 1, 2002, but before January 1, 2003, an
962 unlimited contractor's license for automotive glass work or flat glass
963 work may be issued to any person who has served as a journeyman in
964 the trade for which such person seeks a license for not less than three
965 years. On and after January 1, 2002, an] An unlimited contractor's license
966 for automotive glass work or flat glass work may be issued to any
967 person who (A) has served as a journeyman in the trade for which such
968 person seeks a license for not less than three years and, if such service
969 as a journeyman was outside this state, has furnished evidence
970 satisfactory to the examining board for automotive glass work and flat
971 glass work that such service is comparable to similar service in this state,
972 and (B) has furnished satisfactory evidence of education and experience
973 and has passed an examination which has demonstrated that such
974 person is competent in all aspects of such trade to be an unlimited
975 contractor for automotive glass work or flat glass work.

976 (2) [On and after January 1, 2002, but before January 1, 2003, an
977 unlimited journeyman's license for automotive glass work or flat glass
978 work may be issued to any person who has served in the trade for which
979 such person seeks a license for not less than two years. On and after
980 January 1, 2002, an] An unlimited journeyman's license for automotive
981 glass work or flat glass work may be issued to any person who has
982 successfully completed a bona fide apprenticeship program as required
983 by the examining board for automotive glass work and flat glass work,

984 and has demonstrated such person's competency to perform all services
985 included in the trade for which a license is sought by successfully
986 completing the applicable state licensure examination.

987 (g) [On or after July 1, 2003, a] A medical gas and vacuum systems
988 certificate for medical gas and vacuum systems work may be issued by
989 the department, upon the authorization of the Plumbing and Piping
990 Work Board or the Heating, Piping and Cooling Work Board, as
991 appropriate, to any person who (1) has been issued a P-1, P-2, S-1, S-2,
992 S-3 or S-4 license under subdivision (1) of subsection (a) of this section,
993 (2) has been certified as a medical gas and vacuum system brazer issued
994 in accordance with the standards of Section IX entitled "Welding and
995 Brazing Qualifications" of the American Society of Mechanical
996 Engineers Boiler and Pressure Vessel Code, and (3) has been certified as
997 having completed an approved training course on medical gas and
998 vacuum system installation as required by American National
999 Standards Institute-American Society of Sanitary Engineering Series
1000 6000. No person shall perform medical gas and vacuum systems work
1001 unless such person has obtained a certificate pursuant to this subsection.
1002 Such certificate shall be renewed consistent with the renewal process for
1003 the prerequisite licenses. The fee for such certificate shall be fifty dollars.

1004 (h) A limited sheet metal power industry license may be issued to any
1005 person upon authorization of the examining board for heating, piping,
1006 cooling and sheet metal work, subject to the provisions of section 20-
1007 333, as amended by this act. Prior to taking the licensure examination,
1008 an applicant shall successfully complete an education and training
1009 program established and approved by the Labor Department with the
1010 advice of the Connecticut State Apprenticeship Council. The holder of
1011 such license may only install, erect, replace, repair or alter breeching
1012 exhaust and inlet air systems at electric generation facilities, including,
1013 but not limited to, cogeneration plants, bio-mass facilities, blast
1014 furnaces, combined cycle facilities, fossil fuel, gas and hydro power
1015 facilities, incinerators and nuclear power facilities. The holder of such
1016 license may only perform such work while in the employ of a contractor
1017 licensed to perform such sheet metal work under this chapter.

1018 (i) The Electrical Work Board shall authorize any person to install,
1019 service and repair residential security systems limited to twenty-five
1020 volts and five amperes in one to three-family residential dwellings,
1021 provided the person is in the employ of an electrical contractor holding
1022 an E-1 unlimited contractor license or an L-5 contractor license issued
1023 pursuant to subdivision (1) of subsection (a) of this section and the
1024 person has successfully completed an apprenticeship and training
1025 program established and approved by the Labor Department with the
1026 advice of the Connecticut State Apprenticeship Council. Any person
1027 authorized to work under this subsection shall not perform
1028 telecommunications electrical work, as defined in section 20-340b, with
1029 the exception of work involving interface wiring from a residential
1030 security system to an existing telephone connection for monitoring
1031 purposes. Any person who is authorized to work under this subsection
1032 shall, no later than fifteen months after being issued [said] such
1033 authorization, secure an L-6 limited electrical journeyman's license
1034 pursuant to subdivision (2) of subsection (a) of this section.

1035 Sec. 22. Section 20-334e of the general statutes is repealed and the
1036 following is substituted in lieu thereof (*Effective October 1, 2026*):

1037 Any person who has been issued an L-5 or L-6 license pursuant to
1038 subdivision (1) of subsection (a) of section 20-334a, as amended by this
1039 act, shall be eligible to take the licensure examination for a C-5 or C-6
1040 license issued pursuant to subdivision (1) of subsection (a) of section 20-
1041 334a, as amended by this act, provided such person submits a complete
1042 license application [and a nonrefundable application fee pursuant to
1043 section 20-333] and provides satisfactory evidence of experience in the
1044 field of telecommunications work to the Electrical Work Board.

1045 Sec. 23. Section 20-335 of the general statutes is repealed and the
1046 following is substituted in lieu thereof (*Effective October 1, 2026*):

1047 [Any] (a) (1) Except as provided under subdivision (2) of this
1048 subsection, any person who has successfully completed an examination
1049 for such person's initial license under this chapter shall pay to the
1050 Department of Consumer Protection a fee of one hundred fifty dollars

1051 for a contractor's license or a fee of one hundred twenty dollars for any
1052 other such license. Any such initial license fee shall be waived for
1053 persons who present a recommendation for review issued pursuant to
1054 section 31-22u.

1055 (2) No fee shall be required for the issuance of an initial license under
1056 this section for a person exempt from paying the application fee
1057 pursuant to subdivision (3) of subsection (a) of section 20-333, as
1058 amended by this act.

1059 (b) (1) All such licenses shall expire annually. No person shall carry
1060 on or engage in the work or occupations subject to this chapter after the
1061 expiration of such person's license until such person has filed an
1062 application bearing the date of such person's registration card with the
1063 appropriate board. Such application shall be in writing, addressed to the
1064 secretary of the board from which such renewal is sought and signed by
1065 the person applying for such renewal. A licensee applying for renewal
1066 shall, at such times as the commissioner shall by regulation prescribe,
1067 furnish evidence satisfactory to the board that the licensee has
1068 completed any continuing professional education required under
1069 sections 20-330 to 20-341, inclusive, or any regulations adopted
1070 thereunder.

1071 (2) The board may renew such license if the application for such
1072 renewal is received by the board no later than one month after the date
1073 of expiration of such license. [, upon] Except as provided in subdivision
1074 (3) of this subsection, the licensee shall make payment to the department
1075 of a renewal fee of one hundred fifty dollars in the case of a contractor
1076 and of one hundred twenty dollars for any other such license. For any
1077 completed renewal application submitted pursuant to this section that
1078 requires a hearing or other action by the applicable examining board,
1079 such hearing or other action by the applicable examining board shall
1080 occur not later than thirty days after the date of submission for such
1081 completed renewal application. [The]

1082 (3) No fee shall be required for the renewal of a license under this
1083 section for a person exempt from paying the application fee pursuant to

1084 subdivision (3) of subsection (a) of section 20-333, as amended by this
1085 act.

1086 (4) If applicable, the department shall issue a receipt stating the fact
1087 of [such] the payment made under subdivision (2) of this subsection,
1088 which receipt shall be a license to engage in such work or occupation. A
1089 licensee who has failed to renew such licensee's license for a period of
1090 over two years from the date of expiration of such license shall have it
1091 reinstated only upon complying with the requirements of section 20-
1092 333, as amended by this act. All license fees and renewal fees paid to the
1093 department pursuant to this section shall be deposited in the General
1094 Fund.

1095 Sec. 24. Subsection (g) of section 20-331 of the general statutes is
1096 repealed and the following is substituted in lieu thereof (*Effective October*
1097 *1, 2026*):

1098 (g) The Automotive Glass Work and Flat Glass Work Board shall
1099 consist of eight members who shall be residents of this state, one of
1100 whom shall be a general contractor or an unlimited contractor licensed
1101 to perform automotive glass work under this chapter, one of whom shall
1102 be a general contractor or an unlimited contractor licensed to perform
1103 flat glass work under this chapter, one of whom shall be an unlimited
1104 contractor licensed to perform automotive glass work under this
1105 chapter, one of whom shall be an unlimited contractor licensed to
1106 perform flat glass work under this chapter, one of whom shall be an
1107 unlimited journeyman licensed to perform flat glass work under this
1108 chapter and three of whom shall be public members. The initial
1109 members appointed under this subsection need not be licensed to
1110 perform such work under this chapter before January 1, 2001, provided
1111 such initial members shall satisfy the applicable criteria set forth in
1112 subsection [(e)] (f) of section 20-334a of the general statutes, revision of
1113 1958, revised to January 1, 2001. On and after January 1, 2001, each
1114 member appointed under this subsection shall be licensed as provided
1115 in this subsection.

1116 Sec. 25. Subsection (l) of section 10-145b of the 2026 supplement to the

1117 general statutes is repealed and the following is substituted in lieu
1118 thereof (*Effective October 1, 2026*):

1119 (l) [Upon application to the State Board of Education for the issuance
1120 of any certificate in accordance with this section and section 10-145d,
1121 there shall be paid to the board by or on behalf of the applicant two
1122 hundred fifty dollars in the case of an applicant for a provisional
1123 educator certificate and three hundred seventy-five dollars in the case
1124 of an applicant for a professional educator certificate, except that
1125 applicants for certificates for teaching adult education programs
1126 mandated under subparagraph (A) of subsection (a) of section 10-69
1127 shall pay a fee of one hundred dollars; persons eligible for a certificate
1128 or endorsement for which the fee is less than that applied for shall
1129 receive an appropriate refund; persons not eligible for any certificate
1130 shall receive a refund of the application fee minus fifty dollars; and
1131 persons holding standard or permanent certificates on July 1, 1989, who
1132 apply for professional certificates to replace the standard or permanent
1133 certificates, shall not be required to pay such a fee. Upon application to
1134 the State Board of Education for the issuance of a subject area
1135 endorsement there shall be paid to the board by or on behalf of such
1136 applicant a nonreturnable fee of one hundred dollars.] No fee shall be
1137 required for an application to the State Board of Education [in the case
1138 of an initial educator certificate] for the issuance of a certificate, a
1139 temporary certificate or a subject area endorsement under this section.
1140 With each request for a duplicate copy of any such certificate or
1141 endorsement there shall be paid to the board a nonreturnable fee of fifty
1142 dollars.

1143 Sec. 26. Section 12-330ll of the 2026 supplement to the general statutes
1144 is repealed and the following is substituted in lieu thereof (*Effective*
1145 *October 1, 2026, and applicable to sales occurring on or after October 1, 2026*):

1146 (a) As used in this section and sections 12-330mm and 12-330nn:

1147 (1) "Cannabis" has the same meaning as provided in section 21a-420;

1148 [(2) "Cannabis concentrate" has the same meaning as provided in

1149 section 21a-420;

1150 (3) "Cannabis edible product" means a product containing cannabis
1151 or cannabis concentrate, combined with other ingredients, that is
1152 intended for use or consumption through ingestion, including
1153 sublingual or oral absorption;

1154 (4) "Cannabis plant material" has the same meaning as provided in
1155 section 21a-279a;]

1156 [(5)] (2) "Cannabis retailer" means "retailer", as defined in section 21a-
1157 420;

1158 [(6)] (3) "Consumer" has the same meaning as provided in section 21a-
1159 420;

1160 [(7)] (4) "Cultivator" has the same meaning as provided in section 21a-
1161 420;

1162 [(8)] (5) "Delivery service" has the same meaning as provided in
1163 section 21a-420;

1164 [(9)] (6) "Dispensary facility" has the same meaning as provided in
1165 section 21a-420;

1166 [(10)] (7) "Food and beverage manufacturer" has the same meaning as
1167 provided in section 21a-420;

1168 [(11)] (8) "Hybrid retailer" has the same meaning as provided in
1169 section 21a-420;

1170 [(12)] (9) "Micro-cultivator" has the same meaning as provided in
1171 section 21a-420;

1172 [(13)] (10) "Municipality" has the same meaning as provided in
1173 section 21a-420;

1174 [(14)] (11) "Palliative use" has the same meaning as provided in
1175 section 21a-408;

1176 [(15)] (12) "Producer" has the same meaning as provided in section
1177 21a-420;

1178 [(16)] (13) "Product manufacturer" has the same meaning as provided
1179 in section 21a-420;

1180 [(17)] (14) "Product packager" has the same meaning as provided in
1181 section 21a-420; and

1182 [(18) "Social Equity Council" has the same meaning as provided in
1183 section 21a-420;

1184 (19) "Total THC" has the same meaning as provided in section 21a-
1185 240; and]

1186 [(20)] (15) "Transporter" has the same meaning as provided in section
1187 21a-420.

1188 (b) (1) For the privilege of making any sales of cannabis in this state,
1189 a tax is hereby imposed on each cannabis retailer, hybrid retailer or
1190 micro-cultivator at the [following rates:] rate of ten and seventy-five-
1191 hundredths per cent of the gross receipts from the sale of cannabis.

1192 [(A) Cannabis plant material, at the rate of six hundred twenty-five-
1193 thousandths of one cent per milligram of total THC, as reflected on the
1194 product label;

1195 (B) Cannabis edible products, at the rate of two and seventy-five-
1196 hundredths cents per milligram of total THC, as reflected on the product
1197 label; and

1198 (C) Cannabis, other than cannabis plant material or cannabis edible
1199 products, at the rate of nine-tenths of one cent per milligram of total
1200 THC, as reflected on the product label.]

1201 (2) The tax under this section:

1202 (A) Shall be collected from the consumer, except as provided under
1203 subparagraphs (B) and (D) of this subdivision, by the cannabis retailer,

1204 hybrid retailer or micro-cultivator at the time of sale and such tax
1205 reimbursement, termed "tax" in this section, shall be paid by the
1206 consumer to the cannabis retailer, hybrid retailer or micro-cultivator.
1207 Each cannabis retailer, hybrid retailer or micro-cultivator shall collect
1208 from the consumer the full amount of the tax imposed by this section or
1209 an amount equal to the average equivalent thereof to the nearest amount
1210 practicable. Such tax shall be a debt from the consumer to the cannabis
1211 retailer, hybrid retailer or micro-cultivator, when so added to the
1212 original sales price, and shall be recoverable at law in the same manner
1213 as other debts except as provided in section 12-432a; [.]

1214 (B) Shall not apply to the sale of cannabis for palliative use;

1215 (C) Shall not apply to the transfer of cannabis to a transporter for
1216 transport to any other cultivator, micro-cultivator, food and beverage
1217 manufacturer, product manufacturer, product packager, dispensary
1218 facility, cannabis retailer, hybrid retailer or producer;

1219 (D) Shall not apply to the sale of cannabis by a delivery service to a
1220 consumer;

1221 (E) Shall be in addition to the taxes imposed under section 12-330mm
1222 and chapter 219; and

1223 (F) When so collected, shall be deemed to be a special fund in trust
1224 for the state until remitted to the state.

1225 (c) On or before the last day of each month in which a cannabis
1226 retailer, hybrid retailer or micro-cultivator may legally sell cannabis
1227 other than cannabis for palliative use, each such cannabis retailer,
1228 hybrid retailer or micro-cultivator shall file a return with the
1229 Department of Revenue Services. Such return shall be in such form and
1230 contain such information as the Commissioner of Revenue Services
1231 prescribes as necessary for administration of the tax under this section
1232 and shall be accompanied by a payment of the amount of the tax shown
1233 to be due thereon. Each cannabis retailer, hybrid retailer and micro-
1234 cultivator shall file such return electronically with the department and

1235 make such payment by electronic funds transfer in the manner provided
1236 by chapter 228g, to the extent possible.

1237 (d) If any cannabis retailer, hybrid retailer or micro-cultivator fails to
1238 pay the amount of tax reported due on its return within the time
1239 specified under this section, there shall be imposed a penalty equal to
1240 twenty-five per cent of such amount due and unpaid, or two hundred
1241 fifty dollars, whichever is greater. Such amount shall bear interest at the
1242 rate of one per cent per month or fraction thereof, from the due date of
1243 such tax until the date of payment. Subject to the provisions of section
1244 12-3a, the commissioner may waive all or part of the penalties provided
1245 under this section when it is proven to the commissioner's satisfaction
1246 that the failure to pay any tax was due to reasonable cause and was not
1247 intentional or due to neglect. Any penalty that is waived shall be applied
1248 as a credit against tax liabilities owed by the cannabis retailer, hybrid
1249 retailer or micro-cultivator.

1250 (e) Each person, other than a cannabis retailer, hybrid retailer or
1251 micro-cultivator, who is required, on behalf of such cannabis retailer,
1252 hybrid retailer or micro-cultivator, to collect, truthfully account for and
1253 pay over a tax imposed on such cannabis retailer, hybrid retailer or
1254 micro-cultivator under this section and who wilfully fails to collect,
1255 truthfully account for and pay over such tax or who wilfully attempts in
1256 any manner to evade or defeat the tax or the payment thereof, shall, in
1257 addition to other penalties provided by law, be liable for a penalty equal
1258 to the total amount of the tax evaded, or not collected, or not accounted
1259 for and paid over, including any penalty or interest attributable to such
1260 wilful failure to collect or truthfully account for and pay over such tax
1261 or such wilful attempt to evade or defeat such tax, provided such
1262 penalty shall only be imposed against such person in the event that such
1263 tax, penalty or interest cannot otherwise be collected from such cannabis
1264 retailer, hybrid retailer or micro-cultivator. The amount of such penalty
1265 with respect to which a person may be personally liable under this
1266 section shall be collected in accordance with the provisions of section
1267 12-555a and any amount so collected shall be allowed as a credit against
1268 the amount of such tax, penalty or interest due and owing from the

1269 cannabis retailer, hybrid retailer or micro-cultivator. The dissolution of
1270 the cannabis retailer, hybrid retailer or micro-cultivator shall not
1271 discharge any person in relation to any personal liability under this
1272 section for wilful failure to collect or truthfully account for and pay over
1273 such tax or for a wilful attempt to evade or defeat such tax prior to
1274 dissolution, except as otherwise provided in this section. For purposes
1275 of this section, "person" includes any individual, corporation, limited
1276 liability company or partnership and any officer or employee of any
1277 corporation, including a dissolved corporation, and a member of or
1278 employee of any partnership or limited liability company who, as such
1279 officer, employee or member, is under a duty to file a tax return under
1280 this section on behalf of a cannabis retailer, hybrid retailer or micro-
1281 cultivator or to collect or truthfully account for and pay over a tax
1282 imposed under this section on behalf of such cannabis retailer, hybrid
1283 retailer or micro-cultivator.

1284 (f) The provisions of sections 12-548, 12-551 to 12-554, inclusive, and
1285 12-555a shall apply to the provisions of this section in the same manner
1286 and with the same force and effect as if the language of said sections had
1287 been incorporated in full into this section and had expressly referred to
1288 the tax under this section, except to the extent that any provision is
1289 inconsistent with a provision in this section.

1290 (g) The commissioner shall not issue a refund of any tax paid by a
1291 cannabis retailer, hybrid retailer or micro-cultivator under this section.

1292 (h) The commissioner may adopt regulations, in accordance with the
1293 provisions of chapter 54, to implement the provisions of this section and
1294 sections 12-330mm and 12-330nn. Notwithstanding the provisions of
1295 sections 4-168 to 4-172, inclusive, prior to adopting any such regulations,
1296 the commissioner shall issue policies and procedures, which shall have
1297 the force and effect of law, to implement the [taxes] tax imposed under
1298 this section and sections 12-330mm and 12-330nn. At least fifteen days
1299 prior to the effective date of any policy or procedure issued pursuant to
1300 this subsection, the commissioner shall post such policy or procedure
1301 on the department's Internet web site and submit such policy or

1302 procedure to the Secretary of the State for posting on the eRegulations
1303 System. Any such policy or procedure shall no longer be effective upon
1304 the adoption of such policy or procedure as a final regulation in
1305 accordance with the provisions of chapter 54 or forty-eight months of
1306 July 1, 2021, whichever is earlier.

1307 (i) The tax received by the state under this section shall be deposited
1308 as follows:

1309 (1) For the fiscal years ending June 30, 2022, and June 30, 2023, in the
1310 cannabis regulatory and investment account established under section
1311 21a-420f of the general statutes, revision of 1958, revised to January 1,
1312 2025;

1313 (2) For the fiscal years ending June 30, 2024, and June 30, 2025, sixty
1314 per cent of such tax received in the Cannabis Social Equity and
1315 Innovation Fund established under section 21a-420f of the general
1316 statutes, revision of 1958, revised to January 1, 2025, twenty-five per cent
1317 of such tax received in the Cannabis Prevention and Recovery Services
1318 Fund established under section 21a-420f of the general statutes, revision
1319 of 1958, revised to January 1, 2025, and fifteen per cent in the General
1320 Fund;

1321 (3) For the fiscal year ending June 30, 2026, sixty per cent of such tax
1322 received in the social equity and innovation account established under
1323 section 21a-420f, twenty-five per cent of such tax received in the
1324 Cannabis Prevention and Recovery Services Fund established under
1325 section 21a-420f and fifteen per cent in the General Fund;

1326 (4) For the fiscal years ending June 30, 2027, and June 30, 2028, [sixty-
1327 five] seventy per cent of such tax received in the social equity and
1328 innovation account established under section 21a-420f, twenty-five per
1329 cent of such tax received in the Cannabis Prevention and Recovery
1330 Services Fund established under section 21a-420f and [ten] five per cent
1331 in the General Fund; and

1332 (5) For the fiscal year ending June 30, 2029, and each fiscal year

1333 thereafter, seventy-five per cent of such tax received in the social equity
1334 and innovation account established under section 21a-420f and twenty-
1335 five per cent of such tax received in the Cannabis Prevention and
1336 Recovery Services Fund established under section 21a-420f.

1337 Sec. 27. (NEW) (*Effective January 1, 2027, and applicable to income and*
1338 *taxable years commencing on or after January 1, 2027*) (a) As used in this
1339 section, "federal pay price", "milk producer" and "minimum sustainable
1340 monthly cost of production" have the same meanings as provided in
1341 section 22-265b of the general statutes.

1342 (b) Each milk producer shall be allowed a credit against the tax
1343 imposed under chapter 208 or 229 of the general statutes, other than the
1344 liability imposed by section 12-707 of the general statutes, in an amount
1345 equal to, for each month of the income or taxable year the federal pay
1346 price is below the minimum sustainable monthly cost of production, (1)
1347 the dollar amount the federal pay price was below the minimum
1348 sustainable monthly cost of production, (2) multiplied by the amount of
1349 milk produced by such milk producer for such month. Each milk
1350 producer shall file with the Commissioner of Agriculture, in a form and
1351 manner prescribed by the commissioner, such information the
1352 commissioner requires to substantiate the amount of milk produced by
1353 such milk producer.

1354 (c) (1) Any milk producer subject to the tax imposed under chapter
1355 208 or 229 of the general statutes may apply to the Commissioner of
1356 Agriculture, in a form and manner prescribed by the commissioner, to
1357 reserve an allocation for a credit under this section. The application shall
1358 contain such information as the commissioner deems necessary to
1359 administer the provisions of this section. The aggregate amount of
1360 credits reserved under this section shall not exceed eight million dollars
1361 in any calendar year.

1362 (2) Upon verification by the commissioner that the conditions set
1363 forth in subsection (b) of this section have been satisfied and the amount
1364 of milk produced by a milk producer has been substantiated, the
1365 commissioner shall issue a voucher to the milk producer in the amount

1366 calculated pursuant to subsection (b) of this section. The taxpayer shall
1367 file the voucher with the taxpayer's state tax return for the applicable
1368 income or taxable year.

1369 (d) If the taxpayer is an S corporation or an entity treated as a
1370 partnership for federal income tax purposes, the credit may be claimed
1371 by the taxpayer's shareholders or partners. If the taxpayer is a single
1372 member limited liability company that is disregarded as an entity
1373 separate from its owner, the credit may be claimed by such limited
1374 liability company's owner, provided such owner is subject to the tax
1375 imposed under chapter 208 or 229 of the general statutes.

1376 (e) If the amount of the credit allowed pursuant to this section
1377 exceeds the taxpayer's liability for the tax imposed under chapter 208 or
1378 229 of the general statutes, the Commissioner of Revenue Services shall
1379 treat such excess as an overpayment and, except as provided in section
1380 12-739 or 12-742 of the general statutes, shall refund the amount of such
1381 excess, without interest, to such taxpayer.

