PART III. REVENUE

Table 1. Revenue Impact of Policy Changes included in the FRB Revenue Schedule
In Millions of Dollars

Category & Enacting Authority	Policy	FY 25 $	FY 26 $	FY 27 $	FY 28 $	FY 29 $
General Fund						
Sales and Use Tax						
Sec. 368 of PA 25-168	Exempt the Purchase of Ambulances from the Sales and Use Tax	-	(0.4)	(0.4)	(0.4)	(0.4)
Sec. 444 of PA 25-168	Expand Exemption for Certain Gold Items	-	-	-	(1.1)	(1.1)
	Subtotal	**-**	**(0.4)**	**(0.4)**	**(1.5)**	**(1.5)**
Corporation Tax						
Secs. 353 and 355 of PA 25-168	Eliminate Provision Allowing Certain Corporations to Claim 100% Net Operating Loss	-	8.3	8.3	8.3	8.3
Secs. 354-355 of PA 25-168	Adjust Combined Unitary Reporting Cap	-	133.1	83.2	83.2	83.2
Secs. 356-357 of PA 25-168	Extend 10% Corporate Tax Surcharge to Income Year 2028	-	48.0	80.0	80.0	32.0
	Subtotal	**-**	**189.4**	**171.5**	**171.5**	**123.5**
Public Service Companies Tax						
Sec. 445 of PA 25-168	Repeal Ineffective Statutes Related to the Municipal Video Competition Trust Account	-	5.0	5.0	5.0	5.0
	Subtotal	**-**	**5.0**	**5.0**	**5.0**	**5.0**
Cigarette Tax						
Sec. 365 of PA 25-168	Accrue Tobacco Products Tax Beginning in FY 26	-	1.0	-	-	-
	Subtotal	**-**	**1.0**	**-**	**-**	**-**
Real Estate Conveyance Tax						
Sec. 366 of PA 25-168	Accrue Controlling Interest Tax Beginning in FY 26	-	0.5	-	-	-
	Subtotal	**-**	**0.5**	**-**	**-**	**-**
Admissions & Dues Tax						
Sec. 370 of PA 25-168	Raise the (Annual) Dues Tax Exemption from $100 to $250	-	(0.3)	(0.3)	(0.3)	(0.3)
	Subtotal	**-**	**(0.3)**	**(0.3)**	**(0.3)**	**(0.3)**

Category & Enacting Authority	Policy	FY 25 $	FY 26 $	FY 27 $	FY 28 $	FY 29 $
	General Fund					
Health Provider Tax						
Secs. 360-361 of PA 25-168	Rebase Hospital User Fee and Reflect Federal Match on Additional Hospital Supplemental Payments	-	-	375.0	400.0	425.0
	Subtotal	**-**	**-**	**375.0**	**400.0**	**425.0**
Refunds of Taxes						
Sec. 372 of PA 25-168	Establish a Refundable Personal Income Tax Credit of $500 for Home Daycare Owners	-	-	(0.9)	(0.9)	(0.9)
Sec. 373 of PA 25-168	Establish a Farm Investment Tax Credit	-	(2.5)	(2.5)	(2.5)	(2.5)
Secs. 374-383 of PA 25-168	Establish a Tax Credit for an Employer's Contributions to Employees' CHET Accounts	-	(0.4)	(0.4)	(0.4)	(0.4)
Secs. 384-385 of PA 25-168	Establish a Tax Credit for Businesses that Donate to UConn	-	(5.0)	(5.0)	(5.0)	(5.0)
	Subtotal	-	**(7.9)**	**(8.8)**	**(8.8)**	**(8.8)**
Research and Development (R&D) Tax Credit						
Sec. 358 of PA 25-168	Raise the Cap on the Research & Development Credit Exchange for Biotech Firms	-	(1.8)	(1.8)	(1.8)	(1.8)
	Subtotal	**-**	**(1.8)**	**(1.8)**	**(1.8)**	**(1.8)**
Earned Income Tax Credit						
Sec. 371 of PA 25-168	Supplement the Earned Income Tax Credit (EITC) for those Tax Filers with Children	-	(35.5)	(35.5)	(35.5)	(35.5)
	Subtotal	**-**	**(35.5)**	**(35.5)**	**(35.5)**	**(35.5)**
Taxes Total		**-**	**150.0**	**504.7**	**528.6**	**505.6**
Licenses, Permits and Fees						
Secs. 415-433of PA 25-168	Eliminate Certain Occupational License Application Fees	-	(2.9)	(3.8)	(3.8)	(3.8)
Secs. 457-458 of PA 25-168	Reflect Revenue Impact of Entering into the Physician Assistant Licensure Compact	-	(0.1)	(0.2)	(0.2)	(0.2)
	Subtotal	**-**	**(3.0)**	**(4.0)**	**(4.0)**	**(4.0)**
Other Revenue Total		**-**	**(3.0)**	**(4.0)**	**(4.0)**	**(4.0)**