1382 Sec. 28. Subdivision (1) of section 12-408 of the general statutes is
1383 repealed and the following is substituted in lieu thereof (*Effective October*
1384 *1, 2026, and applicable to sales occurring on or after October 1, 2026*):

1385 (1) (A) For the privilege of making any sales, as defined in
1386 subdivision (2) of subsection (a) of section 12-407, at retail, in this state
1387 for a consideration, a tax is hereby imposed on all retailers at the rate of
1388 six and thirty-five-hundredths per cent of the gross receipts of any
1389 retailer from the sale of all tangible personal property sold at retail or
1390 from the rendering of any services constituting a sale in accordance with
1391 subdivision (2) of subsection (a) of section 12-407, except, in lieu of said
1392 rate, the rates provided in subparagraphs (B) to (I), inclusive, of this
1393 subdivision;

1394 (B) (i) At a rate of fifteen per cent with respect to each transfer of
1395 occupancy, from the total amount of rent received by a hotel or lodging
1396 house for the first period not exceeding thirty consecutive calendar
1397 days;

1398 (ii) At a rate of eleven per cent with respect to each transfer of
1399 occupancy, from the total amount of rent received by a bed and
1400 breakfast establishment for the first period not exceeding thirty
1401 consecutive calendar days;

1402 (C) With respect to the sale of a motor vehicle to any individual who
1403 is a member of the armed forces of the United States and is on full-time
1404 active duty in Connecticut and who is considered, under 50 [App] USC
1405 App 574, a resident of another state, or to any such individual and the
1406 spouse thereof, at a rate of four and one-half per cent of the gross
1407 receipts of any retailer from such sales, provided such retailer requires
1408 and maintains a declaration by such individual, prescribed as to form
1409 by the commissioner and bearing notice to the effect that false
1410 statements made in such declaration are punishable, or other evidence,
1411 satisfactory to the commissioner, concerning the purchaser's state of
1412 residence under 50 [App] USC App 574;

1413 (D) (i) With respect to the sales of computer and data processing
1414 services occurring on or after July 1, 2001, at the rate of one per cent, and
1415 (ii) with respect to sales of Internet access services, on and after July 1,
1416 2001, such services shall be exempt from such tax;

1417 (E) (i) With respect to the sales of labor that is otherwise taxable under
1418 subparagraph (C) or (G) of subdivision (2) of subsection (a) of section
1419 12-407 on existing vessels and repair or maintenance services on vessels
1420 occurring on and after July 1, 1999, such services shall be exempt from
1421 such tax;

1422 (ii) With respect to the sale of a vessel, a motor for a vessel or a trailer
1423 used for transporting a vessel, at the rate of two and ninety-nine-
1424 hundredths per cent, except that the sale of a vessel shall be exempt from
1425 such tax if such vessel is docked in this state for sixty or fewer days in a
1426 calendar year;

1427 (iii) With respect to the sale of dyed diesel fuel, as defined in
1428 subsection (d) of section 12-487, sold by a marine fuel dock exclusively
1429 for marine purposes, at the rate of two and ninety-nine-hundredths per

1430 cent;

1431 (F) With respect to patient care services for which payment is
1432 received by the hospital on or after July 1, 1999, and prior to July 1, 2001,
1433 at the rate of five and three-fourths per cent and on and after July 1, 2001,
1434 such services shall be exempt from such tax;

1435 (G) (i) With respect to the rental or leasing of a passenger motor
1436 vehicle for a period of thirty consecutive calendar days or less, at a rate
1437 of nine and thirty-five-hundredths per cent;

1438 (ii) With respect to peer-to-peer car sharing, as defined in section 13b-
1439 127, for a period of thirty consecutive calendar days or less, at a rate of
1440 nine and thirty-five-hundredths per cent;

1441 (H) With respect to the sale of (i) a motor vehicle for a sales price
1442 exceeding [fifty] seventy-five thousand dollars, at a rate of seven and
1443 three-fourths per cent on the entire sales price, (ii) jewelry, whether real
1444 or imitation, for a sales price exceeding five thousand dollars, at a rate
1445 of seven and three-fourths per cent on the entire sales price, and (iii) an
1446 article of clothing or footwear intended to be worn on or about the
1447 human body, a handbag, luggage, umbrella, wallet or watch for a sales
1448 price exceeding one thousand dollars, at a rate of seven and three-
1449 fourths per cent on the entire sales price. For purposes of this
1450 subparagraph, "motor vehicle" has the meaning provided in section 14-
1451 1, but does not include a motor vehicle subject to the provisions of
1452 subparagraph (C) of this subdivision, a motor vehicle having a gross
1453 vehicle weight rating over twelve thousand five hundred pounds, or a
1454 motor vehicle having a gross vehicle weight rating of twelve thousand
1455 five hundred pounds or less that is not used for private passenger
1456 purposes, but is designed or used to transport merchandise, freight or
1457 persons in connection with any business enterprise and issued a
1458 commercial registration or more specific type of registration by the
1459 Department of Motor Vehicles;

1460 (I) With respect to the sale of meals, as defined in subdivision (13) of
1461 section 12-412, sold by an eating establishment, caterer or grocery store;

1462 and spirituous, malt or vinous liquors, soft drinks, sodas or beverages
1463 such as are ordinarily dispensed at bars and soda fountains, or in
1464 connection therewith; in addition to the tax imposed under
1465 subparagraph (A) of this subdivision, at the rate of one per cent;

1466 (J) The rate of tax imposed by this chapter shall be applicable to all
1467 retail sales upon the effective date of such rate, except that a new rate
1468 that represents an increase in the rate applicable to the sale shall not
1469 apply to any sales transaction wherein a binding sales contract without
1470 an escalator clause has been entered into prior to the effective date of the
1471 new rate and delivery is made within ninety days after the effective date
1472 of the new rate. For the purposes of payment of the tax imposed under
1473 this section, any retailer of services taxable under subdivision (37) of
1474 subsection (a) of section 12-407, who computes taxable income, for
1475 purposes of taxation under the Internal Revenue Code of 1986, or any
1476 subsequent corresponding internal revenue code of the United States,
1477 as amended from time to time, on an accounting basis that recognizes
1478 only cash or other valuable consideration actually received as income
1479 and who is liable for such tax only due to the rendering of such services
1480 may make payments related to such tax for the period during which
1481 such income is received, without penalty or interest, without regard to
1482 when such service is rendered;

1483 (K) (i) For calendar quarters ending on or after September 30, 2019,
1484 the commissioner shall deposit into the regional planning incentive
1485 account, established pursuant to section 4-66k, six and seven-tenths per
1486 cent of the amounts received by the state from the tax imposed under
1487 subparagraph (B) of this subdivision and ten and seven-tenths per cent
1488 of the amounts received by the state from the tax imposed under
1489 subparagraph (G)(i) of this subdivision;

1490 (ii) For calendar quarters ending on or after September 30, 2018, the
1491 commissioner shall deposit into the Tourism Fund established under
1492 section 10-395b ten per cent of the amounts received by the state from
1493 the tax imposed under subparagraph (B) of this subdivision;

1494 (L) (i) For calendar months commencing on or after July 1, 2021, but

1495 prior to July 1, 2023, the commissioner shall deposit into the municipal
1496 revenue sharing account established pursuant to section 4-66l seven and
1497 nine-tenths per cent of the amounts received by the state from the tax
1498 imposed under subparagraph (A) of this subdivision, including such
1499 amounts received on or after July 1, 2023, attributable to the fiscal year
1500 ending June 30, 2023; and

1501 (ii) For calendar months commencing on or after July 1, 2023, the
1502 commissioner shall deposit into the Municipal Revenue Sharing Fund
1503 established pursuant to section 4-66p seven and nine-tenths per cent of
1504 the amounts received by the state from the tax imposed under
1505 subparagraph (A) of this subdivision; [and]

1506 (M) (i) For calendar months commencing on or after July 1, 2017, the
1507 commissioner shall deposit into the Special Transportation Fund
1508 established under section 13b-68 seven and nine-tenths per cent of the
1509 amounts received by the state from the tax imposed under
1510 subparagraph (A) of this subdivision;

1511 (ii) For calendar months commencing on or after July 1, 2018, but
1512 prior to July 1, 2019, the commissioner shall deposit into the Special
1513 Transportation Fund established under section 13b-68 eight per cent of
1514 the amounts received by the state from the tax imposed under
1515 subparagraphs (A) and (H) of this subdivision on the sale of a motor
1516 vehicle;

1517 (iii) For calendar months commencing on or after July 1, 2019, but
1518 prior to July 1, 2020, the commissioner shall deposit into the Special
1519 Transportation Fund established under section 13b-68 seventeen per
1520 cent of the amounts received by the state from the tax imposed under
1521 subparagraphs (A) and (H) of this subdivision on the sale of a motor
1522 vehicle;

1523 (iv) For calendar months commencing on or after July 1, 2020, but
1524 prior to July 1, 2021, the commissioner shall deposit into the Special
1525 Transportation Fund established under section 13b-68 twenty-five per
1526 cent of the amounts received by the state from the tax imposed under

1527 subparagraphs (A) and (H) of this subdivision on the sale of a motor
1528 vehicle;

1529 (v) For calendar months commencing on or after July 1, 2021, but
1530 prior to July 1, 2022, the commissioner shall deposit into the Special
1531 Transportation Fund established under section 13b-68 seventy-five per
1532 cent of the amounts received by the state from the tax imposed under
1533 subparagraphs (A) and (H) of this subdivision on the sale of a motor
1534 vehicle; and

1535 (vi) For calendar months commencing on or after July 1, 2022, the
1536 commissioner shall deposit into the Special Transportation Fund
1537 established under section 13b-68 one hundred per cent of the amounts
1538 received by the state from the tax imposed under subparagraphs (A)
1539 and (H) of this subdivision on the sale of a motor vehicle;

1540 (N) For calendar quarters ending on or after December 31, 2026, the
1541 commissioner shall deposit into the Special Transportation Fund
1542 established under section 13b-68 one hundred per cent of the amounts
1543 received by the state from the tax imposed under subparagraph (G)(ii)
1544 of this subdivision; and

1545 (O) For calendar months commencing on or after October 1, 2026, the
1546 commissioner shall deposit into the Tourism Fund established under
1547 section 10-395b fifty per cent of the amounts received by the state from
1548 the tax imposed under subparagraph (I) of this subdivision.

1549 Sec. 29. Subdivision (1) of section 12-411 of the general statutes is
1550 repealed and the following is substituted in lieu thereof (*Effective October*
1551 *1, 2026, and applicable to sales occurring on or after October 1, 2026*):

1552 (1) (A) An excise tax is hereby imposed on the storage, acceptance,
1553 consumption or any other use in this state of tangible personal property
1554 purchased from any retailer for storage, acceptance, consumption or any
1555 other use in this state, the acceptance or receipt of any services
1556 constituting a sale in accordance with subdivision (2) of subsection (a)
1557 of section 12-407, purchased from any retailer for consumption or use in

1558 this state, or the storage, acceptance, consumption or any other use in
1559 this state of tangible personal property which has been manufactured,
1560 fabricated, assembled or processed from materials by a person, either
1561 within or without this state, for storage, acceptance, consumption or any
1562 other use by such person in this state, to be measured by the sales price
1563 of materials, at the rate of six and thirty-five-hundredths per cent of the
1564 sales price of such property or services, except, in lieu of said rate:

1565 (B) (i) At a rate of fifteen per cent of the rent paid to a hotel or lodging
1566 house for the first period not exceeding thirty consecutive calendar
1567 days;

1568 (ii) At a rate of eleven per cent of the rent paid to a bed and breakfast
1569 establishment for the first period not exceeding thirty consecutive
1570 calendar days;

1571 (C) With respect to the storage, acceptance, consumption or use in
1572 this state of a motor vehicle purchased from any retailer for storage,
1573 acceptance, consumption or use in this state by any individual who is a
1574 member of the armed forces of the United States and is on full-time
1575 active duty in Connecticut and who is considered, under 50 [App] USC
1576 App 574, a resident of another state, or to any such individual and the
1577 spouse of such individual at a rate of four and one-half per cent of the
1578 sales price of such vehicle, provided such retailer requires and
1579 maintains a declaration by such individual, prescribed as to form by the
1580 commissioner and bearing notice to the effect that false statements made
1581 in such declaration are punishable, or other evidence, satisfactory to the
1582 commissioner, concerning the purchaser's state of residence under 50
1583 [App] USC App 574;

1584 (D) (i) With respect to the acceptance or receipt in this state of labor
1585 that is otherwise taxable under subparagraph (C) or (G) of subdivision
1586 (2) of subsection (a) of section 12-407 on existing vessels and repair or
1587 maintenance services on vessels occurring on and after July 1, 1999, such
1588 services shall be exempt from such tax;

1589 (ii) (I) With respect to the storage, acceptance or other use of a vessel

1590 in this state, at the rate of two and ninety-nine-hundredths per cent,
1591 except that such storage, acceptance or other use shall be exempt from
1592 such tax if such vessel is docked in this state for sixty or fewer days in a
1593 calendar year;

1594 (II) With respect to the storage, acceptance or other use of a motor for
1595 a vessel or a trailer used for transporting a vessel in this state, at the rate
1596 of two and ninety-nine-hundredths per cent;

1597 (III) With respect to the storage, acceptance or other use of dyed diesel
1598 fuel, as defined in subsection (d) of section 12-487, exclusively for
1599 marine purposes, at the rate of two and ninety-nine-hundredths per
1600 cent;

1601 (E) (i) With respect to the acceptance or receipt in this state of
1602 computer and data processing services purchased from any retailer for
1603 consumption or use in this state occurring on or after July 1, 2001, at the
1604 rate of one per cent of such services, and (ii) with respect to the
1605 acceptance or receipt in this state of Internet access services, on and after
1606 July 1, 2001, such services shall be exempt from such tax;

1607 (F) With respect to the acceptance or receipt in this state of patient
1608 care services purchased from any retailer for consumption or use in this
1609 state for which payment is received by the hospital on or after July 1,
1610 1999, and prior to July 1, 2001, at the rate of five and three-fourths per
1611 cent and on and after July 1, 2001, such services shall be exempt from
1612 such tax;

1613 (G) (i) With respect to the rental or leasing of a passenger motor
1614 vehicle for a period of thirty consecutive calendar days or less, at a rate
1615 of nine and thirty-five-hundredths per cent;

1616 (ii) With respect to peer-to-peer car sharing, as defined in section 13b-
1617 127, for a period of thirty consecutive calendar days or less, at a rate of
1618 nine and thirty-five-hundredths per cent;

1619 (H) With respect to the acceptance or receipt in this state of (i) a motor
1620 vehicle for a sales price exceeding [fifty] seventy-five thousand dollars,

1621 at a rate of seven and three-fourths per cent on the entire sales price, (ii)
1622 jewelry, whether real or imitation, for a sales price exceeding five
1623 thousand dollars, at a rate of seven and three-fourths per cent on the
1624 entire sales price, and (iii) an article of clothing or footwear intended to
1625 be worn on or about the human body, a handbag, luggage, umbrella,
1626 wallet or watch for a sales price exceeding one thousand dollars, at a
1627 rate of seven and three-fourths per cent on the entire sales price. For
1628 purposes of this subparagraph, "motor vehicle" has the meaning
1629 provided in section 14-1, but does not include a motor vehicle subject to
1630 the provisions of subparagraph (C) of this subdivision, a motor vehicle
1631 having a gross vehicle weight rating over twelve thousand five hundred
1632 pounds, or a motor vehicle having a gross vehicle weight rating of
1633 twelve thousand five hundred pounds or less that is not used for private
1634 passenger purposes, but is designed or used to transport merchandise,
1635 freight or persons in connection with any business enterprise and issued
1636 a commercial registration or more specific type of registration by the
1637 Department of Motor Vehicles;

1638 (I) With respect to the acceptance or receipt in this state of meals, as
1639 defined in subdivision (13) of section 12-412, sold by an eating
1640 establishment, caterer or grocery store; and spirituous, malt or vinous
1641 liquors, soft drinks, sodas or beverages such as are ordinarily dispensed
1642 at bars and soda fountains, or in connection therewith; in addition to the
1643 tax imposed under subparagraph (A) of this subdivision, at the rate of
1644 one per cent;

1645 (J) (i) For calendar quarters ending on or after September 30, 2019, the
1646 commissioner shall deposit into the regional planning incentive
1647 account, established pursuant to section 4-66k, six and seven-tenths per
1648 cent of the amounts received by the state from the tax imposed under
1649 subparagraph (B) of this subdivision and ten and seven-tenths per cent
1650 of the amounts received by the state from the tax imposed under
1651 subparagraph (G)(i) of this subdivision;

1652 (ii) For calendar quarters ending on or after September 30, 2018, the
1653 commissioner shall deposit into the Tourism Fund established under

1654 section 10-395b ten per cent of the amounts received by the state from
1655 the tax imposed under subparagraph (B) of this subdivision;

1656 (K) (i) For calendar months commencing on or after July 1, 2021, but
1657 prior to July 1, 2023, the commissioner shall deposit into the municipal
1658 revenue sharing account established pursuant to section 4-66l seven and
1659 nine-tenths per cent of the amounts received by the state from the tax
1660 imposed under subparagraph (A) of this subdivision, including such
1661 amounts received on or after July 1, 2023, attributable to the fiscal year
1662 ending June 30, 2023; and

1663 (ii) For calendar months commencing on or after July 1, 2023, the
1664 commissioner shall deposit into the Municipal Revenue Sharing Fund
1665 established pursuant to section 4-66p seven and nine-tenths per cent of
1666 the amounts received by the state from the tax imposed under
1667 subparagraph (A) of this subdivision; [and]

1668 (L) (i) For calendar months commencing on or after July 1, 2017, the
1669 commissioner shall deposit into said Special Transportation Fund seven
1670 and nine-tenths per cent of the amounts received by the state from the
1671 tax imposed under subparagraph (A) of this subdivision;

1672 (ii) For calendar months commencing on or after July 1, 2018, but
1673 prior to July 1, 2019, the commissioner shall deposit into the Special
1674 Transportation Fund established under section 13b-68 eight per cent of
1675 the amounts received by the state from the tax imposed under
1676 subparagraphs (A) and (H) of this subdivision on the acceptance or
1677 receipt in this state of a motor vehicle;

1678 (iii) For calendar months commencing on or after July 1, 2019, but
1679 prior to July 1, 2020, the commissioner shall deposit into the Special
1680 Transportation Fund established under section 13b-68 seventeen per
1681 cent of the amounts received by the state from the tax imposed under
1682 subparagraphs (A) and (H) of this subdivision on the acceptance or
1683 receipt in this state of a motor vehicle;

1684 (iv) For calendar months commencing on or after July 1, 2020, but

1685 prior to July 1, 2021, the commissioner shall deposit into the Special
1686 Transportation Fund established under section 13b-68 twenty-five per
1687 cent of the amounts received by the state from the tax imposed under
1688 subparagraphs (A) and (H) of this subdivision on the acceptance or
1689 receipt in this state of a motor vehicle;

1690 (v) For calendar months commencing on or after July 1, 2021, but
1691 prior to July 1, 2022, the commissioner shall deposit into the Special
1692 Transportation Fund established under section 13b-68 seventy-five per
1693 cent of the amounts received by the state from the tax imposed under
1694 subparagraphs (A) and (H) of this subdivision on the acceptance or
1695 receipt in this state of a motor vehicle; and

1696 (vi) For calendar months commencing on or after July 1, 2022, the
1697 commissioner shall deposit into the Special Transportation Fund
1698 established under section 13b-68 one hundred per cent of the amounts
1699 received by the state from the tax imposed under subparagraphs (A)
1700 and (H) of this subdivision on the acceptance or receipt in this state of a
1701 motor vehicle;

1702 (M) For calendar quarters ending on or after December 31, 2026, the
1703 commissioner shall deposit into the Special Transportation Fund
1704 established under section 13b-68 one hundred per cent of the amounts
1705 received by the state from the tax imposed under subparagraph (G)(ii)
1706 of this subdivision; and

1707 (N) For calendar months commencing on or after October 1, 2026, the
1708 commissioner shall deposit into the Tourism Fund established under
1709 section 10-395b fifty per cent of the amounts received by the state from
1710 the tax imposed under subparagraph (I) of this subdivision.

1711 Sec. 30. Subdivision (55) of section 12-412 of the 2026 supplement to
1712 the general statutes is repealed and the following is substituted in lieu
1713 thereof (*Effective October 1, 2026, and applicable to sales occurring on or after*
1714 *October 1, 2026*):

1715 (55) Sales of (A) tangible personal property by any funeral

1716 establishment performing the primary services in preparation for and
1717 the conduct of burial or cremation, provided any such property must be
1718 used directly in the performance of such services and the total amount
1719 of such exempt sales with respect to any single funeral may not exceed
1720 [two thousand five hundred] ten thousand dollars, or (B) caskets used
1721 for burial or cremation.

1722 Sec. 31. Section 12-407e of the general statutes is repealed and the
1723 following is substituted in lieu thereof (*Effective from passage*):

1724 (a) [(1) From the third Sunday in August until the Saturday next
1725 succeeding, inclusive, during the period beginning July 1, 2004, and
1726 ending June 30, 2015, the provisions of this chapter shall not apply to
1727 sales of any article of clothing or footwear intended to be worn on or
1728 about the human body the cost of which article to the purchaser is less
1729 than three hundred dollars.

1730 (2) On and after July 1, 2015, from] From the third Sunday in August
1731 until the Saturday next succeeding, inclusive, the provisions of this
1732 chapter shall not apply to sales of any article of clothing or footwear,
1733 including cleated shoes, intended to be worn on or about the human
1734 body or to any backpack, the cost of which article or backpack to the
1735 purchaser is less than [one] three hundred dollars.

1736 (b) For the purposes of this section, clothing or footwear shall not
1737 include (1) any special clothing or footwear primarily designed for
1738 athletic activity or protective use and which is not normally worn except
1739 when used for the athletic activity or protective use for which it was
1740 designed, and (2) jewelry, handbags, luggage other than backpacks,
1741 umbrellas, wallets, watches and similar items carried on or about the
1742 human body but not worn on the body in the manner characteristic of
1743 clothing intended for exemption under this section.

1744 Sec. 32. Section 12-217jj of the 2026 supplement to the general statutes
1745 is repealed and the following is substituted in lieu thereof (*Effective from*
1746 *passage*):

1747 (a) As used in this section:

1748 (1) "Commissioner" means the Commissioner of Revenue Services.

1749 (2) "Department" means the Department of Economic and
1750 Community Development.

1751 (3) (A) "Qualified production" means entertainment content created
1752 in whole or in part within the state, including motion pictures, except as
1753 otherwise provided in this subparagraph; documentaries; long-form,
1754 specials, mini-series, series, sound recordings, videos and music videos
1755 and interstitials television programming; interactive television;
1756 relocated television production; interactive games; videogames;
1757 commercials; any format of digital media, including an interactive web
1758 site, created for distribution or exhibition to the general public; and any
1759 trailer, pilot, video teaser or demo created primarily to stimulate the
1760 sale, marketing, promotion or exploitation of future investment in either
1761 a product or a qualified production via any means and media in any
1762 digital media format, film or videotape, provided such program meets
1763 all the underlying criteria of a qualified production. For state fiscal years
1764 ending on or after June 30, 2014, "qualified production" shall not include
1765 a motion picture that has not been designated as a state-certified
1766 qualified production prior to July 1, 2013, and no tax credit voucher for
1767 such motion picture may be issued for such motion picture, except, for
1768 state fiscal years ending on or after June 30, 2015, "qualified production"
1769 shall include a motion picture for which twenty-five per cent or more of
1770 the principal photography shooting days are in this state at a facility that
1771 receives not less than twenty-five million dollars in private investment
1772 and opens for business on or after July 1, 2013, and a tax credit voucher
1773 may be issued for such motion picture.

1774 (B) "Qualified production" shall not include any ongoing television
1775 program created primarily as news, weather or financial market reports;
1776 a production featuring current events, other than a relocated television
1777 production, sporting events, an awards show or other gala event; a
1778 production whose sole purpose is fundraising; a long-form production
1779 that primarily markets a product or service; a production used for

1780 corporate training or in-house corporate advertising or other similar
1781 productions; or any production for which records are required to be
1782 maintained under 18 USC 2257, as amended from time to time, with
1783 respect to sexually explicit content.

1784 (4) "Eligible production company" means a corporation, partnership,
1785 limited liability company, or other business entity engaged in the
1786 business of producing qualified productions on a one-time or ongoing
1787 basis, and qualified by the Secretary of the State to engage in business
1788 in the state.

1789 (5) "Production expenses or costs" means all expenditures clearly and
1790 demonstrably incurred in the state in the preproduction, production or
1791 postproduction costs of a qualified production, including:

1792 (A) Expenditures incurred in the state in the form of either
1793 compensation or purchases including production work, production
1794 equipment not eligible for the infrastructure tax credit provided in
1795 section 12-217kk, production software, postproduction work,
1796 postproduction equipment, postproduction software, set design, set
1797 construction, props, lighting, wardrobe, makeup, makeup accessories,
1798 special effects, visual effects, audio effects, film processing, music,
1799 sound mixing, editing, location fees, soundstages and any and all other
1800 costs or services directly incurred in connection with a state-certified
1801 qualified production;

1802 (B) Expenditures for distribution, including preproduction,
1803 production or postproduction costs relating to the creation of trailers,
1804 marketing videos, commercials, point-of-purchase videos and any and
1805 all content created on film or digital media, including the duplication of
1806 films, videos, CDs, DVDs and any and all digital files now in existence
1807 and those yet to be created for mass consumer consumption; the
1808 purchase, by a company in the state, of any and all equipment relating
1809 to the duplication or mass market distribution of any content created or
1810 produced in the state by any digital media format which is now in use
1811 and those formats yet to be created for mass consumer consumption;
1812 and

1813 (C) "Production expenses or costs" does not include the following: (i)
1814 On and after January 1, 2008, compensation in excess of fifteen million
1815 dollars paid to any individual or entity representing an individual, for
1816 services provided in the production of a qualified production and on or
1817 after January 1, 2010, compensation subject to Connecticut personal
1818 income tax in excess of twenty million dollars paid in the aggregate to
1819 any individuals or entities representing individuals, for star talent
1820 provided in the production of a qualified production; (ii) media buys,
1821 promotional events or gifts or public relations associated with the
1822 promotion or marketing of any qualified production; (iii) deferred,
1823 leveraged or profit participation costs relating to any and all personnel
1824 associated with any and all aspects of the production, including, but not
1825 limited to, producer fees, director fees, talent fees and writer fees; (iv)
1826 costs relating to the transfer of the production tax credits; (v) any
1827 amounts paid to persons or businesses as a result of their participation
1828 in profits from the exploitation of the qualified production; and (vi) any
1829 expenses or costs relating to an independent certification, as required by
1830 subsection (h) of this section, or as the department may otherwise
1831 require, pertaining to the amount of production expenses or costs set
1832 forth by an eligible production company in its application for a
1833 production tax credit.

1834 (6) "Sound recording" means a recording of music, poetry or spoken-
1835 word performance, but does not include the audio portions of dialogue
1836 or words spoken and recorded as part of a motion picture, video,
1837 theatrical production, television news coverage or athletic event.

1838 (7) "State-certified qualified production" means a qualified
1839 production produced by an eligible production company that (A) is in
1840 compliance with regulations adopted pursuant to subsection (l) of this
1841 section, (B) is authorized to conduct business in this state, and (C) has
1842 been approved by the department as qualifying for a production tax
1843 credit under this section.

1844 (8) "Interactive web site" means a web site, the production expenses
1845 or costs of which (A) exceed five hundred thousand dollars per income

1846 year, and (B) is primarily (i) interactive games or end user applications,
1847 or (ii) animation, simulation, sound, graphics, story lines or video
1848 created or repurposed for distribution over the Internet. An interactive
1849 web site does not include a web site primarily used for institutional,
1850 private, industrial, retail or wholesale marketing or promotional
1851 purposes, or which contains obscene content.

1852 (9) "Post-certification remedy" means the recapture, disallowance,
1853 recovery, reduction, repayment, forfeiture, decertification or any other
1854 remedy that would have the effect of reducing or otherwise limiting the
1855 use of a tax credit provided by this section.

1856 (10) "Compensation" means base salary or wages and does not
1857 include bonus pay, stock options, restricted stock units or similar
1858 arrangements.

1859 (11) "Relocated television production" means:

1860 (A) An ongoing television program all of the prior seasons of which
1861 were filmed outside this state, and may include current events shows,
1862 except those referenced in subparagraph (B)(i) of this subdivision.

1863 (B) An eligible production company's television programming in this
1864 state that (i) is not a general news program, sporting event or game
1865 broadcast, and (ii) is created at a qualified production facility that has
1866 had a minimum investment of twenty-five million dollars made by such
1867 eligible production company on or after January 1, 2012, at which
1868 facility the eligible production company creates ongoing television
1869 programming as defined in subparagraph (A) of this subdivision, and
1870 creates at least two hundred new jobs in Connecticut on or after January
1871 1, 2012. For purposes of this subdivision, "new job" means a full-time
1872 job, as defined in section 12-217ii, that did not exist in this state prior to
1873 January 1, 2012, and is filled by a new employee, and "new employee"
1874 includes a person who was employed outside this state by the eligible
1875 production company prior to January 1, 2012, but does not include a
1876 person who was employed in this state by the eligible production
1877 company or a related person, as defined in section 12-217ii, with respect

1878 to the eligible production company during the prior twelve months.

1879 (C) A relocated television production may be a state-certified
1880 qualified production for not more than ten successive income years,
1881 after which period the eligible production company shall be ineligible
1882 to resubmit an application for certification.

1883 (b) (1) The Department of Economic and Community Development
1884 shall administer a system of tax credit vouchers within the resources,
1885 requirements and purposes of this section for eligible production
1886 companies producing a state-certified qualified production in the state.

1887 (2) Any eligible production company incurring production expenses
1888 or costs shall be eligible for a credit (A) for income years commencing
1889 on or after January 1, 2010, but prior to January 1, 2018, against the tax
1890 imposed under chapter 207 or this chapter, (B) for income years
1891 commencing on or after January 1, 2018, but prior to January 1, 2022,
1892 against the tax imposed under chapter 207 or 211 or this chapter, and
1893 (C) for income years commencing on or after January 1, 2022, against the
1894 tax imposed under chapter 207, 211, 219 or this chapter, as follows: (i)
1895 For any such company incurring such expenses or costs of not less than
1896 one hundred thousand dollars, but not more than five hundred
1897 thousand dollars, a credit equal to ten per cent of such expenses or costs,
1898 (ii) for any such company incurring such expenses or costs of more than
1899 five hundred thousand dollars, but not more than one million dollars, a
1900 credit equal to fifteen per cent of such expenses or costs, and (iii) for any
1901 such company incurring such expenses or costs of more than one million
1902 dollars, a credit equal to thirty per cent of such expenses or costs.

1903 (c) No eligible production company incurring an amount of
1904 production expenses or costs that qualifies for such credit shall be
1905 eligible for such credit unless on or after January 1, 2010, such company
1906 conducts (1) not less than fifty per cent of principal photography days
1907 within the state, or (2) expends not less than fifty per cent of
1908 postproduction costs within the state, or (3) expends not less than one
1909 million dollars of postproduction costs within the state. The provisions
1910 of this subsection shall not apply to an eligible production company that

1911 produces an interactive Internet web site created for distribution or
1912 exhibition to the general public.

1913 (d) For income years commencing on or after January 1, 2010, no
1914 expenses or costs incurred outside the state and used within the state
1915 shall be eligible for a credit, and one hundred per cent of such expenses
1916 or costs shall be counted toward such credit when incurred within the
1917 state and used within the state.

1918 (e) (1) On and after July 1, 2006, and for income years commencing
1919 on or after January 1, 2006, any credit allowed pursuant to this section
1920 may be sold, assigned or otherwise transferred, in whole or in part, to
1921 one or more taxpayers, provided (A) no credit, after issuance, may be
1922 sold, assigned or otherwise transferred, in whole or in part, more than
1923 three times, (B) in the case of a credit allowed for the income year
1924 commencing on or after January 1, 2011, but prior to January 1, 2012,
1925 any entity that is not subject to tax under chapter 207 or this chapter may
1926 transfer not more than fifty per cent of such credit in any one income
1927 year, and (C) in the case of a credit allowed for an income year
1928 commencing on or after January 1, 2012, any entity that is not subject to
1929 tax under chapter 207 or this chapter may transfer not more than
1930 twenty-five per cent of such credit in any one income year.

1931 (2) Notwithstanding the provisions of subdivision (1) of this
1932 subsection, any entity that is not subject to tax under this chapter or
1933 chapter 207 shall not be subject to the limitations on the transfer of
1934 credits provided in subparagraphs (B) and (C) of said subdivision (1),
1935 provided such entity owns not less than fifty per cent, directly or
1936 indirectly, of a business entity, as defined in section 12-284b.

1937 (3) Notwithstanding the provisions of subdivision (1) of this
1938 subsection, any qualified production that is created in whole or in
1939 significant part, as determined by the Commissioner of Economic and
1940 Community Development, at a qualified production facility shall not be
1941 subject to the limitations of subparagraph (B) or (C) of said subdivision
1942 (1). For purposes of this subdivision, "qualified production facility"
1943 means a facility (A) located in this state, (B) intended for film, television

1944 or digital media production, and (C) that has had a minimum
1945 investment of three million dollars, or less if the Commissioner of
1946 Economic and Community Development determines such facility
1947 otherwise qualifies.

1948 (4) (A) For the income year commencing on or after January 1, 2018,
1949 but prior to January 1, 2019, any credit that is sold, assigned or otherwise
1950 transferred, in whole or in part, to one or more taxpayers pursuant to
1951 subdivision (1) of this subsection may be claimed against the tax
1952 imposed under chapter 211 only if there is common ownership of at least
1953 fifty per cent between such taxpayer and the eligible production
1954 company that sold, assigned or otherwise transferred such credit. Such
1955 taxpayer may only claim ninety-two per cent of the amount of such
1956 credit entered by the department on the production tax credit voucher.

1957 (B) For income years commencing on or after January 1, 2019, any
1958 credit that is sold, assigned or otherwise transferred, in whole or in part,
1959 to one or more taxpayers pursuant to subdivision (1) of this subsection,
1960 which credit is claimed against the tax imposed under chapter 211, shall
1961 be subject to the following limits:

1962 (i) The taxpayer may only claim ninety-five per cent of the amount of
1963 such credit entered by the department on the production tax credit
1964 voucher; and

1965 (ii) If there is common ownership of at least fifty per cent between
1966 such taxpayer and the eligible production company that sold, assigned
1967 or otherwise transferred such credit, such taxpayer may only claim
1968 ninety-two per cent of the amount of such credit entered by the
1969 department on the production tax credit voucher.

1970 (5) (A) For income years commencing on or after January 1, 2022, but
1971 prior to January 1, 2024, and on or after January 1, [2026] 2028, any credit
1972 that is claimed against the tax imposed under chapter 219 shall be
1973 subject to the following limits:

1974 (i) Any credit that is sold, assigned or otherwise transferred, in whole

1975 or in part, to one or more taxpayers pursuant to subdivision (1) of this
1976 subsection may be claimed against the tax imposed under chapter 219
1977 only if there is common ownership of at least fifty per cent between such
1978 taxpayer and the eligible production company that sold, assigned or
1979 otherwise transferred such credit; and

1980 (ii) The eligible production company or taxpayer claiming the credit
1981 against the tax imposed under chapter 219 may only claim seventy-eight
1982 per cent of the amount of such credit entered by the department on the
1983 production tax credit voucher.

1984 (B) For income years commencing on or after January 1, 2024, but
1985 prior to January 1, [2026] 2028, any credit that is claimed against the tax
1986 imposed under chapter 219 shall be subject to the following limits:

1987 (i) Any credit that is sold, assigned or otherwise transferred, in whole
1988 or in part, to one or more taxpayers pursuant to subdivision (1) of this
1989 subsection may be claimed against the tax imposed under chapter 219
1990 only if there is common ownership of at least fifty per cent between such
1991 taxpayer and the eligible production company that sold, assigned or
1992 otherwise transferred such credit; and

1993 (ii) The eligible production company or taxpayer claiming the credit
1994 against the tax imposed under chapter 219 may only claim ninety-two
1995 per cent of the amount of such credit entered by the department on the
1996 production tax credit voucher.

1997 (f) (1) On and after July 1, 2006, and for income years commencing on
1998 or after January 1, 2006, but prior to January 1, 2015, all or part of any
1999 such credit allowed under this section may be claimed against the tax
2000 imposed under chapter 207 or this chapter for the income year in which
2001 the production expenses or costs were incurred, or in the three
2002 immediately succeeding income years.

2003 (2) For production tax credit vouchers issued on or after July 1, 2015,
2004 but prior to January 1, 2018, all or part of any such credit may be claimed
2005 against the tax imposed under chapter 207 or this chapter, for the

2006 income year in which the production expenses or costs were incurred,
2007 or in the five immediately succeeding income years.

2008 (3) For production tax credit vouchers issued on or after July 1, 2018,
2009 but prior to January 1, 2022, all or part of any such credit may be claimed
2010 against the tax imposed under chapter 207 or 211 or this chapter, for the
2011 income year in which the production expenses or costs were incurred,
2012 or in the five immediately succeeding income years.

2013 (4) For production tax credit vouchers issued on or after January 1,
2014 2022, all or part of any such credit may be claimed against the tax
2015 imposed under chapter 207, 211, 219 or this chapter, for the income year
2016 in which the production expenses or costs were incurred, or in the five
2017 immediately succeeding income years.

2018 (g) Any production tax credit allowed under this section shall be
2019 nonrefundable.

2020 (h) (1) An eligible production company shall apply to the department
2021 for a tax credit voucher on an annual basis, but not later than ninety days
2022 after the first production expenses or costs are incurred in the
2023 production of a qualified production, and shall provide with such
2024 application such information as the department may require to
2025 determine such company's eligibility to claim a credit under this section.
2026 No production expenses or costs may be listed more than once for
2027 purposes of the tax credit voucher pursuant to this section or section 12-
2028 217kk, and if a production expense or cost has been included in a claim
2029 for a credit, such production expense or cost may not be included in any
2030 subsequent claim for a credit.

2031 (2) Not later than ninety days after the end of the annual period, or
2032 after the completion of the independent certification, an eligible
2033 production company shall apply to the department for a production tax
2034 credit voucher, and shall provide with such application (A) a report that
2035 includes the number of full-time jobs and the number of part-time jobs
2036 created by the eligible production company during the annual period, a
2037 description of each such job and an explanation of what the eligible

2038 production company considers to be job creation for purposes of the
2039 report, and (B) such information and independent certification as the
2040 department may require pertaining to the amount of such company's
2041 production expenses or costs. Such independent certification shall be
2042 provided by an audit professional chosen from a list compiled by the
2043 department. If the department determines that such company is eligible
2044 to be issued a production tax credit voucher, the department shall enter
2045 on the voucher the amount of production expenses or costs that has been
2046 established to the satisfaction of the department and the amount of such
2047 company's credit under this section. The department shall provide a
2048 copy of such voucher to the commissioner, upon request.

2049 (3) The department shall charge a reasonable and nonrefundable
2050 administrative fee sufficient to cover the department's costs to analyze
2051 applications submitted under this section.

2052 (i) If an eligible production company sells, assigns or otherwise
2053 transfers a credit under this section to another taxpayer, the transferor
2054 and transferee shall jointly submit written notification of such transfer
2055 to the department not later than thirty days after such transfer. If such
2056 transferee sells, assigns or otherwise transfers a credit under this section
2057 to a subsequent transferee, such transferee and such subsequent
2058 transferee shall jointly submit written notification of such transfer to the
2059 department not later than thirty days after such transfer. The
2060 notification after each transfer shall include the credit voucher number,
2061 the date of transfer, the amount of such credit transferred, the tax credit
2062 balance before and after the transfer, the tax identification numbers for
2063 both the transferor and the transferee, and any other information
2064 required by the department. Failure to comply with this subsection will
2065 result in a disallowance of the tax credit until there is full compliance on
2066 the part of the transferor and the transferee, and for a second or third
2067 transfer, on the part of all subsequent transferors and transferees. The
2068 department shall provide a copy of the notification of assignment to the
2069 commissioner upon request.

2070 (j) Any eligible production company that submits information to the

2071 department that it knows to be fraudulent or false shall, in addition to
2072 any other penalties provided by law, be liable for a penalty equal to the
2073 amount of such company's credit entered on the production tax credit
2074 voucher issued under this section.

2075 (k) No tax credits transferred pursuant to this section shall be subject
2076 to a post-certification remedy, and the department and the
2077 commissioner shall have no right, except in the case of possible material
2078 misrepresentation or fraud, to conduct any further or additional review,
2079 examination or audit of the expenditures or costs for which such tax
2080 credits were issued. The sole and exclusive remedy of the department
2081 and the commissioner shall be to seek collection of the amount of such
2082 tax credits from the entity that committed the fraud or
2083 misrepresentation.

2084 (l) The department, in consultation with the commissioner, may
2085 adopt regulations, in accordance with the provisions of chapter 54, as
2086 may be necessary for the administration of this section.

2087 Sec. 33. (NEW) (*Effective from passage*) (a) As used in this section:

2088 (1) "Certified community development corporation" has the same
2089 meaning as provided in section 32-7s of the general statutes;

2090 (2) "Community partnership opportunity agreement" means a
2091 written agreement entered into pursuant to this section among the
2092 Department of Economic and Community Development, participating
2093 investors, certified community development corporations and
2094 implementing organizations and independent evaluators to implement
2095 the provisions of this section;

2096 (3) "Early childhood implementing organization" means any school
2097 or for-profit or nonprofit organization, with the professional capacity to
2098 provide preschool or early childhood instruction designed to increase
2099 kindergarten-readiness;

2100 (4) "Implementing organization" means an early childhood
2101 implementing organization, a literacy implementing organization or a

2102 workforce implementing organization, as applicable, that is responsible
2103 for delivering services or interventions to achieve the performance
2104 metrics set forth in a community opportunity partnership agreement;

2105 (5) "Independent evaluator" means an individual or entity that is
2106 responsible for measuring performance metrics and progress milestones
2107 using methodologies set forth in a community opportunity partnership
2108 agreement and verifying that such metrics and milestones have been
2109 met and (A) is an academic institution, a professional evaluative
2110 consultant or an organization with a documented history of verifying
2111 performance-based program outcomes, (B) possesses expertise in the
2112 specific subject matter of the community opportunity partnership
2113 agreement, including educational assessment metrics or workforce
2114 development metrics or both, and (C) has no financial interest in the
2115 outcome of the agreement other than the fee for evaluation services;

2116 (6) "Literacy implementing organization" means any school or for-
2117 profit or nonprofit organization, with the professional capacity to
2118 provide intensive tutoring or reading interventions designed to ensure
2119 grade-level reading proficiency by grade three;

2120 (7) "Participating investor" means a private, philanthropic or mission-
2121 driven investor that provides the necessary capital to fund the initiatives
2122 set forth in a community opportunity partnership agreement; and

2123 (8) "Workforce implementing organization" means an institution of
2124 higher education or a for-profit or nonprofit organization, with the
2125 capacity to provide training in specialized skills, such as in health care,
2126 manufacturing or other high-demand fields.

2127 (b) (1) There is established a program under which the Department
2128 of Economic and Community Development shall enter into community
2129 partnership opportunity agreements to expand, in communities in the
2130 state that are experiencing persistent economic disadvantages, (A)
2131 educational achievement, pursuant to an educational outcome
2132 community partnership opportunity agreement, or (B) workforce skills,
2133 pursuant to a workforce outcome community partnership opportunity

2134 agreement, or both. Upon verification by the independent evaluator that
2135 all the performance metrics set forth in the community partnership
2136 opportunity agreement have been met, each participating investor shall
2137 receive a repayment of the amount of invested capital, plus a
2138 performance-based premium in accordance with the terms of the
2139 community partnership opportunity agreement.

2140 (2) Each community partnership opportunity agreement shall
2141 include, at a minimum:

2142 (A) A five-year performance period from the date such agreement is
2143 executed that includes an implementation period during which
2144 interventions are delivered, an outcome measurement period during
2145 which performance metrics are evaluated by an independent evaluator
2146 and the timing of baseline and performance progress measurements;

2147 (B) Performance metrics and progress milestones, evaluation
2148 methodologies to measure such metrics and milestones and the timing
2149 of the conduct of evaluations;

2150 (C) The participating investors and the amount of capital committed
2151 by such investors;

2152 (D) The certified community development corporation that will serve
2153 as the coordinator of the initiatives undertaken to achieve the
2154 performance metrics and progress milestones and the fee for such
2155 services;

2156 (E) The implementing organization or organizations that will carry
2157 out such initiatives and the fee for such services;

2158 (F) The independent evaluator that will conduct evaluations of
2159 performance metrics and progress milestones and verify that the
2160 performance metrics have been met and the fee for such services; and

2161 (G) A success payment contract that sets forth a schedule of success
2162 payments to participating investors, contingent on achievement of the
2163 performance metrics set forth in the agreement, including repayment of

2164 the amount of invested capital, a performance-based premium on such
2165 amount and the maximum success payment obligation under the
2166 agreement. Success payments shall be recognition of the acquisition of
2167 a high-yield economic asset upon the achievement of the performance
2168 metrics and of the projected lifetime value of such achievements to the
2169 state. Any success payment shall be made by the Commissioner of
2170 Economic and Community Development as an authorized capital
2171 expenditure.

2172 (3) In addition to the requirements set forth in subdivision (2) of this
2173 subsection:

2174 (A) An education outcome community partnership opportunity
2175 agreement shall focus on achieving measurable improvements in
2176 kindergarten-readiness and grade three reading proficiency for children
2177 residing in the community serviced by the certified community
2178 development corporation. Such agreement shall include (i) for
2179 kindergarten-readiness, performance metrics based on an increase in
2180 the percentage of such children who meet the state's standard for
2181 kindergarten-readiness upon enrollment, and (ii) for grade three
2182 literacy-proficiency, performance metrics based on an increase in the
2183 percentage of such children, regardless of the specific school attended,
2184 who achieve grade-level reading proficiency by grade three; and

2185 (B) A workforce outcome community partnership opportunity
2186 agreement shall focus on increasing workforce skills attainment and
2187 career-linked employment for working-age residents of the community
2188 serviced by the certified community development corporation. Such
2189 agreement shall include performance metrics such as industry-
2190 recognized credential attainment and placement in career-path
2191 employment with specific wage and retention milestones.

2192 (4) Any community partnership opportunity agreement executed
2193 pursuant to this section may be amended only by written agreement by
2194 all parties to the community partnership opportunity agreement.

2195 (c) (1) Each certified community development corporation shall

2196 submit a proposal to the Commissioner of Economic and Community
2197 Development to enter into a community partnership opportunity
2198 agreement. The commissioner shall assist the certified community
2199 development corporation in the preparation of such proposal, which
2200 shall include the names and contact information of the other parties
2201 required for a community partnership opportunity agreement and
2202 sufficient information to demonstrate the following to the
2203 commissioner's satisfaction:

2204 (A) The implementing organizations possess the necessary
2205 experience in delivering evidence-based interventions in early
2206 childhood education, literacy or workforce development, as applicable,
2207 in distressed municipalities, as defined in section 32-9p of the general
2208 statutes;

2209 (B) The proposed intervention model is designed to reach a minimum
2210 participation threshold of not less than (i) twenty per cent of children
2211 grade three and younger residing in the community serviced by the
2212 certified community development corporation, and (ii) twenty per cent
2213 of the working-age residents of such community;

2214 (C) The proposed intervention model demonstrates a reasonable
2215 probability of achieving the applicable agreed-upon performance
2216 metrics;

2217 (D) Verified commitments of sufficient capital from participating
2218 investors to fund the full five-year duration of the performance period
2219 without reliance on state appropriations; and

2220 (E) The proposed outcomes for kindergarten-readiness, grade three
2221 literacy and workforce employment are clearly linked to the
2222 longitudinal success of the resident populations in the community
2223 serviced by the certified community development corporation.

2224 (2) If the commissioner finds that the proposal meets the criteria set
2225 forth in subdivision (1) of this subsection, the commissioner shall
2226 execute a community partnership opportunity agreement not later than

2227 ninety days after the commissioner receives the proposal. If the
2228 commissioner determines such requirements have not been met, the
2229 commissioner shall provide a written notice to the person submitting
2230 the proposal, identifying the specific requirements that were not met.

2231 (d) Upon the execution of a community partnership opportunity
2232 agreement, the certified community development corporation may do
2233 all things necessary to meet the performance metrics and progress
2234 milestones set forth in the agreement, including, but not limited to,
2235 collaborating with the implementing organization, independent
2236 evaluator and state agencies to measure achievement of such metrics
2237 and milestones; collaborating with early childhood education providers,
2238 schools and other educational institutions, employers, workforce
2239 development organizations and any other entities necessary to help
2240 achieve such metrics and milestones; and engaging with participating
2241 investors.

2242 (e) There is established an account to be known as the "community
2243 partnership opportunity account", which shall be a separate, nonlapsing
2244 account. The account shall contain any moneys required by law to be
2245 deposited in the account. Moneys in the account shall be expended by
2246 the Commissioner of Economic and Community Development for the
2247 purposes of making payments for the necessary expenses related to the
2248 initiatives implemented to achieve the performance metrics and
2249 progress milestones set forth in a community opportunity partnership
2250 agreement and evaluation of such metrics and milestones and making
2251 success payments in accordance with the provisions of a community
2252 opportunity partnership agreement. Any moneys provided by a
2253 participating investor pursuant to a community opportunity
2254 partnership program under this section shall be deposited in the
2255 account. The Treasurer shall invest the moneys in the account, subject
2256 to use for purposes of the program.

2257 (f) The commissioner shall submit a report, in accordance with the
2258 provisions of section 11-4a of the general statutes, to the joint standing
2259 committees of the General Assembly having cognizance of matters

2260 relating to commerce and finance, revenue and bonding for each
2261 community opportunity partnership agreement executed. Such report
2262 shall be submitted for each year of the five-year period of the agreement,
2263 describing the results of any performance metrics or performance
2264 progress evaluations conducted in such year and a summary by the
2265 certified community development corporation of the initiatives
2266 undertaken in such year.