Category & Enacting Authority	Policy	FY 25 $	FY 26 $	FY 27 $	FY 28 $	FY 29 $
General Fund						
Federal Grants						
Sec. 362 of PA 25-168, Appropriations	Rebase Hospital User Fee and Reflect Federal Match on Additional Hospital Supplemental Payments	-	-	93.8	110.6	127.3
Sec. 28 of PA 25-168	Reduce State Health Plan Rates to Hospitals and Reflect Federal Match on (Related) Additional Hospital Supplemental Payments	-	-	46.9	46.9	46.9
Appropriations	Reflect Federal Revenue Impact of Other Expenditure Changes	-	30.4	64.3	64.3	64.3
Technical update, no enacting authority required	Update Federal Workforce Innovation and Opportunity Act (WIOA) Allotment to CT	-	(2.6)	(2.6)	(2.6)	(2.6)
	Subtotal	**-**	**27.8**	**202.4**	**219.2**	**235.9**
Transfers from / (to) Other Funds						
Sec. 445 of PA 25-168	Repeal Ineffective Statutes Related to the Municipal Video Competition Trust Account	-	(5.0)	(5.0)	(5.0)	(5.0)
Sec. 39 of PA 25-168	Support the Cannabis Regulatory Fund	-	(10.3)	(10.5)	-	-
Sec. 43 of PA 25-168	Support the Municipal Revenue Sharing Fund	-	(101.0)	(90.0)	-	-
Secs. 404-405 of PA 25-168	Support the New Bottle Bill Escheats Enforcement and Assistance Account	-	(2.0)	-	-	-
Sec. 27 of PA 25-168	Allow the Probate Court Administration Fund to Retain a Balance in Excess of 15% of Projected Expenditures	(11.0)	-	-	-	-
Sec. 41 of PA 25-168	Credit Revenues to Subsequent Fiscal Year – Support Additional Teachers Retirement System (TRS) Pension Payment	(150.0)	150.0	-	-	-
Sec. 42 of PA 25-168	Credit Revenues to Subsequent Fiscal Year – Balance the Biennium	-	(244.0)	244.0	-	-