2267 Sec. 34. (NEW) (*Effective July 1, 2026*) As used in this section and
2268 section 35 of this act, unless the context otherwise requires:

2269 (1) "Audited net inpatient revenue for federal fiscal year 2024" means
2270 the amount of revenue that the commissioner determines, in accordance
2271 with federal law, that a hospital received for the provision of inpatient
2272 hospital services during the 2024 federal fiscal year;

2273 (2) "Audited net outpatient revenue for federal fiscal year 2024"
2274 means the amount of revenue that the commissioner determines, in
2275 accordance with federal law, that a hospital received for the provision
2276 of outpatient hospital services during the 2024 federal fiscal year;

2277 (3) "Audited net revenue for federal fiscal year 2024" means, (A) for
2278 each hospital with audited financial statements for federal fiscal year
2279 2024, the net revenue, as reported in such hospital's audited financial
2280 statements, less the amount of revenue that the commissioner
2281 determines, in accordance with federal law, that the hospital received
2282 from other than the provision of inpatient hospital services and
2283 outpatient hospital services, and (B) for each hospital without audited
2284 financial statements for federal fiscal year 2024, the net revenue, as
2285 reported in the hospital's financial filings submitted to the Office of
2286 Health Strategy as adjusted in accordance with audited financial
2287 statement standards, less the amount of revenue that the commissioner
2288 determines, in accordance with federal law, that the hospital received
2289 from other than the provision of inpatient hospital services and
2290 outpatient hospital services;

2291 (4) "Charity care" means free or discounted health care services

2292 rendered by a health care provider to an individual who cannot afford
2293 to pay for such services, including, but not limited to, health care
2294 services provided to an uninsured patient who is not expected to pay all
2295 or part of a health care provider's bill based on income guidelines and
2296 other financial criteria set forth in the general statutes or in a health care
2297 provider's charity care policies on file at the office of such provider.
2298 "Charity care" does not include bad debts or payer discounts;

2299 (5) "Commissioner" means the Commissioner of Revenue Services;

2300 (6) "Gross receipts" means the amount received, whether in cash or in
2301 kind, from patients, third-party payers and others for taxable health care
2302 items or services provided by the taxpayer in the state, including
2303 retroactive adjustments under reimbursement agreements with third-
2304 party payers, without any deduction for any expenses of any kind;

2305 (7) "Health care provider" means an individual or entity that receives
2306 any payment or payments for health care items or services provided;

2307 (8) "Hospital" means any health care facility, as defined in section 19a-
2308 630 of the general statutes, that (A) is licensed by the Department of
2309 Public Health as a short-term general hospital; (B) is maintained
2310 primarily for the care and treatment of patients with disorders other
2311 than mental diseases; (C) meets the requirements for participation in
2312 Medicare as a hospital; and (D) has in effect a utilization review plan,
2313 applicable to all Medicaid patients, that meets the requirements of 42
2314 CFR 482.30, as amended from time to time, unless a waiver has been
2315 granted by the Secretary of the United States Department of Health and
2316 Human Services;

2317 (9) "Inpatient" means a patient who has been admitted to a medical
2318 institution as an inpatient on the recommendation of a physician or
2319 dentist and who (A) receives room, board and professional services in
2320 the institution for a twenty-four-hour period or longer, or (B) is expected
2321 by the institution to receive room, board and professional services in the
2322 institution for a twenty-four-hour period or longer, even if the patient
2323 does not actually stay in the institution for a twenty-four-hour period or

2324 longer;

2325 (10) "Inpatient hospital services" means, in accordance with federal
2326 law, all services that are (A) ordinarily furnished in a hospital for the
2327 care and treatment of inpatients; (B) furnished under the direction of a
2328 physician or dentist; and (C) furnished in a hospital. "Inpatient hospital
2329 services" does not include skilled nursing facility services and
2330 intermediate care facility services furnished by a hospital with swing
2331 bed approval;

2332 (11) "Intermediate care facility" means a residential facility for
2333 persons with intellectual disability that is certified to meet the
2334 requirements of 42 CFR 442, Subpart C, as amended from time to time,
2335 and, in the case of a private facility, licensed pursuant to section 17a-227
2336 of the general statutes;

2337 (12) "Medicaid" means the program operated by the Department of
2338 Social Services pursuant to section 17b-260 of the general statutes and
2339 authorized by Title XIX of the Social Security Act, as amended from time
2340 to time;

2341 (13) "Medicare" means the program operated by the Centers for
2342 Medicare and Medicaid Services in accordance with Title XVIII of the
2343 Social Security Act, as amended from time to time;

2344 (14) "Net revenue" means gross receipts less payer discounts, charity
2345 care and bad debts, to the extent the taxpayer previously paid tax under
2346 section 12-263q of the general statutes, as amended by this act, on the
2347 amount of such bad debts;

2348 (15) "Outpatient" means a patient of an organized medical facility or
2349 a distinct part of such facility, who is expected by the facility to receive,
2350 and who does receive, professional services for less than a twenty-four-
2351 hour period regardless of the hour of admission, whether or not a bed
2352 is used or the patient remains in the facility past midnight;

2353 (16) "Outpatient hospital services" means, in accordance with federal
2354 law, preventive, diagnostic, therapeutic, rehabilitative or palliative

2355 services that are (A) furnished to an outpatient; (B) furnished by or
2356 under the direction of a physician or dentist; and (C) furnished by a
2357 hospital;

2358 (17) "Payer discounts" means the difference between a health care
2359 provider's published charges and the payments received by the health
2360 care provider from one or more health care payers for a rate or method
2361 of payment that is different than or discounted from such published
2362 charges. "Payer discounts" does not include charity care or bad debts;

2363 (18) "Received" means "received" or "accrued", construed according
2364 to the method of accounting customarily employed by the taxpayer; and

2365 (19) "Taxpayer" means any hospital subject to tax under section 35 of
2366 this act.

2367 Sec. 35. (NEW) (*Effective July 1, 2026*) (a) (1) (A) For each calendar
2368 quarter commencing on or after July 1, 2026, each hospital shall pay a
2369 tax on the total net revenue received by such hospital for (i) the
2370 provision of inpatient hospital services, and (ii) the provision of
2371 outpatient hospital services.

2372 (B) On and after July 1, 2026, and prior to July 1, 2031, the rate of tax
2373 for the provision of inpatient hospital services shall be four per cent of
2374 each hospital's audited net revenue for federal fiscal year 2024
2375 attributable to inpatient hospital services, for each hospital that is
2376 required to pay the tax. Such rate shall apply for state fiscal years
2377 commencing on or after July 1, 2031, unless modified through any
2378 provision of the general statutes.

2379 (C) (i) On and after July 1, 2026, the rate of tax for the provision of
2380 outpatient hospital services shall be the percentages specified as follows
2381 applied to the audited net revenue for federal fiscal year 2024
2382 attributable to outpatient hospital services, for each hospital that is
2383 required to pay the tax:

2384 (I) For the state fiscal year commencing July 1, 2026, seven and eight
2385 thousand two hundred twenty-three ten-thousandths (7.8223) per cent;

2386 (II) For the state fiscal year commencing July 1, 2027, eight and nine
2387 hundred seventy-three ten-thousandths (8.0973) per cent;

2388 (III) For the state fiscal year commencing July 1, 2028, eight and three
2389 thousand seven hundred ninety-nine ten-thousandths (8.3799) per cent;

2390 (IV) For the state fiscal year commencing July 1, 2029, eight and six
2391 thousand seven hundred four ten-thousandths (8.6704) per cent; and

2392 (V) For the state fiscal year commencing July 1, 2030, eight and nine
2393 thousand six hundred eighty-nine ten-thousandths (8.9689) per cent.

2394 (ii) The rate specified under clause (i)(V) of this subparagraph shall
2395 apply for state fiscal years commencing on or after July 1, 2031, unless
2396 modified through any provision of the general statutes.

2397 (D) If a hospital or hospitals subject to the taxes imposed under this
2398 subdivision merge, consolidate, are acquired or otherwise reorganize,
2399 the surviving hospital shall assume and be liable for the total taxes
2400 imposed under this subdivision on the merged, consolidated, acquired
2401 or reorganized hospitals, including any outstanding liabilities from
2402 periods prior to such merger, consolidation, acquisition or
2403 reorganization.

2404 (E) (i) For each state fiscal year commencing on or after July 1, 2026,
2405 if the Commissioner of Social Services determines for any state fiscal
2406 year that the effective rate of tax for the tax imposed on net revenue for
2407 the provision of inpatient hospital services exceeds the rate permitted
2408 under the provisions of 42 CFR 433.68(f), as amended from time to time,
2409 the amount of tax collected that exceeds the permissible amount shall be
2410 refunded to hospitals, in proportion to the amount of net revenue for
2411 the provision of inpatient hospital services upon which the hospitals
2412 were taxed. The effective rate of tax shall be calculated by comparing
2413 the amount of tax paid by hospitals on net revenue for the provision of
2414 inpatient hospital services in a state fiscal year with the amount of net
2415 revenue received by hospitals subject to the tax for the provision of
2416 inpatient hospital services for the equivalent fiscal year.

2417 (ii) Each hospital subject to the taxes imposed under this subdivision
2418 shall report to the Commissioner of Social Services, in the manner
2419 prescribed by and on forms provided by said commissioner, the amount
2420 of tax paid annually pursuant to this subsection by such hospital and
2421 the amount of net revenue received by such hospital for the provision
2422 of inpatient hospital services, in the state fiscal year commencing two
2423 years prior to each such reporting date. Not later than ninety days after
2424 said commissioner receives completed reports from all hospitals
2425 required to submit such reports, said commissioner shall notify the
2426 Commissioner of Revenue Services of the amount of any refund due
2427 each hospital to be in compliance with 42 CFR 433.68(f), as amended
2428 from time to time. Not later than thirty days after receiving such notice,
2429 the Commissioner of Revenue Services shall notify the Comptroller of
2430 the amount of each such refund and the Comptroller shall draw an order
2431 on the Treasurer for payment of each such refund. No interest shall be
2432 added to any refund issued pursuant to this subparagraph.

2433 (2) For each state fiscal year commencing on or after July 1, 2026, each
2434 hospital subject to the taxes imposed under subdivision (1) of this
2435 subsection shall pay the total amount due in four quarterly payments
2436 consistent with section 12-263s of the general statutes, as amended by
2437 this act, with the first quarter commencing with the first day of each
2438 state fiscal year and the last quarter ending on the last day of each state
2439 fiscal year. Hospitals shall calculate the amount of tax due, in
2440 accordance with the provisions of subdivision (1) of this subsection, on
2441 forms prescribed by the commissioner.

2442 (3) (A) (i) Not later than July 31, 2026, each hospital required to pay
2443 tax on inpatient hospital services or outpatient hospital services shall
2444 submit to the commissioner such information as the commissioner
2445 requires in order to calculate the audited net inpatient revenue for
2446 federal fiscal year 2024 and the audited net outpatient revenue for
2447 federal fiscal year 2024 of each hospital subject to the tax. The amounts
2448 reported by each hospital shall be deemed accepted on July 1, 2026,
2449 provided the commissioner has not initiated an audit of the hospital
2450 before such first day.

2451 (ii) If the commissioner initiates an audit of a hospital, such hospital
2452 shall comply with all additional requests by the commissioner for
2453 information necessary to enable the commissioner to fully audit the
2454 hospital within thirty days of the date the commissioner requests such
2455 information. The commissioner may extend such period upon request.

2456 (iii) The commissioner shall issue any notice setting forth additional
2457 audited net revenue not later than the first day of the state fiscal year.
2458 Such additional audited net revenue shall be final thirty days after the
2459 date such notice is mailed to the taxpayer, except for any amounts as to
2460 which the taxpayer files a written protest with the commissioner. If a
2461 protest is filed, the commissioner shall reconsider the additional audited
2462 net revenue and, if the taxpayer or the taxpayer's authorized
2463 representative has requested a hearing, shall grant or deny such hearing.
2464 The commissioner shall mail notice of the commissioner's determination
2465 to the taxpayer, which notice shall briefly set forth the commissioner's
2466 findings of fact and the basis of the commissioner's decision in each case
2467 decided adversely, in whole or in part, to the taxpayer. The
2468 commissioner's action on the taxpayer's protest shall be final upon the
2469 expiration of one month from the date the commissioner mails the notice
2470 of the commissioner's determination to the taxpayer, unless the
2471 taxpayer seeks judicial review of such determination within such
2472 period.

2473 (iv) If any protest or appeal is pending on the first day of the next
2474 succeeding state fiscal year, the amounts reported by the protesting or
2475 appealing taxpayer shall be used to tentatively calculate the tax due
2476 under this section until such protest or appeal is finally resolved. If any
2477 amount is revised pursuant to such protest or appeal from the amount
2478 originally reported by a hospital, the commissioner shall recalculate for
2479 each hospital the amounts due under this section and shall issue
2480 assessments or refunds, as applicable, with respect to any affected
2481 calendar quarter.

2482 (v) A notice under this subparagraph shall not be required for any
2483 hospital for which an audit has not been issued.

2484 (B) Any hospital that fails to provide the requested information by
2485 the date specified in subparagraph (A) of this subdivision or fails to
2486 comply with a request for additional information made under this
2487 subdivision shall be subject to a penalty of one thousand dollars per day
2488 for each day the hospital fails to provide the requested information or
2489 additional information.

2490 (C) The commissioner may engage an independent auditor to assist
2491 in the performance of the commissioner's duties and responsibilities
2492 under this subdivision.

2493 (4) Net revenue derived from providing a health care item or service
2494 to a patient shall be taxed only one time under this section.

2495 (5) For purposes of this section, if a hospital's audited financial
2496 statements for federal fiscal year 2024 do not report revenue for the
2497 entire fiscal year, such hospital's audited net revenue for federal fiscal
2498 year 2024 shall be calculated by projecting the amount of revenue such
2499 hospital would have received for the entire fiscal year based
2500 proportionally on the audited net revenue reported on its audited
2501 financial statements or through review of the hospital's financial filings
2502 with the Office of Health Strategy.

2503 (6) Audited net inpatient revenue and audited net outpatient revenue
2504 shall be based on information provided by each hospital required to pay
2505 tax on inpatient hospital services or outpatient hospital services.

2506 (b) (1) (A) The Commissioner of Social Services shall seek approval
2507 from the Centers for Medicare and Medicaid Services to exempt from
2508 the net revenue tax imposed under subsection (a) of this section the
2509 following: (i) Specialty hospitals; and (ii) hospitals owned and operated
2510 exclusively by the state other than a short-term general hospital
2511 operated by the state as a receiver pursuant to chapter 920 of the general
2512 statutes. Any hospital for which the Centers for Medicare and Medicaid
2513 Services grants an exemption shall be exempt from the taxes imposed
2514 under subsection (a) of this section. Any hospital for which the Centers
2515 for Medicare and Medicaid Services denies an exemption shall be

2516 deemed to be a hospital for purposes of this section and shall be
2517 required to pay the taxes imposed under subsection (a) of this section
2518 on inpatient hospital services and outpatient hospital services at the
2519 same effective rates set forth in subsection (a) of this section.

2520 (B) Each hospital shall provide to the Commissioner of Social
2521 Services, upon request, such information as said commissioner may
2522 require to make any computations necessary to seek approval for
2523 exemption under this subdivision.

2524 (C) As used in this subdivision, "specialty hospital" means a health
2525 care facility, as defined in section 19a-630 of the general statutes, other
2526 than a facility licensed by the Department of Public Health as a short-
2527 term general hospital or a short-term children's hospital. "Specialty
2528 hospital" includes, but is not limited to, a psychiatric hospital or a
2529 chronic disease hospital.

2530 (2) (A) For each state fiscal year commencing on or after July 1, 2026,
2531 the Commissioner of Social Services shall seek approval from the
2532 Centers for Medicare and Medicaid Services to exempt sole community
2533 hospitals from the net revenue tax imposed on outpatient hospital
2534 services. Any such hospital for which the Centers for Medicare and
2535 Medicaid Services grants an exemption shall be exempt from the net
2536 revenue tax imposed on outpatient hospital services under subsection
2537 (a) of this section. Any hospital for which the Centers for Medicare and
2538 Medicaid Services denies an exemption shall be required to pay the net
2539 revenue tax imposed on outpatient hospital services under subsection
2540 (a) of this section.

2541 (B) For purposes of this subdivision, "sole community hospital"
2542 means a hospital that is classified by the Centers for Medicare and
2543 Medicaid Services for purposes of Medicare as a sole community
2544 hospital under 42 CFR 412.92. Upon said commissioner's receipt of a
2545 determination by the Centers for Medicare and Medicaid Services that
2546 a hospital is not exempt, the total audited net revenue from the
2547 provision of outpatient hospital services for federal fiscal year 2024 shall
2548 be increased by such hospital's audited net revenue from the provision

2549 of outpatient hospital services for federal fiscal year 2024 and the
2550 effective rate of the tax due under this section shall be adjusted to ensure
2551 that the total amount of such tax to be collected under subsection (a) of
2552 this section is redistributed, commencing with the calendar quarter next
2553 succeeding the date of the determination by the Centers for Medicare
2554 and Medicaid Services.

2555 (3) Upon receipt of a determination by the Centers for Medicare and
2556 Medicaid Services under this subsection that a hospital is not exempt,
2557 said commissioner shall notify all hospitals subject to the taxes under
2558 subsection (a) of this section of such determination, the corresponding
2559 increase to the total audited net revenue for federal fiscal year 2024 and
2560 the change in any effective rate of the taxes to be collected under
2561 subsection (a) of this section. Such notice shall be provided prior to the
2562 end of the calendar quarter next succeeding the date of the
2563 determination by the Centers for Medicare and Medicaid Services. If a
2564 state fiscal year has commenced when such determination is made, the
2565 adjusted audited net revenue for federal fiscal year 2024 and the change
2566 in any effective rate of the tax to be collected under subsection (a) of this
2567 section shall be prorated to take into account the amount of the tax
2568 already paid during the state fiscal year.

2569 (4) The provisions of section 17b-8 of the general statutes shall not
2570 apply to any exemption or exemptions sought by the Commissioner of
2571 Social Services from the Centers for Medicare and Medicaid Services
2572 under this subsection.

2573 (c) The commissioner shall issue guidance regarding the
2574 administration of the tax on inpatient hospital services and outpatient
2575 hospital services. Such guidance shall be issued upon completion of a
2576 study of the applicable federal law governing the administration of tax
2577 on inpatient hospital services and outpatient hospital services. The
2578 commissioner shall conduct such study in collaboration with the
2579 Commissioner of Social Services, the Secretary of the Office of Policy
2580 and Management, the Connecticut Hospital Association and the
2581 hospitals subject to the tax imposed on inpatient hospital services and

2582 outpatient hospital services.

2583 (d) (1) The commissioner shall determine, in consultation with the
2584 Commissioner of Social Services, the Secretary of the Office of Policy
2585 and Management, the Connecticut Hospital Association and the
2586 hospitals subject to the tax imposed on inpatient hospital services and
2587 outpatient hospital services, if there is any underreporting of revenue
2588 on hospitals' audited financial statements. Such consultation shall only
2589 be as authorized under section 12-15 of the general statutes. The
2590 commissioner shall issue guidance, if necessary, to address any such
2591 underreporting.

2592 (2) If the commissioner determines, in accordance with this
2593 subsection, that a hospital underreported net revenue on its audited
2594 financial statements or on its financial filings submitted to the Office of
2595 Health Strategy, the amount of underreported net revenue shall be
2596 added to the amount of net revenue reported on such hospital's audited
2597 financial statements or financial filings so as to comply with federal law
2598 and the revised net revenue amount shall be used for purposes of
2599 calculating the amount of tax owed by such hospital under this section.
2600 For purposes of this subsection, "underreported net revenue" means any
2601 revenue of a hospital subject to the tax imposed under this section that
2602 is required to be included in net revenue from the provision of inpatient
2603 hospital services and net revenue from the provision of outpatient
2604 hospital services to comply with 42 CFR 433.56, as amended from time
2605 to time, 42 CFR 433.68, as amended from time to time, and Section
2606 1903(w) of the Social Security Act, as amended from time to time, but
2607 that was not reported on such hospital's audited financial statements of
2608 financial filings. Underreported net revenue shall only include revenue
2609 of the hospital subject to such tax.

2610 (e) On or before November 15, 2026, and quarterly thereafter, the
2611 commissioner shall report to the Commissioner of Social Services and
2612 the Secretary of the Office of Policy and Management the amount of tax
2613 paid under this section by each hospital for the most recently completed
2614 calendar quarter and the amount of any delinquent tax, plus penalty

2615 and interest thereon, owed by a hospital and due under this section.

2616 (f) Nothing in this section shall affect the commissioner's obligations
2617 under section 12-15 of the general statutes regarding disclosure and
2618 inspection of returns and return information.

2619 Sec. 36. Section 12-263s of the 2026 supplement to the general statutes
2620 is repealed and the following is substituted in lieu thereof (*Effective July*
2621 *1, 2026*):

2622 (a) No tax credit or credits shall be allowable against any tax or fee
2623 imposed under section 12-263q, as amended by this act, [or] 12-263r or
2624 section 35 of this act. Notwithstanding any other provision of the
2625 general statutes, any health care provider that has been assigned tax
2626 credits under section 32-9t for application against the taxes imposed
2627 under chapter 211a may further assign such tax credits to another
2628 taxpayer or taxpayers one time, provided such other taxpayer or
2629 taxpayers may claim such credit only with respect to a taxable year for
2630 which the assigning health care provider would have been eligible to
2631 claim such credit and such other taxpayer or taxpayers may not further
2632 assign such credit. The assigning health care provider shall file with the
2633 commissioner information requested by the commissioner regarding
2634 such assignments, including but not limited to, the current holders of
2635 credits as of the end of the preceding calendar year.

2636 (b) (1) Each taxpayer doing business in this state shall, on or before
2637 the last day of January, April, July and October of each year, render to
2638 the commissioner a quarterly return, on forms prescribed or furnished
2639 by the commissioner and signed by one of the taxpayer's principal
2640 officers, stating specifically the name and location of such taxpayer, the
2641 amount of its net patient revenue or resident days during the calendar
2642 quarter ending on the last day of the preceding month and such other
2643 information as the commissioner deems necessary for the proper
2644 administration of this section and the state's Medicaid program. Except
2645 as provided in subdivision (2) of this subsection, the taxes and fees
2646 imposed under section 12-263q, as amended by this act, [or] 12-263r or
2647 section 35 of this act shall be due and payable on the due date of such

2648 return. Each taxpayer shall be required to file such return electronically
2649 with the department and to make such payment by electronic funds
2650 transfer in the manner provided by chapter 228g, irrespective of
2651 whether the taxpayer would have otherwise been required to file such
2652 return electronically or to make such payment by electronic funds
2653 transfer under the provisions of said chapter.

2654 (2) (A) A taxpayer may file, on or before the due date of a payment of
2655 tax or fee imposed under section 12-263q, as amended by this act, [or]
2656 12-263r or section 35 of this act, a request for a reasonable extension of
2657 time for such payment for reasons of undue hardship. Undue hardship
2658 shall be demonstrated by a showing that such taxpayer is at substantial
2659 risk of defaulting on a bond covenant or similar obligation if such
2660 taxpayer were to make payment on the due date of the amount for
2661 which the extension is requested. Such request shall be filed on forms
2662 prescribed by the commissioner and shall include complete information
2663 of such taxpayer's inability, due to undue hardship, to make payment of
2664 the tax or fee on or before the due date of such payment. The
2665 commissioner shall not grant any extension for a general statement of
2666 hardship by the taxpayer or for the convenience of the taxpayer.

2667 (B) The commissioner may grant an extension if the commissioner
2668 determines an undue hardship exists. Such extension shall not exceed
2669 three months from the original due date of the payment, except that the
2670 commissioner may grant an additional extension not exceeding three
2671 months from the initial extended due date of the payment (i) upon the
2672 filing of a subsequent request by the taxpayer on or before the extended
2673 due date of the payment, on forms prescribed by the commissioner, and
2674 (ii) upon a showing of extraordinary circumstances, as determined by
2675 the commissioner.

2676 (3) If the commissioner grants an extension pursuant to subdivision
2677 (2) of this subsection, no penalty shall be imposed and no interest shall
2678 accrue during the period of time for which an extension is granted if the
2679 taxpayer pays the tax or fee due on or before the extended due date of
2680 the payment. If the taxpayer does not pay such tax or fee by the extended

2681 due date, a penalty shall be imposed in accordance with subsection (c)
2682 of this section and interest shall begin to accrue at a rate of one per cent
2683 per month for each month or fraction thereof from the extended due
2684 date of such tax or fee until the date of payment.

2685 (c) (1) Except as provided in subdivision (2) of subsection (b) of this
2686 section, if any taxpayer fails to pay the amount of tax or fee reported to
2687 be due on such taxpayer's return within the time specified under the
2688 provisions of this section, there shall be imposed a penalty equal to ten
2689 per cent of such amount due and unpaid, or fifty dollars, whichever is
2690 greater. The tax or fee shall bear interest at the rate of one per cent per
2691 month or fraction thereof, from the due date of such tax or fee until the
2692 date of payment.

2693 (2) If any taxpayer has not made its return within one month of the
2694 due date of such return, the commissioner may make such return at any
2695 time thereafter, according to the best information obtainable and
2696 according to the form prescribed. There shall be added to the tax or fee
2697 imposed upon the basis of such return an amount equal to ten per cent
2698 of such tax or fee, or fifty dollars, whichever is greater. The tax or fee
2699 shall bear interest at the rate of one per cent per month or fraction
2700 thereof, from the due date of such tax or fee until the date of payment.

2701 (3) Subject to the provisions of section 12-3a, the commissioner may
2702 waive all or part of the penalties provided under this subsection when
2703 it is proven to the commissioner's satisfaction that the failure to pay any
2704 tax or fee on time was due to reasonable cause and was not intentional
2705 or due to neglect.

2706 (4) The commissioner shall notify the Commissioner of Social
2707 Services of any amount delinquent under this section and, upon receipt
2708 of such notice, the Commissioner of Social Services shall deduct and
2709 withhold such amount from amounts otherwise payable by the
2710 Department of Social Services to the delinquent taxpayer.

2711 (d) (1) Any person required under sections 12-263q to 12-263v,
2712 inclusive, as amended by this act, or section 35 of this act, to pay any tax

2713 or fee, make a return, keep any records or supply any information, who
2714 wilfully fails, at the time required by law, to pay such tax or fee, make
2715 such return, keep such records or supply such information, shall, in
2716 addition to any other penalty provided by law, be fined not more than
2717 one thousand dollars or imprisoned not more than one year, or both. As
2718 used in this subsection, "person" includes any officer or employee of a
2719 taxpayer under a duty to pay such tax or fee, make such return, keep
2720 such records or supply such information. Notwithstanding the
2721 provisions of section 54-193, no person shall be prosecuted for a
2722 violation of the provisions of this subsection committed on or after July
2723 1, 1997, except within three years next after such violation has been
2724 committed.

2725 (2) Any person who wilfully delivers or discloses to the commissioner
2726 or the commissioner's authorized agent any list, return, account,
2727 statement or other document, known by such person to be fraudulent
2728 or false in any material matter, shall, in addition to any other penalty
2729 provided by law, be guilty of a class D felony. No person shall be
2730 charged with an offense under both this subdivision and subdivision (1)
2731 of this subsection in relation to the same tax period but such person may
2732 be charged and prosecuted for both such offenses upon the same
2733 information.

2734 Sec. 37. Section 12-263aa of the 2026 supplement to the general
2735 statutes is repealed and the following is substituted in lieu thereof
2736 (*Effective July 1, 2026*):

2737 (a) For the state fiscal years ending June 30, 2020, through June 30,
2738 2026, the tax imposed under section 12-263q, as amended by this act, on
2739 the provision of inpatient hospital services and outpatient hospital
2740 services shall cease to be imposed if the Centers for Medicare and
2741 Medicaid Services (1) determines that such tax is an impermissible tax
2742 under Section 1903(w) of the Social Security Act, as amended from time
2743 to time, or (2) does not approve the applicable Medicaid state plan
2744 amendments necessary for the state to receive federal financial
2745 participation under the Medicaid program for the payments set forth in

2746 subsection (i) of section 17b-239 and subsection (c) of section 17b-239e.
2747 In the event of such a determination or disapproval, the General
2748 Assembly shall consider, during the next occurring regular or special
2749 session, whichever is sooner, such amendments to the general statutes
2750 as are necessary to comply with federal law regarding such tax.

2751 (b) For state fiscal years commencing on or after July 1, 2026, the taxes
2752 imposed under subsection (a) of section 35 of this act shall revert to the
2753 tax set forth in section 12-263q of the general statutes, revision of 1958,
2754 revised to January 1, 2025, if the Centers for Medicare and Medicaid
2755 Services determines that either tax under subsection (a) of section 35 of
2756 this act is an impermissible tax under Section 1903(w) of the Social
2757 Security Act, as amended from time to time, declines to issue any tax
2758 waiver that may be required or finds any aspect of the taxes imposed
2759 under section 35 of this act to be invalid. In the event of such an
2760 occurrence, the General Assembly shall consider, during the next
2761 occurring regular or special session, whichever is sooner, such
2762 amendments to the general statutes as are necessary to comply with
2763 federal law regarding such taxes.

2764 Sec. 38. Section 12-263q of the 2026 supplement to the general statutes
2765 is repealed and the following is substituted in lieu thereof (*Effective July*
2766 *1, 2026*):

2767 (a) (1) For each calendar quarter commencing on or after July 1, 2017,
2768 and prior to July 1, 2026, each hospital shall pay a tax on the total net
2769 revenue received by such hospital for the provision of inpatient hospital
2770 services and outpatient hospital services.

2771 (A) On and after July 1, 2017, through June 30, 2026, the rate of tax for
2772 the provision of inpatient hospital services shall be six per cent of each
2773 hospital's audited net revenue for fiscal year 2016 attributable to
2774 inpatient hospital services. [Such rate shall apply for fiscal years
2775 commencing on or after July 1, 2026, unless modified through any
2776 provision of the general statutes.]

2777 (B) (i) On and after July 1, 2017, and prior to July 1, 2019, the rate of

2778 tax for the provision of outpatient hospital services shall be nine
2779 hundred million dollars less the total tax imposed on all hospitals for
2780 the provision of inpatient hospital services, which sum shall be divided
2781 by the total audited net revenue for fiscal year 2016 attributable to
2782 outpatient hospital services, of all hospitals that are required to pay such
2783 tax, resulting in an effective rate of twelve and three thousand three
2784 hundred twenty-five ten thousandths (12.3325) per cent of each
2785 hospital's audited net revenue for fiscal year 2016 attributable to
2786 outpatient hospital services.

2787 (ii) On and after July 1, 2019, and prior to July 1, 2020, the rate of tax
2788 for the provision of outpatient hospital services shall be eight hundred
2789 ninety million dollars less the total tax imposed on all hospitals for the
2790 provision of inpatient hospital services, which sum shall be divided by
2791 the total audited net revenue for fiscal year 2016 attributable to
2792 outpatient hospital services, of all hospitals that are required to pay such
2793 tax, resulting in an effective rate of twelve and nine hundred forty-two
2794 ten thousandths (12.0942) per cent of each hospital's audited net revenue
2795 for fiscal year 2016 attributable to outpatient hospital services, subject to
2796 any hospital dissolutions or cessation of operations pursuant to
2797 subparagraph (D) of this subdivision or disallowed exemptions
2798 pursuant to subsections (b) and (c) of this section.

2799 (iii) On and after July 1, 2020, and prior to July 1, 2021, the rate of tax
2800 for the provision of outpatient hospital services shall be eight hundred
2801 eighty-two million dollars less the total tax imposed on all hospitals for
2802 the provision of inpatient hospital services, which sum shall be divided
2803 by the total audited net revenue for fiscal year 2016 attributable to
2804 outpatient hospital services, of all hospitals that are required to pay such
2805 tax, resulting in an effective rate of eleven and seven thousand five
2806 hundred three ten thousandths (11.7503) per cent of each hospital's
2807 audited net revenue for fiscal year 2016 attributable to outpatient
2808 hospital services, subject to any hospital dissolutions or cessation of
2809 operations pursuant to subparagraph (D) of this subdivision or
2810 disallowed exemptions pursuant to subsections (b) and (c) of this
2811 section.

2812 (iv) On and after July 1, 2021, and prior to July 1, 2025, the rate of tax
2813 for the provision of outpatient hospital services shall be eight hundred
2814 fifty million dollars less the total tax imposed on all hospitals for the
2815 provision of inpatient hospital services, which sum shall be divided by
2816 the total audited net revenue for fiscal year 2016 attributable to
2817 outpatient hospital services, of all hospitals that are required to pay such
2818 tax, resulting in an effective rate of eleven and nine hundred seventy-six
2819 ten thousandths (11.0976) per cent of each hospital's audited net revenue
2820 for fiscal year 2016 attributable to outpatient hospital services, subject to
2821 any hospital dissolutions or cessation of operations pursuant to
2822 subparagraph (D) of this subdivision or disallowed exemptions
2823 pursuant to subsections (b) and (c) of this section.

2824 (v) On and after July 1, 2025, and prior to July 1, 2026, the rate of tax
2825 for the provision of outpatient hospital services shall be eight hundred
2826 twenty million dollars less the total tax imposed on all hospitals for the
2827 provision of inpatient hospital services, which sum shall be divided by
2828 the total audited net revenue for fiscal year 2016 attributable to
2829 outpatient hospital services, of all hospitals that are required to pay such
2830 tax, resulting in an effective rate of ten and four thousand eight hundred
2831 fifty-eight ten thousandths (10.4858) per cent of each hospital's audited
2832 net revenue for fiscal year 2016 attributable to outpatient hospital
2833 services, subject to any hospital dissolutions or cessation of operations
2834 pursuant to subparagraph (D) of this subdivision or disallowed
2835 exemptions pursuant to subsections (b) and (c) of this section. The rate
2836 set forth in this clause shall apply for fiscal years commencing on or after
2837 July 1, 2026, unless modified through any provision of the general
2838 statutes.

2839 (C) (i) For each state fiscal year commencing on or after July 1, 2019,
2840 and prior to July 1, 2026, the total audited net revenue for fiscal year
2841 2016 attributable to inpatient hospital services, of all hospitals that are
2842 required to pay the tax under this section shall be five billion ninety-
2843 seven million eight hundred twenty thousand one hundred ninety-
2844 seven dollars, subject to any hospital dissolutions or cessation of
2845 operations pursuant to subparagraph (D) of this subdivision or

2846 disallowed exemptions pursuant to subsections (b) and (c) of this
2847 section.

2848 (ii) (I) For the state fiscal year commencing on or after July 1, 2019,
2849 and prior to July 1, 2020, the total audited net revenue for fiscal year
2850 2016 attributable to outpatient hospital services, of all hospitals that are
2851 required to pay the tax under this section shall be four billion eight
2852 hundred twenty-nine million eight hundred fifty-nine thousand three
2853 hundred ninety-nine dollars, subject to any hospital dissolutions or
2854 cessation of operations pursuant to subparagraph (D) of this
2855 subdivision or disallowed exemptions pursuant to subsections (b) and
2856 (c) of this section.

2857 (II) For each state fiscal year commencing on or after July 1, 2020, the
2858 total audited net revenue for fiscal year 2016 attributable to outpatient
2859 hospital services, of all hospitals that are required to pay the tax under
2860 this section shall be four billion nine hundred three million one hundred
2861 twenty-seven thousand one hundred thirty-three dollars, subject to any
2862 hospital dissolutions or cessation of operations pursuant to
2863 subparagraph (D) of this subdivision or disallowed exemptions
2864 pursuant to subsections (b) and (c) of this section.

2865 (D) (i) If a hospital or hospitals subject to the tax imposed under this
2866 subdivision merge, consolidate, are acquired or otherwise reorganize,
2867 the surviving hospital shall assume and be liable for the total tax
2868 imposed under this subdivision on the merged, consolidated, acquired
2869 or reorganized hospitals, including any outstanding liabilities from
2870 periods prior to such merger, consolidation, acquisition or
2871 reorganization.

2872 (ii) If a hospital ceases to operate as a hospital for any reason other
2873 than a merger, consolidation, acquisition or reorganization, or ceases for
2874 any reason to be subject to the tax imposed under this subdivision, the
2875 amount of tax due from each taxpayer under this subdivision shall not
2876 be recalculated to take into account such occurrence for the state fiscal
2877 year in which the hospital dissolves or ceases to operate. The amount of
2878 tax that would be due from the dissolved hospital after its dissolution

2879 or cessation of operations shall not be collected by the commissioner for
2880 the state fiscal year in which such hospital dissolves or ceases to operate.
2881 In the next succeeding state fiscal year after the hospital dissolves or
2882 ceases to operate and in each subsequent state fiscal year, the total
2883 audited net revenue for fiscal year 2016 shall be reduced by such
2884 hospital's audited net revenue for fiscal year 2016 and the effective rate
2885 of the tax due under this section shall be adjusted to ensure that the total
2886 amount of such tax to be collected under subparagraphs (A) and (B) of
2887 this subdivision is redistributed among the surviving hospitals in
2888 proportion to the reduced total audited net revenue for fiscal year 2016
2889 attributable to inpatient hospital services and outpatient hospital
2890 services, of all hospitals.

2891 [(E) (i) For each state fiscal year commencing on or after July 1, 2026,
2892 if the Commissioner of Social Services determines for any fiscal year that
2893 the effective rate of tax for the tax imposed on net revenue for the
2894 provision of inpatient hospital services exceeds the rate permitted under
2895 the provisions of 42 CFR 433.68(f), as amended from time to time, the
2896 amount of tax collected that exceeds the permissible amount shall be
2897 refunded to hospitals, in proportion to the amount of net revenue for
2898 the provision of inpatient hospital services upon which the hospitals
2899 were taxed. The effective rate of tax shall be calculated by comparing
2900 the amount of tax paid by hospitals on net revenue for the provision of
2901 inpatient hospital services in a state fiscal year with the amount of net
2902 revenue received by hospitals subject to the tax for the provision of
2903 inpatient hospital services for the equivalent fiscal year.]

2904 [(ii)] (E) On or before July 1, 2026, [and annually thereafter,] each
2905 hospital subject to the tax imposed under this subdivision shall report
2906 to the Commissioner of Social Services, in the manner prescribed by and
2907 on forms provided by said commissioner, the amount of tax paid
2908 pursuant to this subsection by such hospital and the amount of net
2909 revenue received by such hospital for the provision of inpatient hospital
2910 services, in the state fiscal year commencing two years prior to each such
2911 reporting date. Not later than ninety days after said commissioner
2912 receives completed reports from all hospitals required to submit such

2913 reports, said commissioner shall notify the Commissioner of Revenue
2914 Services of the amount of any refund due each hospital to be in
2915 compliance with 42 CFR 433.68(f), as amended from time to time. Not
2916 later than thirty days after receiving such notice, the Commissioner of
2917 Revenue Services shall notify the Comptroller of the amount of each
2918 such refund and the Comptroller shall draw an order on the Treasurer
2919 for payment of each such refund. No interest shall be added to any
2920 refund issued pursuant to this subparagraph.

2921 (2) Except as provided in subdivision (3) of this subsection, each
2922 hospital subject to the tax imposed under subdivision (1) of this
2923 subsection shall be required to pay the total amount due in four
2924 quarterly payments consistent with section 12-263s, as amended by this
2925 act, with the first quarter commencing with the first day of each state
2926 fiscal year and the last quarter ending on the last day of each state fiscal
2927 year. Hospitals shall make all payments required under this subsection
2928 in accordance with procedures established by and on forms provided
2929 by the commissioner.

2930 (3) (A) For the state fiscal year commencing July 1, 2017, each hospital
2931 required to pay tax on inpatient hospital services or outpatient hospital
2932 services shall make an estimated tax payment on December 15, 2017,
2933 which estimated payment shall be equal to one hundred thirty-three per
2934 cent of the tax due under chapter 211a for the period ending June 30,
2935 2017. If a hospital was not required to pay tax under chapter 211a on
2936 either inpatient hospital services or outpatient hospital services, such
2937 hospital shall make its estimated payment based on its unaudited net
2938 patient revenue.

2939 (B) Each hospital required to pay tax pursuant to this subdivision on
2940 inpatient hospital services or outpatient hospital services shall pay the
2941 remaining balance determined to be due in two equal payments, which
2942 shall be due on April 30, 2018, and July 31, 2018, respectively.

2943 (C) (i) For each state fiscal year commencing on or after July 1, 2017,
2944 and prior to July 1, 2026, each hospital required to pay tax on inpatient
2945 hospital services or outpatient hospital services shall calculate the

2946 amount of tax due on forms prescribed by the commissioner by
2947 multiplying the applicable rate set forth in subdivision (1) of this
2948 subsection by its audited net revenue for fiscal year 2016.

2949 (ii) For the state fiscal year commencing July 1, 2019, the payment
2950 made for the period ending September 30, 2019, by each hospital
2951 required to pay tax on inpatient hospital services or outpatient hospital
2952 services shall be considered an estimated payment for purposes of the
2953 tax due for said state fiscal year. Each hospital required to pay the tax
2954 under this section on inpatient hospital services or outpatient hospital
2955 services shall pay the remaining balance due in three equal payments,
2956 which shall be due on January 31, 2020, April 30, 2020, and July 31, 2020,
2957 respectively.

2958 (D) The commissioner shall apply any payment made by a hospital
2959 in connection with the tax under chapter 211a for the period ending
2960 September 30, 2017, as a partial payment of such hospital's estimated tax
2961 payment due on December 15, 2017, under subparagraph (A) of this
2962 subdivision. The commissioner shall return to a hospital any credit
2963 claimed by such hospital in connection with the tax imposed under
2964 chapter 211a for the period ending September 30, 2017, for assignment
2965 as provided under section 12-263s, as amended by this act.

2966 (4) (A) Each hospital required to pay tax on inpatient hospital services
2967 or outpatient hospital services under this subsection shall submit to the
2968 commissioner such information as the commissioner requires in order
2969 to calculate the audited net inpatient revenue for fiscal year 2016, the
2970 audited net outpatient revenue for fiscal year 2016 and the audited net
2971 revenue for fiscal year 2016 of all such health care providers. Such
2972 information shall be provided to the commissioner not later than
2973 January 1, 2018. The commissioner shall make additional requests for
2974 information as necessary to fully audit each hospital's net revenue.
2975 Upon completion of the commissioner's examination, the commissioner
2976 shall notify, prior to February 28, 2018, each hospital of its audited net
2977 inpatient revenue for fiscal year 2016, audited net outpatient revenue for
2978 fiscal year 2016 and audited net revenue for fiscal year 2016.

2979 (B) Any hospital that fails to provide the requested information by
2980 the dates specified in subparagraph (A) of this subdivision or fails to
2981 comply with a request for additional information made under this
2982 subdivision shall be subject to a penalty of one thousand dollars per day
2983 for each day the hospital fails to provide the requested information or
2984 additional information.

2985 (C) The commissioner may engage an independent auditor to assist
2986 in the performance of the commissioner's duties and responsibilities
2987 under this subdivision.

2988 (5) Net revenue derived from providing a health care item or service
2989 to a patient shall be taxed only one time under this section.

2990 (6) (A) For purposes of this section:

2991 (i) "Audited net inpatient revenue for fiscal year 2016" means the
2992 amount of revenue that the commissioner determines, in accordance
2993 with federal law, that a hospital received for the provision of inpatient
2994 hospital services during the 2016 federal fiscal year;

2995 (ii) "Audited net outpatient revenue for fiscal year 2016" means the
2996 amount of revenue that the commissioner determines, in accordance
2997 with federal law, that a hospital received for the provision of outpatient
2998 hospital services during the 2016 federal fiscal year; and

2999 (iii) "Audited net revenue for fiscal year 2016" means net revenue, as
3000 reported in each hospital's audited financial statements, less the amount
3001 of revenue that the commissioner determines, in accordance with
3002 federal law, that a hospital received from other than the provision of
3003 inpatient hospital services and outpatient hospital services. The total
3004 audited net revenue for fiscal year 2016 shall be the sum of all audited
3005 net revenue for the 2016 fiscal year for all hospitals required to pay tax
3006 on inpatient hospital services and outpatient hospital services.

3007 (B) For purposes of this section, if a hospital's audited financial
3008 statements for fiscal year 2016 does not report revenue for the entire
3009 fiscal year, such hospital's audited net revenue for fiscal year 2016 shall

3010 be calculated by projecting the amount of revenue such hospital would
3011 have received for the entire fiscal year based proportionally on the
3012 audited net revenue reported on its audited financial statements.

3013 (C) Audited net inpatient revenue and audited net outpatient
3014 revenue shall be based on information provided by each hospital
3015 required to pay tax on inpatient hospital services or outpatient hospital
3016 services.

3017 (b) (1) The Commissioner of Social Services shall seek approval from
3018 the Centers for Medicare and Medicaid Services to exempt from the net
3019 revenue tax imposed under subsection (a) of this section the following:
3020 (A) Specialty hospitals; (B) children's general hospitals; and (C)
3021 hospitals operated exclusively by the state other than a short-term
3022 general hospital operated by the state as a receiver pursuant to chapter
3023 920. Any hospital for which the Centers for Medicare and Medicaid
3024 Services grants an exemption shall be exempt from the net revenue tax
3025 imposed under subsection (a) of this section. Any hospital for which the
3026 Centers for Medicare and Medicaid Services denies an exemption shall
3027 be deemed to be a hospital for purposes of this section and shall be
3028 required to pay the net revenue tax imposed under subsection (a) of this
3029 section on inpatient hospital services and outpatient hospital services at
3030 the same effective rates set forth in subsection (a) of this section.

3031 (2) Each hospital shall provide to the Commissioner of Social
3032 Services, upon request, such information as said commissioner may
3033 require to make any computations necessary to seek approval for
3034 exemption under this subsection.

3035 (3) As used in this subsection, (A) "specialty hospital" means a health
3036 care facility, as defined in section 19a-630, other than a facility licensed
3037 by the Department of Public Health as a short-term general hospital or
3038 a short-term children's hospital. "Specialty hospital" includes, but is not
3039 limited to, a psychiatric hospital or a chronic disease hospital, and (B)
3040 "children's general hospital" means a health care facility, as defined in
3041 section 19a-630, that is licensed by the Department of Public Health as a
3042 short-term children's hospital. "Children's general hospital" does not

3043 include a specialty hospital.

3044 (c) (1) (A) For each state fiscal year commencing on or after July 1,
3045 2017, and prior to July 1, 2020, the Commissioner of Social Services shall
3046 seek approval from the Centers for Medicare and Medicaid Services to
3047 exempt financially distressed hospitals from the net revenue tax
3048 imposed on outpatient hospital services. Any such hospital for which
3049 the Centers for Medicare and Medicaid Services grants an exemption
3050 shall be exempt from the net revenue tax imposed on outpatient hospital
3051 services under subsection (a) of this section. Any hospital for which the
3052 Centers for Medicare and Medicaid Services denies an exemption shall
3053 be required to pay the net revenue tax imposed on outpatient hospital
3054 services under subsection (a) of this section.

3055 (B) For purposes of this subdivision, "financially distressed hospital"
3056 means a hospital that has experienced over the five-year period from
3057 October 1, 2011, through September 30, 2016, an average net loss of more
3058 than five per cent of aggregate revenue. A hospital has an average net
3059 loss of more than five per cent of aggregate revenue if such a loss is
3060 reflected in the applicable years of financial reporting that have been
3061 made available by the Health Systems Planning Unit of the Office of
3062 Health Strategy for such hospital in accordance with section 19a-670.
3063 Upon said commissioner's receipt of a determination by the Centers for
3064 Medicare and Medicaid Services that a hospital is not exempt, the total
3065 audited net revenue from the provision of outpatient hospital services
3066 for fiscal year 2016 shall be increased by such hospital's audited net
3067 revenue from the provision of outpatient hospital services for fiscal year
3068 2016 and the effective rate of the tax due under this section shall be
3069 adjusted to ensure that the total amount of such tax to be collected under
3070 subsection (a) of this section is redistributed, commencing with the
3071 calendar quarter next succeeding the date of the determination by the
3072 Centers for Medicare and Medicaid Services.

3073 (2) (A) For each state fiscal year commencing on or after July 1, 2020,
3074 and prior to July 1, 2026, the Commissioner of Social Services shall seek
3075 approval from the Centers for Medicare and Medicaid Services to

3076 exempt sole community hospitals from the net revenue tax imposed on
3077 outpatient hospital services. Any such hospital for which the Centers for
3078 Medicare and Medicaid Services grants an exemption shall be exempt
3079 from the net revenue tax imposed on outpatient hospital services under
3080 subsection (a) of this section. Any hospital for which the Centers for
3081 Medicare and Medicaid Services denies an exemption shall be required
3082 to pay the net revenue tax imposed on outpatient hospital services
3083 under subsection (a) of this section.

3084 (B) For purposes of this subdivision, "sole community hospital"
3085 means a hospital that is classified by the Centers for Medicare and
3086 Medicaid Services for purposes of Medicare as a sole community
3087 hospital under 42 CFR 412.92. Upon said commissioner's receipt of a
3088 determination by the Centers for Medicare and Medicaid Services that
3089 a hospital is not exempt, the total audited net revenue from the
3090 provision of outpatient hospital services for fiscal year 2016 shall be
3091 increased by such hospital's audited net revenue from the provision of
3092 outpatient hospital services for fiscal year 2016 and the effective rate of
3093 the tax due under this section shall be adjusted to ensure that the total
3094 amount of such tax to be collected under subsection (a) of this section is
3095 redistributed, commencing with the calendar quarter next succeeding
3096 the date of the determination by the Centers for Medicare and Medicaid
3097 Services.

3098 (3) Upon receipt of a determination by the Centers for Medicare and
3099 Medicaid Services under this subsection that a hospital is not exempt,
3100 said commissioner shall notify all hospitals subject to the tax under this
3101 section of such determination, the corresponding increase to the total
3102 audited net revenue for fiscal year 2016 and the change in any effective
3103 rate of the tax to be collected under subsection (a) of this section through
3104 the state fiscal year 2026. Such notice shall be provided prior to the end
3105 of the calendar quarter next succeeding the date of the determination by
3106 the Centers for Medicare and Medicaid Services. If a state fiscal year has
3107 commenced when such determination is made, the adjusted audited net
3108 revenue for fiscal year 2016 and the change in any effective rate of the
3109 tax to be collected under subsection (a) of this section shall be prorated

3110 to take into account the amount of the tax already paid during the
3111 applicable state fiscal year.

3112 (d) The commissioner shall issue guidance regarding the
3113 administration of the tax on inpatient hospital services and outpatient
3114 hospital services under subsection (a) of this section. Such guidance
3115 shall be issued upon completion of a study of the applicable federal law
3116 governing the administration of tax on inpatient hospital services and
3117 outpatient hospital services. The commissioner shall conduct such study
3118 in collaboration with the Commissioner of Social Services, the Secretary
3119 of the Office of Policy and Management, the Connecticut Hospital
3120 Association and the hospitals subject to the tax imposed on inpatient
3121 hospital services and outpatient hospital services.

3122 (e) (1) The commissioner shall determine, in consultation with the
3123 Commissioner of Social Services, the Secretary of the Office of Policy
3124 and Management, the Connecticut Hospital Association and the
3125 hospitals subject to the tax imposed on inpatient hospital services and
3126 outpatient hospital services under subsection (a) of this section, if there
3127 is any underreporting of revenue on hospitals' audited financial
3128 statements. Such consultation shall only be as authorized under section
3129 12-15. The commissioner shall issue guidance, if necessary, to address
3130 any such underreporting.

3131 (2) If the commissioner determines, in accordance with this
3132 subsection, that a hospital underreported net revenue on its audited
3133 financial statements, the amount of underreported net revenue shall be
3134 added to the amount of net revenue reported on such hospital's audited
3135 financial statements so as to comply with federal law and the revised
3136 net revenue amount shall be used for purposes of calculating the
3137 amount of tax owed by such hospital under this section. For purposes
3138 of this subsection, "underreported net revenue" means any revenue of a
3139 hospital subject to the tax imposed under this section that is required to
3140 be included in net revenue from the provision of inpatient hospital
3141 services and net revenue from the provision of outpatient hospital
3142 services to comply with 42 CFR 433.56, as amended from time to time,

3143 42 CFR 433.68, as amended from time to time, and Section 1903(w) of
3144 the Social Security Act, as amended from time to time, but that was not
3145 reported on such hospital's audited financial statements. Underreported
3146 net revenue shall only include revenue of the hospital subject to such
3147 tax.

3148 (f) Nothing in this section shall affect the commissioner's obligations
3149 under section 12-15 regarding disclosure and inspection of returns and
3150 return information.

3151 (g) The provisions of section 17b-8 shall not apply to any exemption
3152 or exemptions sought by the Commissioner of Social Services from the
3153 Centers for Medicare and Medicaid Services under this section.

3154 Sec. 39. Section 12-263t of the general statutes is repealed and the
3155 following is substituted in lieu thereof (*Effective July 1, 2026*):

3156 (a) (1) The commissioner may examine the records of any taxpayer
3157 subject to a tax or fee imposed under section 12-263q, as amended by
3158 this act, [or] 12-263r or section 35 of this act as the commissioner deems
3159 necessary. If the commissioner determines from such examination that
3160 there is a deficiency with respect to the payment of any such tax or fee
3161 due under section 12-263q, as amended by this act, [or] 12-263r or
3162 section 35 of this act, the commissioner shall assess the deficiency in tax
3163 or fee, give notice of such deficiency assessment to the taxpayer and
3164 make demand for payment. Such amount shall bear interest at the rate
3165 of one per cent per month or fraction thereof from the date when the
3166 original tax or fee was due and payable.