Category & Enacting Authority	Policy	FY 25 $	FY 26 $	FY 27 $	FY 28 $	FY 29 $
General Fund						
Transfers from / (to) Other Funds						
Sec. 367 of PA 25-168	Close Out the Itinerant Vendors Guaranty Fund (less than $50k one-time impact in FY 25)	-	-	-	-	-
	Subtotal	**(161.0)**	**(212.3)**	**138.5**	**(5.0)**	**(5.0)**
Other Sources Total		**(161.0)**	**(184.5)**	**340.9**	**214.2**	**230.9**
Volatility Cap Adjustment						
Sec. 386 of PA 25-168	Adjust Volatility Cap Threshold	150.0	600.0	632.2	662.3	693.6
Volatility Cap Total		**150.0**	**600.0**	**632.2**	**662.3**	**693.6**
GENERAL FUND TOTAL		**(11.0)**	**562.5**	**1,473.8**	**1,401.1**	**1,426.1**
Special Transportation Fund (STF)						
Sales and Use Tax						
Sec. 368 of PA 25-168	Exempt the Purchase of Ambulances from the Sales and Use Tax	-	(0.05)	(0.05)	(0.05)	(0.05)
Sec. 444 of PA 25-168	Expand Exemption for Certain Gold Items	-	-	-	(0.15)	(0.15)
	Subtotal	**-**	**(0.05)**	**(0.05)**	**(0.2)**	**(0.2)**
Transfers from / (to) Other Funds						
Sec. 44 of PA 25-168	Credit Revenues to Subsequent Fiscal Year	(140.0)	17.0	123.0	-	-
	Subtotal	**(140.0)**	**17.0**	**123.0**	**-**	**-**
SPECIAL TRANSPORTATION FUND TOTAL		**(140.0)**	**17.0**	**123.0**	**(0.2)**	**(0.2)**
Municipal Revenue Sharing Fund (MRSF)						
Sales and Use Tax						
Sec. 368 of PA 25-168	Exempt the Purchase of Ambulances from the Sales and Use Tax	-	(0.05)	(0.05)	(0.05)	(0.05)
Sec. 444 of PA 25-168	Expand Exemption for Certain Gold Items	-	-	-	(0.15)	(0.15)
	Subtotal	-	**(0.05)**	**(0.05)**	**(0.2)**	**(0.2)**
Transfers from / (to) Other Funds						
Sec. 43 of PA 25-168	Support the Municipal Revenue Sharing Fund	-	101.0	90.0	-	-
	Subtotal	**-**	**101.0**	**90.0**	**-**	**-**
MUNICIPAL REVENUE SHARING FUND TOTAL		**-**	**101.0**	**90.0**	**(0.2)**	**(0.2)**
Cannabis Regulatory Fund (CRF)						
Transfers from / (to) Other Funds						
Sec. 39 of PA 25-168	Support the Cannabis Regulatory Fund	-	10.3	10.5	-	-
CANNABIS REGULATORY FUND TOTAL		**-**	**10.3**	**10.5**	**-**	**-**

Category & Enacting Authority	Policy	FY 25 $	FY 26 $	FY 27 $	FY 28 $	FY 29 $
Tourism Fund						
Transfers from / (to) Other Funds						
N/A	Use Accumulated Fund Balance as Revenue	-	2.5	3.0	-	-
TOURISM FUND TOTAL		**-**	**2.5**	**3.0**	**-**	**-**
Cannabis Social Equity and Innovation Fund (SEIF)						
Cannabis Excise Tax						
Secs. 127-128 of PA 25-168	Shift Cannabis Social Equity and Innovation Fund Off-Budget	-	(14.1)	(16.1)	(16.8)	(20.4)
CANNABIS SEIF TOTAL		**-**	**(14.1)**	**(16.1)**	**(16.8)**	**(20.4)**
Cannabis Social Equity and Innovation Account (SEIA) (Off-Budget)						
Cannabis Excise Tax						
Secs. 127-128 of PA 25-168	Shift Cannabis Social Equity and Innovation Fund Off-Budget to New Account	-	14.1	16.1	16.8	20.4
CANNABIS SEIA TOTAL		**-**	**14.1**	**16.1**	**16.8**	**20.4**
Budget Reserve Fund (BRF) and/or Pensions Funds						
Volatility Cap Adjustment						
Sec. 386 of PA 25-168	Adjust Volatility Cap Threshold[8]	-	(600.0)	(632.2)	(662.3)	(693.6)
	Subtotal	**-**	**(600.0)**	**(632.2)**	**(662.3)**	**(693.6)**
Transfers from / (to) Other Funds						
Secs 1 & 138 of PA 25-93	Support the New Early Childhood Education Endowment with a Transfer of Realized Surplus as Estimated by OPM in June 2025[9]	(300.0)	-	-	-	-
	Subtotal	**(300.0)**	-	-	-	-
BUDGET RESERVE FUND AND/OR PENSIONS		**(300.0)**	**(600.0)**	**(632.2)**	**(662.3)**	**(693.6)**

[8]The FY 25 volatility adjustment of $150 million enables a separate revenue transfer from FY 25 to FY 26 in an amount equal to the $150 million additional appropriation to the Teachers' Retirement System to pay down the TRS unfunded actuarial accrued liability.

[9]Up to $300 million transfer is authorized in FY 25; in subsequent fiscal years the transfer amount of realized General Fund surpluses (estimated by OPM in late June each fiscal year) is unlimited, provided the Budget Reserve Fund is at 18.0% of net General Fund appropriations. OPM's June 20th Monthly Statement indicates an estimated FY 25 General Fund surplus of $227.3 million but the State Treasurer has transferred $300 million, subject to updating. The State Comptroller will determine definitively the FY 25 General Fund surplus or deficit amount in late September (on a preliminary basis) and then finalize the amount by December 31, 2025. Noteworthy is that approximately $2 billion in tax revenues are yet to be recognized for the fiscal year ending June 30th as the accrual period for most tax revenues runs through early August to capture revenues earned prior to June 30th but not yet received.

Category & Enacting Authority	Policy	FY 25 $	FY 26 $	FY 27 $	FY 28 $	FY 29 $
Early Childhood Education Endowment (Off-Budget)						
Transfers from / (to) Other Funds						
Secs 1 & 138 of PA 25-93	Support the New Early Childhood Education Endowment with a Transfer of Realized Surplus as Estimated by OPM in June 2025	300.0	-	-	-	-
ECEE TOTAL		**300.0**	**-**	**-**	**-**	**-**
Bottle Bill Escheats Enforcement and Assistance Account (BBEEAA) (Off-Budget)						
Transfers from / (to) Other Funds						
Secs. 404-405 of PA 25-168	Support the New Bottle Bill Escheats Enforcement and Assistance Account	-	2.0	-	-	-
BBEEAA TOTAL		**-**	**2.0**	**-**	**-**	**-**
Itinerant Vendors Guaranty Fund (IVGF) (Off-Budget)						
Transfers from / (to) Other Funds						
Sec. 367 of PA 25-168	Close Out the Itinerant Vendors Guaranty Fund (less than $50k one-time impact in FY 25)	-	-	-	-	-
IVGF TOTAL		**-**	**-**	**-**	**-**	**-**
GRAND TOTAL ALL FUNDS		**(151.0)**	**95.3**	**1,068.1**	**738.4**	**732.1**

FY 26 and FY 27 Revenue Schedule – General Fund

In Thousands of Dollars

	January Consensus FY 26	Governor Policies	Governor FY 26 Revenue	Consensus Update (April)	April Consensus FY 26	Legislative Revenue Policies	Legislative Revenue FY 26 Revenue
Taxes							
Personal Income Tax-Withholding	9,235,300	-	**9,235,300**	51,900	9,287,200	**-**	9,287,200
Estimates and Finals	3,273,500	-	**3,273,500**	70,200	3,343,700	**-**	3,343,700
Sales and Use	5,230,900	-	**5,230,900**	(127,400)	5,103,500	**(400)**	5,103,100
Corporations	1,577,100	183,300	**1,760,400**	(107,000)	1,470,100	**189,400**	1,659,500
Pass-Through Entity Tax	2,135,000	-	**2,135,000**	(19,700)	2,115,300	**-**	2,115,300
Public Service Corporations	314,400	5,000	**319,400**	-	314,400	**5,000**	319,400
Inheritance and Estate	176,000	-	**176,000**	-	176,000	**-**	176,000
Insurance Companies	306,100	-	**306,100**	17,800	323,900	**-**	323,900
Alcoholic Beverages	79,100	-	**79,100**	-	79,100	**-**	79,100
Cigarettes	232,200	1,000	**233,200**	(5,100)	227,100	**1,000**	228,100
Real Estate Conveyance	289,500	500	**290,000**	5,200	294,700	**500**	295,200
Admissions and Dues	40,000	-	**40,000**	-	40,000	**(300)**	39,700
Miscellaneous Taxes	21,900	5,900	**27,800**	-	21,900	**-**	21,900
Health Provider	911,900	-	**911,900**	5,000	916,900	**-**	916,900
Total Taxes	**23,822,900**	**195,700**	**24,018,600**	**(109,100)**	**23,713,800**	**195,200**	**23,909,000**
Refunds of Taxes	(1,989,400)	(85,000)	**(2,074,400)**	30,500	(1,958,900)	**(7,900)**	(1,966,800)
Earned Income Tax Credit	(199,900)	-	**(199,900)**	-	(199,900)	**(35,500)**	(235,400)
R & D Credit Exchange	(8,000)	(1,800)	**(9,800)**	-	(8,000)	**(1,800)**	(9,800)
Taxes Less Refunds	**21,625,600**	**108,900**	**21,734,500**	**(78,600)**	**21,547,000**	**150,000**	**21,697,000**
Other Revenue							
Indian Gaming Payments	314,400	-	**314,400**	20,200	334,600	**-**	334,600
Transfer Special Revenue	396,600	-	**396,600**	(20,300)	376,300	**-**	376,300
Licenses, Permits and Fees	365,900	(18,800)	**347,100**	-	365,900	**(3,000)**	362,900
Rentals, Fines and Escheats	178,400	-	**178,400**	24,800	203,200	**-**	203,200
Investment Income	313,600	-	**313,600**	(12,100)	301,500	**-**	301,500
Sales of Commodities	18,300	-	**18,300**	(1,000)	17,300	**-**	17,300
Miscellaneous	189,100	-	**189,100**	-	189,100	**-**	189,100
Refunds of Payments	(78,600)	-	**(78,600)**	(11,100)	(89,700)	**-**	(89,700)
Total Other Revenue	**1,697,700**	**(18,800)**	**1,678,900**	**500**	**1,698,200**	**(3,000)**	**1,695,200**
Other Sources							
Federal Grants	1,847,500	500	**1,848,000**	(22,100)	1,825,400	**27,800**	1,853,200
Transfer from Tobacco Settlement	95,900	-	**95,900**	(4,100)	91,800	**-**	91,800
Transfers From/To Other Funds	(49,100)	(175,954)	**(225,054)**	-	(49,100)	**(212,254)**	(261,354)
Total Other Sources	**1,894,300**	**(175,454)**	**1,718,846**	**(26,200)**	**1,868,100**	**(184,454)**	**1,683,646**
Volatility Adjustment							
Volatility Cap Adjustment	(1,278,500)	288,900	**(989,600)**	(51,900)	(1,330,400)	**600,000**	(730,400)
Total Volatility Adjustment	**(1,278,500)**	**288,900**	**(989,600)**	**(51,900)**	**(1,330,400)**	**600,000**	**(730,400)**
Total General Fund	**23,939,100**	**203,546**	**24,142,646**	**(156,200)**	**23,782,900**	**562,546**	**24,345,446**