3167 (A) When it appears that any part of the deficiency for which a
3168 deficiency assessment is made is due to negligence or intentional
3169 disregard of the provisions of this section or regulations adopted
3170 thereunder, there shall be imposed a penalty equal to ten per cent of the
3171 amount of such deficiency assessment, or fifty dollars, whichever is
3172 greater.

3173 (B) When it appears that any part of the deficiency for which a

3174 deficiency assessment is made is due to fraud or intent to evade the
3175 provisions of this section or regulations adopted thereunder, there shall
3176 be imposed a penalty equal to twenty-five per cent of the amount of such
3177 deficiency assessment. No taxpayer shall be subject to more than one
3178 penalty under this subdivision in relation to the same tax period. Not
3179 later than thirty days after the mailing of such notice, the taxpayer shall
3180 pay to the commissioner, in cash or by check, draft or money order
3181 drawn to the order of the Commissioner of Revenue Services, any
3182 additional amount of tax, penalty and interest shown to be due.

3183 (2) Except in the case of a wilfully false or fraudulent return with
3184 intent to evade the tax or fee, no assessment of additional tax or fee shall
3185 be made after the expiration of more than three years from the date of
3186 the filing of a return or from the original due date of a return, whichever
3187 is later. Where, before the expiration of the period prescribed under this
3188 subsection for the assessment of an additional tax or fee, a taxpayer has
3189 consented, in writing, that such period may be extended, the amount of
3190 such additional tax due may be determined at any time within such
3191 extended period. The period so extended may be further extended by
3192 subsequent consents, in writing, before the expiration of the extended
3193 period.

3194 (b) (1) The commissioner may enter into an agreement with the
3195 Commissioner of Social Services delegating to the Commissioner of
3196 Social Services the authority to examine the records and returns of any
3197 taxpayer subject to any tax or fee imposed under section 12-263q, as
3198 amended by this act, [or] 12-263r or section 35 of this act and to
3199 determine whether such tax has been underpaid or overpaid. If such
3200 authority is so delegated, examinations of such records and returns by
3201 the Commissioner of Social Services and determinations by the
3202 Commissioner of Social Services that such tax or fee has been underpaid
3203 or overpaid shall have the same effect as similar examinations or
3204 determinations made by the commissioner.

3205 (2) The commissioner may enter into an agreement with the
3206 Commissioner of Social Services in order to facilitate the exchange of

3207 returns or return information necessary for the Commissioner of Social
3208 Services to perform his or her responsibilities under this section and to
3209 ensure compliance with the state's Medicaid program.

3210 (3) The Commissioner of Social Services may engage an independent
3211 auditor to assist in the performance of said commissioner's duties and
3212 responsibilities under this subsection. Any reports generated by such
3213 independent auditor shall be provided simultaneously to the
3214 department and the Department of Social Services.

3215 (c) (1) The commissioner may require all persons subject to a tax or
3216 fee imposed under section 12-263q, as amended by this act, [or] 12-263r
3217 or section 35 of this act to keep such records as the commissioner may
3218 prescribe and may require the production of books, papers, documents
3219 and other data, to provide or secure information pertinent to the
3220 determination of the taxes or fees imposed under section 12-263q, as
3221 amended by this act, [or] 12-263r or section 35 of this act and the
3222 enforcement and collection thereof.

3223 (2) The commissioner or any person authorized by the commissioner
3224 may examine the books, papers, records and equipment of any person
3225 liable under the provisions of this section and may investigate the
3226 character of the business of such person to verify the accuracy of any
3227 return made or, if no return is made by the person, to ascertain and
3228 determine the amount required to be paid.

3229 (d) The commissioner may adopt regulations, in accordance with the
3230 provisions of chapter 54, to implement the provisions of sections 12-
3231 263q to 12-263x, inclusive, as amended by this act, and section 35 of this
3232 act.

3233 Sec. 40. Subsection (a) of section 12-263u of the general statutes is
3234 repealed and the following is substituted in lieu thereof (*Effective July 1,*
3235 *2026*):

3236 (a) Any taxpayer subject to any tax or fee under section 12-263q, as
3237 amended by this act, [or] 12-263r or section 35 of this act, believing that

3238 it has overpaid any tax or fee due under said sections, may file a claim
3239 for refund, in writing, with the commissioner not later than three years
3240 after the due date for which such overpayment was made, stating the
3241 specific grounds upon which the claim is founded. Failure to file a claim
3242 within the time prescribed in this subsection shall constitute a waiver of
3243 any demand against the state on account of overpayment. Within a
3244 reasonable time, as determined by the commissioner, following receipt
3245 of such claim for refund, the commissioner shall determine whether
3246 such claim is valid and, if so determined, the commissioner shall notify
3247 the Comptroller of the amount of such refund and the Comptroller shall
3248 draw an order on the Treasurer in the amount thereof for payment to
3249 the taxpayer. If the commissioner determines that such claim is not
3250 valid, either in whole or in part, the commissioner shall mail notice of
3251 the proposed disallowance in whole or in part of the claim to the
3252 taxpayer, which notice shall set forth briefly the commissioner's findings
3253 of fact and the basis of disallowance in each case decided in whole or in
3254 part adversely to the taxpayer. Sixty days after the date on which it is
3255 mailed, a notice of proposed disallowance shall constitute a final
3256 disallowance except only for such amounts as to which the taxpayer has
3257 filed, as provided in subsection (b) of this section, a written protest with
3258 the commissioner.

3259 Sec. 41. Section 12-263v of the general statutes is repealed and the
3260 following is substituted in lieu thereof (*Effective July 1, 2026*):

3261 (a) Any taxpayer subject to any tax or fee under section 12-263q, as
3262 amended by this act, [or] 12-263r or section 35 of this act that is
3263 aggrieved by the action of the commissioner, the Commissioner of
3264 Social Services or an authorized agent of said commissioners in fixing
3265 the amount of any tax, penalty, interest or fee under sections 12-263q to
3266 12-263t, inclusive, as amended by this act, or section 35 of this act may
3267 apply to the commissioner, in writing, not later than sixty days after the
3268 notice of such action is delivered or mailed to such taxpayer, for a
3269 hearing and a correction of the amount of such tax, penalty, interest or
3270 fee, setting forth the reasons why such hearing should be granted and
3271 the amount by which such tax, penalty, interest or fee should be

3272 reduced. The commissioner shall promptly consider each such
3273 application and may grant or deny the hearing requested. If the hearing
3274 request is denied, the taxpayer shall be notified immediately. If the
3275 hearing request is granted, the commissioner shall notify the applicant
3276 of the date, time and place for such hearing. After such hearing, the
3277 commissioner may make such order as appears just and lawful to the
3278 commissioner and shall furnish a copy of such order to the taxpayer.
3279 The commissioner may, by notice in writing, order a hearing on the
3280 commissioner's own initiative and require a taxpayer or any other
3281 individual who the commissioner believes to be in possession of
3282 relevant information concerning such taxpayer to appear before the
3283 commissioner or the commissioner's authorized agent with any
3284 specified books of account, papers or other documents, for examination
3285 under oath.

3286 (b) Any taxpayer subject to any tax or fee under section 12-263q, as
3287 amended by this act, [or] 12-263r or section 35 of this act that is
3288 aggrieved because of any order, decision, determination or
3289 disallowance of the commissioner made under sections 12-263q to 12-
3290 263u, inclusive, as amended by this act, [or] subsection (a) of this section
3291 or section 35 of this act may, not later than thirty days after service of
3292 notice of such order, decision, determination or disallowance, take an
3293 appeal therefrom to the superior court for the judicial district of New
3294 Britain, which appeal shall be accompanied by a citation to the
3295 commissioner to appear before said court. Such citation shall be signed
3296 by the same authority and such appeal shall be returnable at the same
3297 time and served and returned in the same manner as is required in case
3298 of a summons in a civil action. The authority issuing the citation shall
3299 take from the appellant a bond or recognizance to the state of
3300 Connecticut, with surety, to prosecute the appeal to effect and to comply
3301 with the orders and decrees of the court in the premises. Such appeals
3302 shall be preferred cases, to be heard, unless cause appears to the
3303 contrary, at the first session, by the court or by a committee appointed
3304 by the court. Said court may grant such relief as may be equitable and,
3305 if such tax or charge has been paid prior to the granting of such relief,
3306 may order the Treasurer to pay the amount of such relief, with interest

3307 at the rate of two-thirds of one per cent per month or fraction thereof, to
3308 such taxpayer. If the appeal has been taken without probable cause, the
3309 court may tax double or triple costs, as the case demands and, upon all
3310 such appeals that are denied, costs may be taxed against such taxpayer
3311 at the discretion of the court but no costs shall be taxed against the state.

3312 Sec. 42. Section 12-263x of the general statutes is repealed and the
3313 following is substituted in lieu thereof (*Effective July 1, 2026*):

3314 The amount of any tax, penalty, interest or fee, due and unpaid under
3315 the provisions of sections 12-263q to 12-263v, inclusive, as amended by
3316 this act, or section 35 of this act may be collected under the provisions
3317 of section 12-35. The warrant therein provided for shall be signed by the
3318 commissioner or the commissioner's authorized agent. The amount of
3319 any such tax, penalty, interest or fee shall be a lien on the real estate of
3320 the taxpayer from the last day of the month next preceding the due date
3321 of such tax until such tax is paid. The commissioner may record such
3322 lien in the records of any town in which the real estate of such taxpayer
3323 is situated but no such lien shall be enforceable against a bona fide
3324 purchaser or qualified encumbrancer of such real estate. When any tax
3325 or fee with respect to which a lien has been recorded under the
3326 provisions of this subsection has been satisfied, the commissioner shall,
3327 upon request of any interested party, issue a certificate discharging such
3328 lien, which certificate shall be recorded in the same office in which the
3329 lien was recorded. Any action for the foreclosure of such lien shall be
3330 brought by the Attorney General in the name of the state in the superior
3331 court for the judicial district in which the property subject to such lien is
3332 situated, or, if such property is located in two or more judicial districts,
3333 in the superior court for any one such judicial district, and the court may
3334 limit the time for redemption or order the sale of such property or make
3335 such other or further decree as it judges equitable. For purposes of
3336 section 12-39g, a fee under this section shall be treated as a tax.

3337 Sec. 43. Section 3-114s of the general statutes is repealed and the
3338 following is substituted in lieu thereof (*Effective July 1, 2026*):

3339 At the close of each fiscal year, [commencing with the fiscal year

3340 ending June 30, 2018,] the Comptroller is authorized to record as
 3341 revenue for each such fiscal year the amount of tax and fee imposed
 3342 under sections 12-263q to 12-263x, inclusive, as amended by this act, and
 3343 section 35 of this act, that is received by the Commissioner of Revenue
 3344 Services not later than five business days after the last day of July
 3345 immediately following the end of such fiscal year.

3346 Sec. 44. Sections 359 to 364, inclusive, of public act 25-168 are
 3347 repealed. (*Effective from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-217(b)
Sec. 2	<i>from passage</i>	New section
Sec. 3	<i>from passage and applicable to taxable years commencing on or after January 1, 2026</i>	New section
Sec. 4	<i>from passage</i>	4-30a(a)
Sec. 5	<i>from passage</i>	PA 25-168, Sec. 42
Sec. 6	<i>from passage</i>	PA 25-168, Sec. 43
Sec. 7	<i>July 1, 2026</i>	PA 25-168, Sec. 472
Sec. 8	<i>July 1, 2026</i>	New section
Sec. 9	<i>July 1, 2026</i>	20-432(a) to (c)
Sec. 10	<i>October 1, 2026</i>	20-12j
Sec. 11	<i>October 1, 2026</i>	20-86g
Sec. 12	<i>October 1, 2026</i>	20-206ll(a)
Sec. 13	<i>October 1, 2026</i>	20-206mm(c)
Sec. 14	<i>October 1, 2026</i>	20-74h
Sec. 15	<i>October 1, 2026</i>	19a-88(a) to (c)
Sec. 16	<i>October 1, 2026</i>	19a-12d
Sec. 17	<i>October 1, 2026</i>	20-195c
Sec. 18	<i>October 1, 2026</i>	20-195o
Sec. 19	<i>October 1, 2026</i>	20-195cc
Sec. 20	<i>October 1, 2026</i>	20-333
Sec. 21	<i>October 1, 2026</i>	20-334a
Sec. 22	<i>October 1, 2026</i>	20-334e
Sec. 23	<i>October 1, 2026</i>	20-335
Sec. 24	<i>October 1, 2026</i>	20-331(g)

Sec. 25	<i>October 1, 2026</i>	10-145b(l)
Sec. 26	<i>October 1, 2026, and applicable to sales occurring on or after October 1, 2026</i>	12-330ll
Sec. 27	<i>January 1, 2027, and applicable to income and taxable years commencing on or after January 1, 2027</i>	New section
Sec. 28	<i>October 1, 2026, and applicable to sales occurring on or after October 1, 2026</i>	12-408(1)
Sec. 29	<i>October 1, 2026, and applicable to sales occurring on or after October 1, 2026</i>	12-411(1)
Sec. 30	<i>October 1, 2026, and applicable to sales occurring on or after October 1, 2026</i>	12-412(55)
Sec. 31	<i>from passage</i>	12-407e
Sec. 32	<i>from passage</i>	12-217jj
Sec. 33	<i>from passage</i>	New section
Sec. 34	<i>July 1, 2026</i>	New section
Sec. 35	<i>July 1, 2026</i>	New section
Sec. 36	<i>July 1, 2026</i>	12-263s
Sec. 37	<i>July 1, 2026</i>	12-263aa
Sec. 38	<i>July 1, 2026</i>	12-263q
Sec. 39	<i>July 1, 2026</i>	12-263t
Sec. 40	<i>July 1, 2026</i>	12-263u(a)
Sec. 41	<i>July 1, 2026</i>	12-263v
Sec. 42	<i>July 1, 2026</i>	12-263x
Sec. 43	<i>July 1, 2026</i>	3-114s
Sec. 44	<i>from passage</i>	Repealer section

FIN *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: See Below

Municipal Impact: See Below

Explanation

Revenue Impacts in \$ millions					
Policy	Fund - Acct impacted	FY 26	FY 27	FY 28	Reference
Decouple from Federal P.L. 119-21 as it relates to bonus depreciation for Qualified Production Properties	General Fund - Corporation Tax	-	0.0	103.6	Sections 1 and 2
Conform to Federal P.L. 119-21 research and experimentation rules beginning in Income Year (IY) 2026	General Fund - Corporation Tax	-	66.8	(33.4)	Sections 1 and 2
Allow certain pass-through entities to earn (partially refundable) research and development tax credits	General Fund - Estimates and Finals	-	(20.0)	(20.0)	Section 3
	General Fund - Volatility Cap Adjustment	-	20.0	20.0	
	General Fund - R&D Credit Exchange	-	(5.0)	(5.0)	
Temporarily adjust the volatility cap threshold	General Fund - Volatility Adjustment	650.0	-	-	Section 4
Adjust the FY 26 - FY 27 revenue transfer to support FY 26 balance	General Fund - Transfers	30.0	(30.0)	-	Section 5
	General Fund - Transfers	13.1	21.4	-	Section 6

Revenue Impacts in \$ millions					
Policy	Fund - Acct impacted	FY 26	FY 27	FY 28	Reference
Update the General Fund subsidy of the Municipal Revenue Sharing Fund	Municipal Revenue Sharing Fund	(13.1)	(21.4)	-	
Shift the funding source for municipal aid grants to Ledyard and Montville	General Fund	-	(1.6)	(1.6)	Sections 7 and 8
	Mashantucket Pequot and Mohegan Fund	-	1.6	1.6	
Increase the fund balance retained by the Home Improvement Guaranty Fund	General Fund - Transfers	-	(0.2)	(0.2)	Section 9
	Home Improvement Guaranty Fund	-	0.2	0.2	
Eliminate certain occupational license application and renewal fees	General Fund - Licenses, Fees and Permits	-	(15.9)	(21.2)	Sections 10 - 25
Replace the Cannabis total THC potency tax with an excise tax of 10.75	General fund - Miscellaneous Tax	-	(1.4)	(1.5)	Section 26
	Prevention and Recovery Services Fund	-	(0.5)	(0.5)	
Provide a refundable tax credit for milk producers	General Fund - Corporation and Personal Income Tax	-	-	(8.0)	Section 27
Tax peer-to-peer car services at the 9.35% rate	Special Transportation Fund	-	0.7	0.9	Sections 28 - 29
Increases the sales price threshold for a motor vehicle subject to the 7.75% sales tax from \$50,000 to \$75,000	Special Transportation Fund - Sales Tax	-	(14.5)	(19.8)	Sections 28 - 29
Diverts 50% of the additional 1% sales and use tax on meals and beverages to the Tourism Fund	General Fund	-	(44.5)	(60.8)	Sections 28 - 29
	Tourism Fund	-	44.5	60.8	
Increases the sales tax exemption for certain	General Fund - Sales Tax	-	(2.5)	(3.5)	Section 30

Revenue Impacts in \$ millions					
Policy	Fund - Acct impacted	FY 26	FY 27	FY 28	Reference
personal property used in burials and cremations from \$2,500 to \$10,000	Special Transportation Fund - Sales Tax	-	(0.2)	(0.3)	
	Municipal Revenue Sharing Fund - Sales Tax		(0.2)	(0.3)	
Raise the per-item cost (from \$100 to \$300) for clothing and footwear exempt from the sales tax during the "tax free week"; expand the items exempt during the "tax free week" to include backpacks and certain athletic footwear	General Fund; Special Transportation Fund; and Municipal Revenue Sharing Fund - Sales Tax	-	(3.0)	(3.0)	Section 31
Extend the Redemption Rate of Film and Digital Media Production Tax Credits Against the Sales and Use Tax	General Fund; Special Transportation Fund; and Municipal Revenue Sharing Fund - Sales Tax	-	-	-	Section 32
Provide for Community Partnership Opportunity Agreements	General Fund	-	-	-	Section 33
Adjust the Hospital Tax	General Fund - Health Provider Tax	-	(221.0)	(221.0)	Sections 34-44 (see "Adjust Hospital Tax" table below for summary)
Repeals the 6% tax on nursing home and intermediate care facilities revenue scheduled to take effect on July 1, 2026	General Fund	-	-	-	Section 44

Adjust Hospital Tax - Total Changes in \$ millions

FY	Current Law	Committee	Difference
2026	820	820	0
2027	1,195	974	(221)
2028	1,220	999	(221)
2029	1,245	1,024	(221)
2030	1,270	1,049	(221)
2031	1,295	1,074	(221)

Expenditure Changes

Section 44 repeals the provision in the FY 26 - FY 27 budget that implements the Medicaid supplemental payments to hospitals for FY 27 (a \$140 million budgeted increase over FY 26). The underlying appropriation is unchanged in the bill. Section 44 also effectively repeals scheduled \$25 million increases annually in FY 28 and beyond to the Medicaid supplemental hospital payments.

Section 33 results in an annualized cost of \$146,000 (\$103,000 in salary and related \$43,000 in fringe benefits) for one community development specialist in the Department of Economic and Community Development (DECD) to administer the program. Section 33 also results in a potential revenue gain and potential cost by creating a "community partnership opportunity" account. The revenue gain includes the funding received from participating investors in the program which, under the bill, is deposited into the account. Section 33 also requires the state treasurer to invest those funds in the account for use in the program. The revenues in the account are to be used to finance the costs associated with the program including: (1) implementing the specified initiatives, (2) evaluating their performance, and (3) making the success payments. The actual fiscal impact will be contingent on the number of agreements and specifics within the agreement.

The Out Years

The annualized ongoing expenditures fiscal impact identified above would continue subject to inflation and scheduled out-year policy changes, as described above. Out year estimated total revenue impacts by fund are provided in the table below.

Out-year revenue impact by major fund - in \$ millions

	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31
General Fund	693.1	(236.9)	(255.6)	(250.6)	(237.1)	(233.1)
Mashantucket Pequot and Mohegan Fund	-	1.6	1.6	1.6	1.6	1.6
Special Transportation Fund	-	(14.0)	(19.2)	(20.2)	(20.7)	(21.3)
Municipal Revenue Sharing Fund	(13.1)	(21.6)	(0.3)	(0.3)	(0.3)	(0.3)
Tourism Fund	-	44.5	60.8	62.3	63.9	65.5
Cannabis Prevention and Recovery Services Fund	-	(0.5)	(0.5)	-	-	-
Total	680.0	(226.9)	(213.2)	(207.2)	(192.6)	(187.6)

OLR Bill Analysis

sSB 84

AN ACT CONCERNING ADJUSTMENTS TO STATE REVENUE.

TABLE OF CONTENTS:

SUMMARY

§§ 1 & 2 — CORPORATION BUSINESS TAX

Decouples the state corporation business tax from the federal bonus depreciation deduction for qualified production property, starting with the 2026 income year; delays, by one year, conforming the state corporation business tax to recent changes to the federal deduction for domestic R&E expenditures and disallows the retroactive application of these changes for the 2022 to 2025 income years; generally exempts corporation business taxpayers from penalties and interest on any additional tax due to these changes

§ 3 — RESEARCH AND DEVELOPMENT TAX CREDIT FOR QUALIFIED SMALL BUSINESSES

Creates an income tax credit for qualifying small businesses that incur eligible R&D spending in Connecticut and requires DECD to administer a tax credit voucher system for the credit; Caps the maximum amount of these credits that DECD can reserve each tax year at \$1.5 million per business and \$25 million in total

§ 4 — VOLATILITY CAP THRESHOLD

Increases the volatility cap threshold for FY 26 by \$650 million, from \$4,728.6 million to \$5,378.6 million, and resets it for FY 27 at \$5,009.1 million

§ 5 — TRANSFER OF FY 26 GENERAL FUND REVENUE TO FY 27

Decreases, by \$30 million, the amount of FY 26 General Fund resources the state comptroller must transfer to be accounted for as FY 27 General Fund revenue

§ 6 — GENERAL FUND TRANSFER TO THE MUNICIPAL REVENUE SHARING FUND

Decreases, by \$13.1 million for FY 26 and \$21.4 million for FY 27, the required transfers from the General Fund to the Municipal Revenue Sharing Fund

§§ 7 & 8 — MUNICIPAL AID TO LEDYARD AND MONTVILLE

Shifts the funding source for municipal aid grants to Ledyard and Montville in FY 27 from Other Expenses to the Mashantucket Pequot and Mohegan Fund

§ 9 — HOME IMPROVEMENT GUARANTY FUND

Increases, from \$750,000 to \$1 million, the Home Improvement Guaranty Fund's annual maximum balance

§§ 10-25 — OCCUPATIONAL LICENSE OR CERTIFICATION FEES

Eliminates numerous occupational license or certification fees

§ 26 — TAX ON CANNABIS SALES

Replaces the current state taxes on retail sales of cannabis plant material, cannabis edible products, and other cannabis with a single tax

§ 27 — MILK PRODUCER REFUNDABLE TAX CREDIT

Establishes a refundable tax credit for milk producers that they may earn when the federally set milk price is lower than the cost of production

§§ 28 & 29 — SALES AND USE TAX ON PEER-TO-PEER CAR SHARING

Explicitly subjects short-term peer-to-peer car sharing to the 9.35% sales and use tax rate applicable to passenger motor vehicle rentals or leases and directs this revenue to the Special Transportation Fund

§§ 28 & 29 — MOTOR VEHICLES SUBJECT TO LUXURY TAX RATE

Increases the sales price threshold for a motor vehicle subject to the 7.75% sales and use tax rate from \$50,000 to \$75,000

§§ 28 & 29 — MEALS AND BEVERAGES TAX DIVERSION TO TOURISM FUND

Directs 50% of the additional 1% sales and use tax on meals and beverages to the Tourism Fund

§ 30 — PERSONAL PROPERTY USED IN BURIALS AND CREMATIONS

Increases the sales and use tax exemption for certain personal property used in burials and cremations from \$2,500 to \$10,000

§ 31 — SALES TAX FREE WEEK

Increases the exemption amount for “sales tax free week” from \$100 to \$300 and adds backpacks and cleated shoes to the list of exempt items

§ 32 — FILM AND DIGITAL MEDIA TAX CREDIT

Extends, to the 2026 and 2027 income years, the increased redemption rate for film and digital media tax credits claimed against the sales tax

§ 33 — COMMUNITY PARTNERSHIP OPPORTUNITY AGREEMENTS

Creates a program within DECD designed to increase educational achievement and workforce skills in communities experiencing persistent economic disadvantages through partnerships between DECD and specified stakeholders

§§ 34-44 — HOSPITAL PROVIDER TAX

Replaces the current hospital provider tax, starting in FY 27, with new taxes on inpatient and outpatient hospital services but requires the taxes to cease and the current tax structure to be reimposed if CMS determines that either tax is impermissible; repeals provisions in the FY 26-27 biennial budget act, scheduled to take effect on July 1, 2026, that principally change the base year on which the provider tax is calculated and increase the total tax revenue on which the tax is calculated

§ 44 — TAX ON NURSING HOMES AND INTERMEDIATE CARE FACILITIES

Repeals the 6% tax on nursing home and ICF revenue scheduled to take effect on July 1, 2026, and instead retains the current user fee on these facilities

§ 44 — HOSPITAL MEDICAID SUPPLEMENTAL PAYMENTS

Repeals the increases to Medicaid supplemental payments to hospitals for FY 27 and after, and instead retains the requirement that DSS pay out the same amount paid in FY 26 for these years

SUMMARY

This bill makes various changes to state taxes and fees, and adjustments to the FY 26-27 biennial budget act, as described in the section-by-section analysis below.

EFFECTIVE DATE: Various, see below.

§§ 1 & 2 — CORPORATION BUSINESS TAX

Decouples the state corporation business tax from the federal bonus depreciation deduction for qualified production property, starting with the 2026 income year; delays, by one year, conforming the state corporation business tax to recent changes to the federal deduction for domestic R&E expenditures and disallows the retroactive application of these changes for the 2022 to 2025 income years; generally exempts corporation business taxpayers from penalties and interest on any additional tax due to these changes

Qualified Production Property (§ 1)

Beginning with the 2026 income year, the bill disallows the federal bonus depreciation deduction for qualified production property (26 U.S.C. § 168(n)). In doing so, it requires taxpayers to add back this deduction when calculating their net income for Connecticut's corporation business tax. Existing law already disallows the federal bonus depreciation deduction that applies to other qualifying property (26 U.S.C. § 168(k)).

The federal FY 25 reconciliation act (P.L. 119-21) allows federal corporation income taxpayers to take a 100% bonus depreciation allowance for qualified production property, rather than depreciating the costs over 39 years. Under federal law, qualified production property is generally manufacturing-related real property, other than property used for offices, lodging, sales, research, software development, parking, and other non-manufacturing functions. To qualify for this tax treatment, the property must be built after January 19, 2025, and before January 1, 2029, and placed in service before January 1, 2031.

Research and Experimental (R&E) Expenditures (§ 1)

Starting in 2025, P.L. 119-21 allows federal corporation income taxpayers to deduct domestic R&E expenditures in the year paid or incurred, rather than requiring them to capitalize and amortize the expenses over five or, if elected, over 10 years. Under the bill, this federal treatment of R&E expenditures flows through for Connecticut corporation business tax purposes beginning only in the 2026 income year. Specifically, the bill disallows this deduction for Connecticut tax purposes for the 2025 income year and instead requires any R&E expenditures paid or incurred for the 2022 through 2025 income years to be deducted as allowed under the federal law on amortizing R&E expenditures in effect on July 3, 2025 (before P.L. 119-21 took effect).

P.L. 119-21 also gives eligible small business taxpayers (generally those with average annual gross receipts below a specified threshold (\$31 million or less for 2025)) the option to retroactively apply this change starting with the 2022 tax year. Taxpayers making this federal election must do so by July 4, 2026, and file an amended return for each affected tax year. The bill disallows the retroactive application of this change starting with the 2022 tax year.

Relief From Penalties and Interest on Related Tax Underpayments (§ 2)

The bill exempts corporation business taxpayers from interest on estimated tax underpayments for any additional tax due because of the changes described above. Specifically, the exemption applies to underpayments for (1) income years starting on or after January 1, 2026, but before the bill's passage, for the change made to the qualified production property deduction and (2) the 2022 through 2025 income years for the changes to the R&E deduction.

The bill also requires the Department of Revenue Services (DRS) commissioner to waive any interest or penalties for any part of an underpayment for the 2022 through 2025 income years because of the changes to the R&E deduction if the taxpayer pays the additional tax by (1) November 15, 2026, or (2) the due date for the tax return on which

they report the additional tax, regardless of any filing extension. Taxpayers must submit evidence that they are eligible for this waiver as the DRS commissioner prescribes.

EFFECTIVE DATE: Upon passage

§ 3 — RESEARCH AND DEVELOPMENT TAX CREDIT FOR QUALIFIED SMALL BUSINESSES

Creates an income tax credit for qualifying small businesses that incur eligible R&D spending in Connecticut and requires DECD to administer a tax credit voucher system for the credit; Caps the maximum amount of these credits that DECD can reserve each tax year at \$1.5 million per business and \$25 million in total

The bill creates a tax credit for qualifying small businesses that incur eligible research and development (R&D) spending in Connecticut and allows the businesses's owners to claim the credit against their personal income tax liability (other than income tax withholding). It requires the Department of Economic and Community Development (DECD) to administer a voucher system for the credit program within available appropriations. Qualified small businesses must apply for and receive a credit voucher to claim the credit, which equals 6% of the R&D spending they pay or incur for a tax year.

Eligible R&D Spending

Under the bill, credit-eligible R&D spending generally includes the same two categories of expenditures that are eligible under the state's existing corporation R&D tax credit: (1) federally deductible R&D expenditures the business incurs and (2) qualifying "basic research payments" that are eligible for a federal R&D tax credit. The first category of credit-eligible spending generally includes the R&D expenditures a business incurs to develop or improve a product (current-year R&D expenditures deductible under 26 USCA § 174, as in effect on May 28, 1993, and determined without regard to the federal credit for increasing research activities). The second category includes payments made to qualifying nonprofit educational institutions, scientific research organizations, or grant organizations for eligible research.

In both cases, the expenditures or payments must (1) be paid or

incurred for R&D and basic research done in Connecticut and (2) not be funded by any grant or contract with a public or private entity.

Qualified Small Businesses

To qualify for the credit, the business must be an S corporation or entity considered a partnership for federal income tax purposes, such as a limited liability company (LLC), and have gross income for the previous tax year of \$70 million or less, including income derived from transactions with related entities, as determined by the DECD commissioner. (S corporations and partnerships are generally referred to as pass-through businesses because their profits “pass-through” to their owners and are taxed as part of the owners’ personal income tax.)

Credit Administration

Reserving Credits. Under the bill, a qualified small business may apply to the DECD commissioner to reserve a credit allocation based on the amount of R&D spending it intends to pay or incur for a tax year. The commissioner may reserve a credit for the business based on this amount, and notify the business of its reserved credit, if he determines that it is likely to pay or incur R&D spending for the tax year.

The bill caps the maximum amount of these credits that can be reserved each tax year at \$1.5 million per business and \$25 million in total. In deciding whether to issue credit reservation notices, the commissioner must prioritize qualified small businesses that, in his opinion, show a likelihood for in-state growth or will best contribute to the state’s economic ecosystem.

The commissioner must set the credit application form and process and may require the application to contain any information he finds necessary to administer the credit program. Additionally, he may adopt regulations to implement the credit.

Issuing Vouchers. Within 90 days after the end of a tax year, a qualified small business that received a credit reservation notice must verify the R&D spending it paid or incurred for the tax year as the DECD commissioner prescribes. In reviewing this verification, if the

commissioner determines that the business paid or incurred the spending, he must issue the business a tax credit voucher for 6% of the expenses. The voucher's amount cannot exceed the business's credit reservation.

The DECD commissioner must notify the DRS commissioner and Office of Policy and Management (OPM) secretary about each tax credit voucher issued under the program.

Credit Claims and Refunds

Under the bill, if the qualified small business is an S corporation or entity treated as a partnership for federal income tax purposes, its shareholders or partners may claim the credit. If it is a single member LLC that is disregarded as an entity separate from its owner, the owner may claim the credit if he or she is subject to income tax.

Taxpayers claiming the credit must apply it before applying any other income tax credits. If the credit exceeds the taxpayer's income tax liability, the bill allows the taxpayer to apply to the DRS commissioner to exchange it for a partial refund for the excess amount when filing the tax return on which it claimed the credit.

The refund amount equals 90% of the excess for credits earned by biotechnology businesses and 65% for credits earned by other qualified small businesses. Under the bill, a "biotechnology business" is one that applies certain technologies (such as biochemistry or genetics) to produce or modify products, improve plants or animals, identify targets for small molecule pharmaceutical development, transform biological systems into useful processes and products, or develop microorganisms for specific uses.

EFFECTIVE DATE: Upon passage and applicable to tax years starting on or after January 1, 2026.

§ 4 — VOLATILITY CAP THRESHOLD

Increases the volatility cap threshold for FY 26 by \$650 million, from \$4,728.6 million to \$5,378.6 million, and resets it for FY 27 at \$5,009.1 million

The bill increases the volatility cap threshold for FY 26 by \$650 million, from \$4,728.6 million to \$5,378.6 million, and resets it for FY 27 at \$5,009.1 million (the estimated FY 27 threshold based on January consensus revenue estimates). For FY 28 and after, it requires the \$5,009.1 million threshold to be annually adjusted for inflation as under existing law (based on the compound annual growth rate of state personal income over the preceding five calendar years, using U.S. Bureau of Economic Analysis data).

The “volatility cap” is a mechanism for diverting volatile tax revenue to the Budget Reserve Fund (BRF). It requires the state treasurer to transfer to the BRF any revenue the state receives each fiscal year over the applicable threshold from (1) personal income tax estimated and final payments (generated from taxpayers who make estimated income tax payments on a quarterly basis) and (2) the passthrough entity tax.

By law, the legislature may amend the threshold amount, by a vote of three-fifths of the members of each house, due to changes in state or federal tax law or policy or significant adjustments to economic growth or tax collections.

EFFECTIVE DATE: Upon passage

§ 5 — TRANSFER OF FY 26 GENERAL FUND REVENUE TO FY 27

Decreases, by \$30 million, the amount of FY 26 General Fund resources the state comptroller must transfer to be accounted for as FY 27 General Fund revenue

The FY 26-27 biennial budget act currently requires the state comptroller, by June 30, 2026, to transfer \$244 million of FY 26 General Fund resources to be accounted for as FY 27 General Fund revenue. The bill decreases this required transfer by \$30 million, to \$214 million.

EFFECTIVE DATE: Upon passage

§ 6 — GENERAL FUND TRANSFER TO THE MUNICIPAL REVENUE SHARING FUND

Decreases, by \$13.1 million for FY 26 and \$21.4 million for FY 27, the required transfers from the General Fund to the Municipal Revenue Sharing Fund

The bill reduces the required transfers from the General Fund to the

Municipal Revenue Sharing Fund by (1) \$13.1 million for FY 26, from \$101 million to \$87.9 million, and (2) \$21.4 million for FY 27, from \$90 million to \$68.6 million.

EFFECTIVE DATE: Upon passage

§§ 7 & 8 — MUNICIPAL AID TO LEDYARD AND MONTVILLE

Shifts the funding source for municipal aid grants to Ledyard and Montville in FY 27 from Other Expenses to the Mashantucket Pequot and Mohegan Fund

The FY 26-27 biennial budget act earmarks \$800,000 each to Ledyard and Montville for FY 27. The bill shifts the funding source for these municipal aid grants from Other Expenses to the Mashantucket Pequot and Mohegan Fund.

EFFECTIVE DATE: July 1, 2026

§ 9 — HOME IMPROVEMENT GUARANTY FUND

Increases, from \$750,000 to \$1 million, the Home Improvement Guaranty Fund's annual maximum balance

The bill increases the Home Improvement Guaranty Fund's annual maximum balance from \$750,000 to \$1 million. By law, unchanged by the bill, if the fund's balance exceeds the cap, the first \$400,000 of the excess is transferred into the Department of Consumer Protection's consumer protection enforcement account and the remainder is transferred to the General Fund.

The Home Improvement Guaranty Fund generally reimburses consumers who are unable to collect on losses for damages caused by a registered home improvement contractor. Contractors and home improvement salespeople pay an annual fee to the fund (\$100 and \$40, respectively).

EFFECTIVE DATE: July 1, 2026

Background — Related Bill

sHB 5224 (File 185), favorably reported by the General Law Committee, makes minor changes to the Home Improvement Guaranty Fund law, including requiring an applicant for an award to provide a

signed, sworn statement that he or she made a good faith effort to collect what is owed before receiving a payment from the fund.

§§ 10-25 — OCCUPATIONAL LICENSE OR CERTIFICATION FEES

Eliminates numerous occupational license or certification fees

The FY 26-27 biennial budget act eliminated occupational license or certification fees for specified health care professionals and educators. The bill eliminates the (1) applicable renewal fees for these specified professionals and (2) initial and applicable renewal fees for other occupational licenses or certifications, including various tradespeople and educators.

The following table lists the occupational license or certification fees eliminated under the bill. It also makes technical and conforming changes, including eliminating a provision that requires \$2 from each registered nurse (RN) or licensed practical nurse (LPN) license renewal fee to be transferred to the professional assistance program account until January 1, 2028 (§ 16).

Table: Occupational License Fees Eliminated Under the Bill

§	Citation	Occupational License or Certification	Current Fee
10	20-12j	Physician assistant license renewal	\$155
11	20-86g	Midwife renewal license	15
12	20-260ll	Paramedic license renewal	155
13	20-206mm	Certified EMT as licensed paramedic renewal	155
14	20-74h	Occupational therapist and occupational therapy assistant license renewal	205
15	19a-88	Dental hygienist license renewal	105
15	19a-88	RN license renewal	110
15	19a-88	Retired RN license renewal	15
15	19a-88	Advanced practice registered nurse license renewal	130
15	19a-88	Retired advanced practice registered nurse license renewal	17
15	19a-88	LPN license renewal	70
15	19a-88	Retired LPN license renewal	11
15	19a-88	Nurse-midwife license renewal	130
15	19a-88	Physical therapist license renewal	105
15	19a-88	Physical therapist assistant license renewal	65

§	Citation	Occupational License or Certification	Current Fee
17	20-195c	Marital and family therapist license renewal	200
17	20-195c	Marital and family therapist associate license renewal	125
18	20-195o	Clinical social worker license renewal	200
18	20-195o	Master social worker license renewal	125
19	20-195cc	Professional counselor license renewal	200
19	20-195cc	Professional counselor associate renewal	125
20, 23	20-333, 20-335	Electrical unlimited or limited contractor: (1) application fee and (2) initial and renewal license	(1) 150 (2) 150
20, 23	20-333, 20-335	Electrical unlimited or limited journeyman: (1) application fee and (2) initial and renewal license	(1) 90 (2) 120
20, 23	20-333, 20-335	Solar electric limited contractor: (1) application fee and (2) initial and renewal license	(1) 150 (2) 150
20, 23	20-333, 20-335	Solar electric limited journeyman: (1) application fee and (2) initial and renewal license	(1) 90 (2) 120
20, 23	20-333, 20-335	Heating, piping, and cooling unlimited or limited contractor: (1) application fee and (2) initial and renewal license	(1) 150 (2) 150
20, 23	20-333, 20-335	Heating, piping, and cooling unlimited or limited journeyman: (1) application fee and (2) initial and renewal license	(1) 90 (2) 120
20, 23	20-333, 20-335	Heating, piping, and cooling stationary engineer: (1) application fee and (2) initial and renewal license	(1) 90 (2) 120
20, 23	20-333, 20-335	Plumbing and piping unlimited or limited contractor: (1) application fee and (2) initial and renewal license	(1) 150 (2) 150
20, 23	20-333, 20-335	Plumbing and piping unlimited journeyman: (1) application fee and (2) initial and renewal license	(1) 90 (2) 120
20, 23	20-333, 20-335	Sheet metal work limited contractor: (1) application fee and (2) initial and renewal license	(1) 150 (2) 150
20, 23	20-333, 20-335	Sheet metal work limited journeyman: (1) application fee and (2) initial and renewal license	(1) 90 (2) 120
25	10-145b	Provisional educator certificate	250
25	10-145b	Professional educator certificate	375
25	10-145b	Adult educator program teacher certificate	100
25	10-145b	Issuance of subject area endorsement	100

EFFECTIVE DATE: October 1, 2026

§ 26 — TAX ON CANNABIS SALES

Replaces the current state taxes on retail sales of cannabis plant material, cannabis edible products, and other cannabis with a single tax

The bill replaces the current state taxes on retail sales of cannabis plant material, cannabis edible products, and other cannabis (which are 0.625 cents, 2.75 cents, and 0.9 cents, respectively, per milligram of total THC reflected on its label) with a single tax of 10.75% of a retailer's gross receipts from cannabis sales.

As under existing law, the tax applies to sales by a cannabis retailer, hybrid retailer, or micro-cultivator. It does not apply to (1) sales of cannabis for palliative (medical) use; (2) sales of cannabis by a delivery service to a consumer; or (3) the transfer of cannabis to a transporter for transport to any other cultivator, micro-cultivator, food and beverage manufacturer, product manufacturer, product packager, dispensary facility, cannabis retailer, hybrid retailer, or producer.

Under existing law and the bill, retailers and micro-cultivators must collect the tax from consumers at the time of sale (except for the exempt sales described above). The tax applies in addition to the 3% municipal cannabis tax and the 6.35% state general sales tax.

Relatedly, the bill increases, from 65% to 70%, the amount of cannabis tax revenue directed to the social equity and innovation account for FYs 27 and 28 and correspondingly decreases the amount directed to the General Fund for those years, from 10% to 5%.

The bill also makes technical and conforming changes, including deleting an obsolete definition.

EFFECTIVE DATE: October 1, 2026, and applicable to sales occurring on or after that date.

Background — Cannabis Terms

By law, "cannabis" has the same meaning as "marijuana," which is all parts of a plant or species of the genus cannabis, whether growing or not, and including its resin, compounds, manufactures, salts, derivatives, mixtures, and preparations; high-THC hemp products; manufactured cannabinoids; or cannabimon, cannabimol, cannabidiol (CBD), and similar compounds, except CBD derived from hemp.

Marijuana and cannabis do not include the following:

1. a plant's mature stalks; fiber made from the stalks; oil or cake made from the plant's seeds; a compound, manufacture, salt, derivative, mixture, or preparation made from the stalks other than the extracted resin;
2. the plant's seeds;
3. hemp with a total THC concentration of up to 0.3% on a dry weight basis that is not a high-THC product;
4. any substance the federal Food and Drug Administration approves as a drug and that is reclassified in any controlled substance schedule, or that it un-schedules; or
5. infused beverages.

A "cannabis edible product" is a product containing cannabis or cannabis concentrate, combined with other ingredients, that is intended to be ingested, including by sublingual or oral absorption.

"Cannabis plant material" is the cannabis flower, trim, and all parts of the cannabis plant or species, excluding (1) a growing plant and its seeds or (2) hemp as defined under state law.

"Total THC" is the sum of the percentage by weight of tetrahydrocannabinolic acid, multiplied by 0.877, plus the percentage of weight of THC.

Background — Social Equity and Innovation Account

The social equity and innovation account's money must be allocated by the OPM secretary for purposes that the Social Equity Council determines further the principles of equity and may include providing (1) access to capital for businesses in any industry, (2) technical assistance for the start-up and operation of a business in any industry, (3) funding for workforce education in any industry, (4) funding community investments, and (5) funding investments in

disproportionately impacted areas.

Background — Related Bills

sSB 405 (File 303), § 2, favorably reported by the Public Safety and Security Committee, reduces, by 5%, the amount of tax revenue the social equity and innovation account receives under current law (from 65% to 60% in FYs 27 and 28 and from 75% to 70% starting in FY 29).

sHB 5109, favorably reported by the Finance, Revenue and Bonding Committee, has identical provisions.

sHB 5350 (File 401), §§ 17 & 47, favorably reported by the General Law Committee, make several changes to the definition of cannabis.

§ 27 — MILK PRODUCER REFUNDABLE TAX CREDIT

Establishes a refundable tax credit for milk producers that they may earn when the federally set milk price is lower than the cost of production

The 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, for each month of the income and tax year that the federal pay price is below the minimum sustainable monthly cost of production, the tax credit equals 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 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 DRS 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

sHB 5570 (File 672), favorably reported by the Finance, Revenue and Bonding Committee, has identical provisions.

§§ 28 & 29 — SALES AND USE TAX ON PEER-TO-PEER CAR SHARING

Explicitly subjects short-term peer-to-peer car sharing to the 9.35% sales and use tax rate applicable to passenger motor vehicle rentals or leases and directs this revenue to the Special Transportation Fund

The bill explicitly subjects short-term peer-to-peer (P2P) car sharing to sales and use tax at the 9.35% rate that applies to short-term car rentals or leases under existing law (see *Background – DRS Guidance on P2P Car Sharing and Sales and Use Tax*). As with car rentals and leases, the 9.35% tax rate applies only to P2P car sharing for periods of 30 consecutive days or less. By law, car rentals and leases for longer periods are subject to sales and use tax at the 6.35% rate.

Under the bill, the revenue from sales and use tax on short-term P2P car sharing must be directed to the Special Transportation Fund, starting with calendar quarters ending on or after December 31, 2026.

EFFECTIVE DATE: October 1, 2026, and applicable to sales occurring on or after that date.

Background — DRS Guidance on P2P Car Sharing and Sales and Use Tax

In 2021, DRS issued guidance stating that P2P car sharing constitutes a lease of a motor vehicle under the sales and use tax laws and is taxable

if the sale is made by a retailer (and not on a casual or isolated basis). The guidance notes that 9.35% sales tax applies to the rental or lease of a passenger motor vehicle for a period of 30 consecutive days or less.

It further concluded that a P2P car sharing company that meets the law's definition of a marketplace facilitator must collect and remit tax on sales that take place on its platform. (Marketplace facilitators are generally businesses that (1) facilitate retail sales of at least \$250,000 during the previous 12-month period for sellers by providing a forum that lists or advertises the sellers' goods and services, (2) collect receipts from customers, (3) remit payments to sellers, and (4) are compensated for their services. By law, they are considered retailers for these sales and therefore must collect and remit sales tax for them.)

Background — Related Bill

sHB 5443, §§ 1 & 2, favorably reported by the Finance, Revenue and Bonding Committee, includes identical provisions.

§§ 28 & 29 — MOTOR VEHICLES SUBJECT TO LUXURY TAX RATE

Increases the sales price threshold for a motor vehicle subject to the 7.75% sales and use tax rate from \$50,000 to \$75,000

The bill increases, from \$50,000 to \$75,000, the sales price threshold for motor vehicles subject to the 7.75% sales and use tax rate (known as the luxury tax rate).

By law, this rate applies to the full sales price of motor vehicles costing more than the threshold amount, except for vehicles (1) purchased by an active duty U. S. military member stationed in Connecticut; (2) weighing over 12,500 pounds; or (3) weighing 12,500 pounds or less that are designed or used for commercial purposes and issued a commercial or more specific type of registration from the Department of Motor Vehicles.

EFFECTIVE DATE: October 1, 2026, and applicable to sales occurring on or after that date.

Background — Related Bill

sHB 5443, §§ 1 & 2, favorably reported by the Finance, Revenue and Bonding Committee, includes identical provisions.

§§ 28 & 29 — MEALS AND BEVERAGES TAX DIVERSION TO TOURISM FUND

Directs 50% of the additional 1% sales and use tax on meals and beverages to the Tourism Fund

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 half of the revenue from this 1% tax to the Tourism Fund.

Under current law, the Tourism Fund receives 10% of room occupancy tax revenue.

EFFECTIVE DATE: October 1, 2026, and applicable to sales occurring on or after that date.

Background — Related Bills

sHB 5443, §§ 1 & 2, favorably reported by the Finance, Revenue and Bonding Committee, includes identical provisions.

sSB 1, § 7, favorably reported by the Finance, Revenue and Bonding Committee, exempts from sales and use tax sandwiches, grinders, coffee, and tea prepared and sold in a supermarket for takeout, other than when they are sold in the food court or snack bar area (which are currently subject to the additional 1% meals and beverages tax).

sSB 2, §§ 2-5, favorably reported by the Finance, Revenue and Bonding Committee, dedicates half of the additional 1% tax on meals and beverages to the Tourism Fund and the other half to a new municipal diversification account, starting October 1, 2026.

§ 30 — PERSONAL PROPERTY USED IN BURIALS AND CREMATIONS

Increases the sales and use tax exemption for certain personal property used in burials and cremations from \$2,500 to \$10,000

Current law exempts from the 6.35% sales and use tax property sold

by funeral homes and used directly in preparing and conducting burials and cremations, up to \$2,500 per funeral. The bill increases this exemption to up to \$10,000 per funeral.

EFFECTIVE DATE: October 1, 2026, and applicable to sales occurring on or after that date.

Background — Related Bill

sHB 5443, § 3, favorably reported by the Finance, Revenue and Bonding Committee, includes an identical provision.

§ 31 — SALES TAX FREE WEEK

Increases the exemption amount for “sales tax free week” from \$100 to \$300 and adds backpacks and cleated shoes to the list of exempt items

The bill expands the sales and use tax exemption for clothing and footwear sold from the third Sunday in August through the following Saturday (sales tax free week) to (1) items costing less than \$300, rather than \$100, and (2) backpacks and cleated shoes costing less than \$300. Basketball and running shoes (without cleats) are already exempt under current DRS guidance.

Under current law, during this week, the state’s 6.35% sales and use tax does not apply to clothing and footwear costing less than \$100, except for (1) special athletic and protective clothing and footwear not normally worn except for its specialized use and (2) jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items that people carry but do not wear.

EFFECTIVE DATE: October 1, 2026, and applicable to sales occurring on or after that date.

Background — Related Bills

sSB 1, §§ 1 & 7, favorably reported by the Finance, Revenue and Bonding Committee, exempts from sales and use tax (1) nonelectronic school supplies, including backpacks, and (2) clothing and footwear costing less than \$100 (and correspondingly eliminates “sales tax free week” for these items).

sHB 5443, § 4, favorably reported by the Finance, Revenue and Bonding Committee, includes a similar provision increasing the exemption amount for “sales tax free week” from \$100 to \$300 and adding backpacks to the list of exempt items.

§ 32 — FILM AND DIGITAL MEDIA TAX CREDIT

Extends, to the 2026 and 2027 income years, the increased redemption rate for film and digital media tax credits claimed against the sales tax

Existing law allows eligible production companies and certain taxpayers to whom they transfer credits (transferees) to apply film and digital media production tax credits against the sales and use tax at a reduced amount of their face value. The law temporarily increased this amount from 78% to 92% of the credits’ value for the 2024 and 2025 income years. The bill extends this 92% redemption rate for two additional years, to the 2026 and 2027 income years.

As under existing law, transferees may claim these credits against the sales and use tax only if there is at least 50% common ownership between the transferee and the eligible production company that sold, assigned, or otherwise transferred the credits. The credits may also be claimed against the corporation business and insurance premiums taxes at full face value and the community antenna television systems tax at a reduced value.

EFFECTIVE DATE: Upon passage

§ 33 — COMMUNITY PARTNERSHIP OPPORTUNITY AGREEMENTS

Creates a program within DECD designed to increase educational achievement and workforce skills in communities experiencing persistent economic disadvantages through partnerships between DECD and specified stakeholders

The bill creates a program within DECD designed to increase educational achievement and workforce skills in communities experiencing persistent economic disadvantages through partnerships between DECD and specified stakeholders (participating investors, certified community development corporations (CDCs, see *Background – CDC Certification Process and Grant Eligibility*), service providers, and independent evaluators). These partnerships are commonly referred to

as social impact bonds.

Under the bill, DECD and these stakeholders must enter into “community partnership opportunity agreements” under which participating investors commit capital to fund specified education and workforce development programs offered by eligible service providers. The programs are tied to specific performance outcomes over a five-year period and their progress must be measured by an independent evaluator. If the programs achieve the performance metrics outlined in the agreement, investors are repaid their investment plus a performance-based premium, in the form of a “success payment” from DECD.

Under the bill, a community partnership opportunity agreement must first be proposed by a certified CDC and then approved by DECD if it meets the bill’s criteria. The bill sets specific requirements for these agreements, including that they have (1) a five-year performance period; (2) performance metrics, progress milestones, and evaluation methodologies; and (3) a success payment contract.

The bill also establishes the community partnership opportunity account as a separate, nonlapsing account to hold any moneys the law requires to be deposited in it. Under the bill, any funds participating investors provide must be deposited in the account. DECD must use the account to fund the program and specifically to pay for (1) implementing the specified initiatives, (2) evaluating their performance, and (3) making the success payments. The state treasurer must invest the moneys in the account subject to use for the program’s purposes.

Lastly, the DECD commissioner must annually report to the Finance, Revenue and Bonding Committee on each of these agreements, for each year of the agreement’s five-year period. For each year, the reports must describe the results of any performance metrics or progress evaluations done and summarize the certified CDC’s initiatives.

EFFECTIVE DATE: Upon passage

Community Partnership Opportunity Agreements

Required Components for All Agreements. Under the bill, the community partnership opportunity agreements must at least include the following:

1. a five-year performance period that begins when the agreement is executed and includes (a) specified periods for delivering services and measuring outcomes and (b) when baseline performance and progress is measured;
2. performance metrics and progress milestones, including how and when they are evaluated;
3. participating investors, which can include private, philanthropic, or mission-driven investors, and their capital commitment;
4. the certified CDC that will coordinate the agreement's initiatives to achieve its specified performance metrics and progress milestones, and the fee for these services;
5. the implementing organization, as described below, and the fee for its services;
6. the independent evaluator, which will evaluate the performance metrics and progress milestones and verify that they have been met, and the fee for its services; and
7. a success payment contract, as described below.

Any amendments to these agreements must be agreed to, in writing, by all the parties.

Requirements for Education Outcome Agreements. These agreements must focus on achieving measurable improvements in kindergarten-readiness and grade-three reading proficiency for children living in the community the certified CDC serves. They must include performance metrics for:

1. kindergarten-readiness that are based on increasing the percentage of these children who meet the state's standard for kindergarten-readiness at enrollment and
2. grade three literacy proficiency that are based on increasing the percentage of these children achieving grade-level reading proficiency by grade three, regardless of which school they attend.

Requirements for Workforce Outcome Agreements. These agreements must focus on increasing workforce skills attainment and career-linked employment for working-age people living in the community the certified CDC serves. They must include performance metrics like industry-recognized credential attainment and placement in career-path jobs with specific wage and retention milestones.

Implementing Organizations. Under the bill, implementing organizations are responsible for delivering the services or interventions to achieve the community partnership agreement's performance metrics. They can be one of three types:

1. an "early childhood implementing organization," which is any school or for-profit or nonprofit organization with the professional capacity to provide preschool or early childhood instruction designed to increase kindergarten-readiness;
2. a "literacy implementing organization," which is any school, for-profit, or nonprofit organization with the professional capacity to provide intensive tutoring or reading interventions for ensuring grade-level reading proficiency by grade three; or
3. a "workforce implementing organization," which is a higher education institution or for-profit or nonprofit organization capable of providing training in specialized skills, such as health care, manufacturing, or other high-demand fields.

Independent Evaluator. An "independent evaluator" is the person or entity responsible for measuring performance metrics and progress

milestones using the methods laid out in the agreement and verifying that they have been met. It may be an academic institution, professional consultant, or organization with a documented history of verifying performance-based program outcomes. It must have expertise in the agreement's specific subject matter and may not have a financial interest in the agreement's outcome, other than the fee for its evaluation services.

Success Payment Contract. The agreement's success payment contract must establish a schedule of success payments to participating investors that are contingent on the agreement achieving its performance metrics. The schedule must include the repayment of the investors' capital, a performance-based premium on that amount, and the maximum success payment obligation. The bill specifies that these payments are to recognize the (1) acquisition of a high-yield economic asset once the performance metrics are achieved and (2) projected lifetime value of these achievements to the state.

Under the bill, the DECD commissioner must make these payments as authorized capital expenditures. The legal effect of this provision is unclear.

Proposals

The bill requires each certified CDC to submit a proposal to the DECD commissioner to enter into a community partnership opportunity agreement that includes the names and contact information of the agreement's other required stakeholders. The commissioner must help the CDC prepare the proposal.

The proposal must include enough information to demonstrate, to the commissioner's satisfaction, that:

1. the implementing organizations have the necessary experience in delivering the applicable evidence-based interventions in distressed municipalities (see *Background – Distressed Municipalities*),

2. the proposed intervention model is designed to reach at least 20% of the people living in the community the certified CDC serves that are (a) children grade three or younger or (b) working-age residents,
3. the proposed intervention model demonstrates a reasonable probability of achieving the applicable performance metrics,
4. participating investors have made verified commitments of enough capital to fund the full five-years of the agreement's performance period without relying on state appropriations, and
5. the proposed outcomes are clearly linked to the longitudinal success of the people living in the community.

The commissioner must execute the agreement within 90 days after receiving the proposal if he finds that it meets the bill's criteria. If he determines that it does not meet these criteria, he must notify the person who submitted the proposal in writing and identify the unmet requirements.

Once an agreement is executed, the certified CDC may do anything necessary to meet its performance metrics and progress milestones. This may include (1) collaborating with the implementing organization, independent evaluator, and state agencies to measure these metrics and milestones; (2) collaborating with other entities (such as early childhood education providers, schools, employers, and workforce development organizations) needed to help achieve the metrics and milestones; and (3) engaging with participating investors.

Background — CDC Certification Process and Grant Eligibility

Existing law allows nonprofits that meet certain eligibility requirements to become certified CDCs by applying to DECD's Office of Community Economic Development Assistance (OCEDA). To date, DECD has certified one CDC under this program, the Clay Arsenal CDC.

To be a certified CDC, the nonprofit must:

1. focus a substantial majority of its efforts on serving one or more target areas, as described below;
2. have the purpose of engaging and working with local residents and businesses on community development efforts to sustainably develop and improve urban communities in a way that creates and expands economic opportunities for low- and moderate-income people; and
3. show OCEDA that its constituency is meaningfully represented on its board in specified ways.

A “target area” is a contiguous geographic area in which the (1) current unemployment rate exceeds the state’s by at least 25% or (2) mean household income is 80% or less of the state’s in the most recent decennial census. OCEDA must identify the eligible target areas and post them on DECD’s website.

Background — Distressed Municipalities

DECD annually ranks municipalities based on their relative economic and fiscal distress and designates the top 25 as “distressed municipalities.” Most recently, in 2025, DECD designated the following municipalities as distressed: Bridgeport, Derby, East Hartford, East Haven, Hartford, Killingly, Lisbon, Mansfield, Meriden, New Britain, New London, North Canaan, Norwich, Plainfield, Plymouth, Putnam, Sprague, Stafford, Sterling, Torrington, Waterbury, West Haven, Willington, Winchester, and Windham.

Background — Related Bills

sSB 514, favorably reported by the Finance, Revenue and Bonding Committee, has identical provisions.

sSB 307 (File 561), favorably reported by the Commerce Committee, eliminates OCEDA and transfers its responsibilities to DECD.

§§ 34-44 — HOSPITAL PROVIDER TAX

Replaces the current hospital provider tax, starting in FY 27, with new taxes on inpatient and outpatient hospital services but requires the taxes to cease and the current tax structure to be reimposed if CMS determines that either tax is impermissible; repeals provisions in the FY 26-27 biennial budget act, scheduled to take effect on July 1, 2026, that principally change the base year on which the provider tax is calculated and increase the total tax revenue on which the tax is calculated

The bill replaces the current hospital provider tax with new taxes on inpatient and outpatient hospital services, starting in FY 27. In doing so, it (1) sunsets the current provider tax on June 30, 2026, (§ 38) and (2) repeals provisions in the FY 26-27 biennial budget act, scheduled to take effect on July 1, 2026, that change the base year on which the provider tax is calculated and increase the total tax revenue on which the tax is calculated by \$375 million, among other things.

Generally, the new taxes established under the bill:

1. update the base year for calculating the taxes on inpatient and outpatient services from FY 16 to federal fiscal year (FFY) 24;
2. impose a 4% tax rate on inpatient hospital services, rather than the current 6% rate;
3. impose a 7.8223% tax rate on outpatient hospital services for FY 27, rather than the current effective rate of 10.4858%, and then incrementally increase the rate over the next four years to 8.9689%;
4. extend the tax to cover children's general hospitals, which are exempt from the current hospital provider tax;
5. incorporate various administrative provisions that apply to the current tax; and
6. require the new taxes to cease and the current tax structure to be reimposed if the Centers for Medicare and Medicaid Services (CMS) determine that either tax is impermissible.

The bill also makes numerous technical and conforming changes.

EFFECTIVE DATE: July 1, 2026, except the repealed provisions take

effect upon passage.

Repeal of Hospital Provider Tax Changes Enacted in PA 25-168 (§ 44)

The FY 26-27 biennial budget act (PA 25-168, §§ 360 & 361) makes various changes to the hospital provider tax that are due to take effect July 1, 2026. Principally, it:

1. updates the base year on which the tax is calculated, requiring that it be tied to net revenue from an applicable FFY as shown in the table below, rather than FY 16, and makes various corresponding changes to the tax structure;
2. increases, by \$375 million, the total revenue on which the tax on outpatient hospital services is calculated and requires the starting amount used to calculate the tax in later years to be increased by \$25 million over the prior fiscal year;
3. requires the Department of Social Services (DSS) commissioner to seek approval from CMS to remove the exemption for children’s general hospitals; and
4. makes other administrative changes to the tax, including eliminating provisions allowing taxpayers to request a payment extension under certain circumstances.

Table: Applicable FFY for the Hospital Provider Tax Under PA 25-168, § 360

<i>State FY (July 1 – June 30)</i>	<i>Applicable FFY (October 1 – September 30)</i>
FYs 27-29	FFY 24
FY2 30-33	FFY 27
FY 34 and every four years	FFY that ended in the calendar year two years before the four-year period started

The bill repeals these changes before they take effect, but incorporates select provisions into the new taxes established under the bill, as described below.

New Taxes on Inpatient and Outpatient Hospital Services (§§ 34 & 35(a))

Current law imposes a 6% tax on each hospital's FY 16 audited net revenue attributable to inpatient hospital services. Starting in FY 27, the bill instead imposes a 4% tax on each hospital's "audited net revenue for FFY 24" attributable to inpatient hospital services. The bill specifies that this rate applies through FY 31 and after unless it is changed by law.

Under current law, the tax on outpatient hospital services is based on a total amount of revenue (\$820 million for FY 26 and after) minus the total tax imposed on all hospitals for providing inpatient services, divided by the total FY 16 audited net revenue for outpatient services. It results in an effective tax rate on outpatient hospital services of 10.4858% for FY 26 and after, subject to specific adjustments, including for any hospital dissolutions or disallowed exemptions.

The bill instead imposes a tax on "audited net revenue for FFY 24" attributable to outpatient hospital services equal to:

1. 7.8223% for FY 27,
2. 8.0973% for FY 28,
3. 8.3799% for FY 29,
4. 8.6704% for FY 30, and
5. 8.9689% for FY 31 and after (unless changed by law).

Under the bill, as under the current hospital provider tax, net revenue derived from providing a health care item or service to a patient may only be taxed once.

"Audited Net Revenue for FFY 24." For any hospital with audited financial statements for FFY 24, its "audited net revenue for FFY 24" is the net revenue reported in these statements, minus any revenue the DRS commissioner determines, based on federal law, that the hospital received from anything other than providing inpatient and outpatient

hospital services. For any hospital without these audited financial statements, it is the net revenue reported in the hospital's financial filings submitted to the Office of Health Strategy (OHS), adjusted according to audited financial statement standards, minus the same adjustment described above.

If an audited financial statement for FFY 24 does not report revenue for the entire fiscal year, its net revenue must be calculated by projecting the amount it would have received for the entire year based proportionally on the amount reported in the audited financial statements or by reviewing its financial filings with OHS.

Under the bill, as under current law, audited net inpatient revenue and audited net outpatient revenue must be based on information provided by each hospital required to pay the taxes.

Other Defined Terms. For purposes of these taxes, the bill retains the same definitions of hospitals, inpatient and outpatient hospital services, net revenue, and related terms that apply under the current hospital provider tax.

Tax Recalculations Based on Organizational Changes (§ 35(a))

Under the bill, as under the current hospital provider tax, if a hospital or hospitals subject to the taxes merge, consolidate, are acquired, or otherwise reorganize, then the surviving hospital is liable for the total taxes imposed on the merging, consolidating, acquired, or reorganizing hospitals. The surviving hospital must also assume any outstanding liabilities from periods before the merger, consolidation, acquisition, or reorganization.

Unlike the current tax, however, the amount of taxes due from each hospital is not recalculated if a hospital dissolves or ceases to be subject to the taxes. Under current law, if a hospital dissolves (ceases to operate for any reason other than a merger, consolidation, acquisition, or reorganization) or ceases for any reason to be subject to the hospital tax, the amount due from each hospital is not recalculated for the fiscal year in which the hospital dissolves or ceases to operate. But, in the following

fiscal year and each subsequent year, the tax must be recalculated so that the total tax amount to be collected is proportionately redistributed among the surviving hospitals.

Refunds for Exceeding Federally Permissible Tax Rate (§ 35(a))

Under the current hospital provider tax, starting in FY 27, the state must issue refunds if the DSS commissioner determines that the effective tax rate for inpatient services exceeds the rate allowed under federal Medicaid law. The bill applies this same provision to the taxes imposed under the bill. As under current law, each hospital's refund must be in proportion to the amount of inpatient hospital service net revenue on which it was taxed for the same fiscal year.

As under the current tax, each hospital subject to the bill's taxes must report annually to the DSS commissioner the amount of (1) tax paid and (2) net revenue it received for providing inpatient hospital services in the fiscal year two years prior to the reporting date. The same timeframe and procedures for issuing these refunds under current law apply under the bill.

Tax Payment Requirements (§ 35(a))

Under the bill, as under current law, hospitals must pay the taxes in four quarterly payments according to the existing filing and payment requirements.

Information Reporting Requirements (§ 35(a))

By July 31, 2026, each hospital required to pay the taxes must submit to the DRS commissioner the information he requires to calculate "audited net inpatient revenue for FFY 24" and "audited net outpatient revenue for FFY 24" for each hospital. Under the bill, this is the amount of revenue that the DRS commissioner determines, based on federal law, that a hospital received for providing these services during FFY 24. The amounts reported are deemed accepted on July 1, 2026, as long as the commissioner has not started an audit of the hospital before then. (It is unclear whether the DRS commissioner can start this audit before the tax takes effect.)

If he has started an audit, the hospital must comply with the commissioner's requests for the additional information he needs to fully audit the hospital within 30 days after his request. The commissioner may extend this period by request.

Under the bill, hospitals that do not provide the requested information by July 31, 2026, or fail to comply with a request for additional information, are subject to a penalty of \$1,000 for each day the failure continues. And as under current law, the commissioner may engage an independent auditor to help him with these duties and responsibilities.

Administrative Protests (§ 35(a))

The bill allows hospitals to file an administrative protest to contest the DRS commissioner's determination of additional audited net revenue. (The FY 26-27 biennial budget act's changes to the hospital provider tax include similar provisions on administrative protests.)

Under the bill, the commissioner must mail the taxpayer a notice by the first day of the state fiscal year if he determines there is additional audited net revenue. The amount becomes final 30 days after he mails the notice unless the taxpayer files a written protest. If the taxpayer files a protest, the commissioner must reconsider the additional audited net revenue. The commissioner may hold a hearing if the taxpayer or its authorized representative requests one. The commissioner must mail the taxpayer a notice about his determination, which must briefly state his findings of fact and the basis for any decision that goes against the taxpayer. The commissioner's action on the taxpayer's protest becomes final one month after the notice is mailed unless the taxpayer appeals to the courts within this timeframe.

If the protest or appeal is pending on the first day of the next succeeding state fiscal year, the protesting or appealing taxpayer must use the amounts it reported to tentatively calculate the tax due until the matter is resolved. If any of these amounts is later revised under the protest or appeal, the commissioner must recalculate the amounts due

for each hospital and issue assessments or refunds, as applicable, for any affected quarter.

Exempt Hospitals (§ 35(b))

The bill requires the DSS commissioner to seek approval from CMS to exempt from the taxes (1) specialty hospitals; (2) hospitals owned exclusively by the state, other than those the state operates as a receiver; and (3) “sole community hospitals” (but only from the tax on outpatient hospital services). Current law requires the commissioner to seek CMS’s approval to exempt these same hospitals, as well as children’s general hospitals, from the current hospital provider tax. (The FY 26-27 biennial budget act requires the DSS commissioner to seek approval from CMS to remove the exemption for children’s general hospitals. The bill repeals this requirement along with the other changes that act made to the hospital provider tax.)

As under current law, any hospital for which CMS grants an exemption is exempt from the taxes, and any hospital denied an exemption must pay the taxes at the same effective rates imposed on other hospitals. Hospitals must give the commissioner any information he requests to make any calculations needed to seek these exemption approvals.

As under current law, these CMS requests are exempt from a separate state law that requires the DSS commissioner to notify and, in some cases, get approval from the Appropriations and Human Services committees for certain CMS applications before submitting them to the federal government.

Sole Community Hospitals. Under federal law, CMS classifies a hospital as a “sole community hospital” if it is more than 35 miles from similar hospitals or located in a rural area and meets one of several other conditions (42 C.F.R. § 412.92). Under the bill, similar to current law, if CMS denies a sole community hospital’s exemption, then in the following calendar quarter the total tax due for outpatient hospital services from each hospital must be adjusted to ensure that the total tax

to be collected is redistributed. (It is unclear how this redistribution is calculated under the bill.)

Notice to Hospitals. As under current law, the bill requires the DSS commissioner to notify all of the hospitals subject to the taxes whenever she receives a determination by CMS that a hospital is not exempt. Specifically, the commissioner must notify the hospitals about (1) the corresponding increase to the total audited net revenue for FFY 24 and (2) any change in the effective tax rate to be collected. (However, unlike the current hospital provider tax, the bill does not contemplate an effective tax rate for either the inpatient or outpatient hospital services taxes.)

Under the bill, she must issue the notice before the end of the calendar quarter following the date of CMS's determination. If the determination is made after the start of a fiscal year, the recalculations must be prorated to account for the amount already paid.

DRS Reporting Requirements (§ 35(c)-(f))

As under the current hospital provider tax, the bill requires the DRS commissioner to:

1. issue guidance on administering the tax after completing a study of the applicable federal law governing the administration of health care provider taxes, in collaboration with various stakeholders, and
2. determine if there is any underreporting of revenue on audited financial statements, in consultation with certain state officials and entities.

It also requires the commissioner, starting by November 15, 2026, to report quarterly to the DSS commissioner and the OPM secretary on the amount of (1) tax paid by each hospital for the most recently completed calendar quarter and (2) any delinquent hospital provider taxes, penalties, and interest owed by a hospital. However, as under current law, the bill's tax provisions do not affect the DRS commissioner's

statutory obligations to keep confidential tax returns and return information, except under certain narrow conditions.

Tax Administration (§§ 36 & 39-43)

Under the bill, various provisions that apply to the current hospital provider tax also apply to the new taxes. Principally, these provisions:

1. prohibit tax credits from being applied against the taxes;
2. establish specific requirements for filing the quarterly returns and remitting the taxes;
3. allow taxpayers to request a reasonable extension for paying the taxes due to undue hardship, subject to certain conditions;
4. set the penalty and interest that apply to unpaid taxes and allow the DRS commissioner to waive all or part of any penalty for reasonable cause;
5. authorize the DSS commissioner to deduct and withhold tax amounts due from any amount DSS would otherwise pay the taxpayer;
6. impose a penalty for willfully (a) failing to pay the taxes, file returns, keep records, or supply information or (b) supplying fraudulent or false information;
7. authorize the DRS commissioner to (a) require taxpayers to keep certain records, (b) examine taxpayer records, and (c) make deficiency assessments;
8. authorize the DRS commissioner to enter into agreements with the DSS commissioner to administer the tax and ensure compliance with the state's Medicaid program;
9. allow the commissioner to adopt implementing regulations;
10. allow taxpayers to file claims for tax overpayments;

11. establish hearing and appeals procedures for aggrieved taxpayers;
12. authorize the DRS commissioner to take certain actions to collect and enforce the tax; and
13. allow the comptroller, at the close of each fiscal year, to record as revenue the amount of the taxes received by the DRS commissioner within five business days after the July 31 following the end of the fiscal year.

Reinstatement of the Current Hospital Provider Tax Structure (§ 37)

Under the bill, the taxes on inpatient and outpatient hospital services will revert to the current tax structure (CGS § 12-263q, revised to January 1, 2025) if CMS (1) determines that either tax is an impermissible tax under the federal health provider tax law (see *Background – Limits on Provider Tax Rates Under P.L. 119-21*), (2) does not issue a required tax waiver, or (3) finds any aspect of the taxes to be invalid. If any of these events happen, the General Assembly must consider amending the statutes to ensure compliance with federal law. It must do so during the next regular or special session, whichever comes first.

Background — Limits on Provider Tax Rates Under P.L. 119-21

Federal law allows states to use health care provider taxes to help finance their share of Medicaid expenditures but requires that the taxes be broad-based, uniform, and not hold providers harmless for the cost of the tax. P.L. 119-21 imposes new limits on these taxes effective October 1, 2026, including lowering the threshold for determining whether a tax holds providers harmless (the indirect hold harmless threshold) (§ 71115). Under the law, the tax rate for most existing provider taxes must phase down from FFY 28 through FFY 32 to the lower of the (1) rate in place on July 4, 2025, or (2) applicable percent for that year (phasing down in steps from 5.5% in FFY 28 to 3.5% in FFY 32 and after).

§ 44 — TAX ON NURSING HOMES AND INTERMEDIATE CARE FACILITIES

Repeals the 6% tax on nursing home and ICF revenue scheduled to take effect on July 1, 2026, and instead retains the current user fee on these facilities

The bill repeals provisions in the FY 26-27 biennial budget act (§§ 359, 361, 363 & 364) that terminate the quarterly user fee on nursing homes and intermediate care facilities for individuals with intellectual disabilities (ICF) as of July 1, 2026, and instead impose a quarterly 6% tax on their revenue as of that date. In doing so, it retains the current quarterly user fee on these facilities of (1) \$16.13 for municipally owned nursing homes and facilities with more than 230 beds, (2) \$21.02 for all other nursing homes, and (3) \$27.76 for ICFs. The amount due from each facility is determined by multiplying the user fee by the facility's resident days for the calendar quarter.

The bill similarly eliminates provisions in the budget act that require:

1. the DSS commissioner, before January 1, 2026, to seek approval from CMS to exempt certain continuing care retirement communities licensed on or before July 1, 2017, from the nursing home tax;
2. the tax to cease and the user fees to be reimposed if CMS determines that the tax is impermissible; and
3. these facilities to include the amount of their nursing facility and ICF service revenue on their quarterly provider tax returns to DRS.

EFFECTIVE DATE: Upon passage

§ 44 — HOSPITAL MEDICAID SUPPLEMENTAL PAYMENTS

Repeals the increases to Medicaid supplemental payments to hospitals for FY 27 and after, and instead retains the requirement that DSS pay out the same amount paid in FY 26 for these years

Existing law requires DSS to pay specified amounts in supplemental Medicaid payments to hospitals in the state to the extent required by the settlement agreement for *The Connecticut Hospital Association et al. v.*

Connecticut Department of Social Services et al. (No. HHB-CV16-6035321-S) approved by the General Assembly on December 18, 2019, and related court orders. The law sets the total amount of these payments at \$568.3 million for FY 26.

The bill repeals provisions in the FY 26-27 biennial budget act (§ 362) that (1) increase these required payments for FY 27 by \$140 million to \$708.3 million and (2) require the total payments for FY 28 and after to be increased by an additional \$25 million over the preceding year if the total amount of hospital provider tax collected for that year, across all hospitals subject to the tax, increased by at least \$25 million over the preceding year. Instead, the bill retains the current requirement that DSS pay out the amount paid in FY 26 (\$568.3 million) for FY 27 and after, unless it is changed by state law.

The bill also repeals a provision in the budget act that explicitly prohibits DSS from making these payments in a way that does not comply with applicable federal requirements and required federal approvals, including making payments that cause the total hospital payments in an applicable category to exceed the upper payment limit.

EFFECTIVE DATE: Upon passage

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 35 Nay 17 (03/31/2026)