	January Consensus FY 27	Governor Policies	Governor FY 27 Revenue	Consensus Update (April)	April Consensus FY 27	Legislative Revenue Policies	Legislative Revenue FY 27 Revenue
Taxes							
Personal Income Tax-Withholding	9,597,300	-	**9,597,300**	47,800	9,645,100	-	9,645,100
Estimates and Finals	3,404,400	-	**3,404,400**	30,300	3,434,700	-	3,434,700
Sales and Use	5,359,600	-	**5,359,600**	(128,900)	5,230,700	**(400)**	5,230,300
Corporations	1,595,000	168,200	**1,763,200**	(110,200)	1,484,800	**171,500**	1,656,300
Pass-Through Entity Tax	2,215,400	-	**2,215,400**	(45,100)	2,170,300	-	2,170,300
Public Service Corporations	317,200	5,000	**322,200**	-	317,200	**5,000**	322,200
Inheritance and Estate	235,700	-	**235,700**	-	235,700	-	235,700
Insurance Companies	310,600	-	**310,600**	18,000	328,600	-	328,600
Alcoholic Beverages	79,500	-	**79,500**	-	79,500	-	79,500
Cigarettes	220,600	-	**220,600**	(4,800)	215,800	-	215,800
Real Estate Conveyance	294,000	-	**294,000**	5,300	299,300	-	299,300
Admissions and Dues	40,500	-	**40,500**	-	40,500	**(300)**	40,200
Miscellaneous Taxes	21,300	6,200	**27,500**	-	21,300	-	21,300
Health Provider	913,200	140,000	**1,053,200**	5,000	918,200	**375,000**	1,293,200
Total Taxes	**24,604,300**	**319,400**	**24,923,700**	**(182,600)**	**24,421,700**	**550,800**	**24,972,500**
Refunds of Taxes	(2,063,300)	(85,000)	**(2,148,300)**	31,300	(2,032,000)	**(8,800)**	(2,040,800)
Earned Income Tax Credit	(205,000)	-	**(205,000)**	-	(205,000)	**(35,500)**	(240,500)
R & D Credit Exchange	(8,300)	(1,800)	**(10,100)**	-	(8,300)	**(1,800)**	(10,100)
Taxes Less Refunds	**22,327,700**	**232,600**	**22,560,300**	**(151,300)**	**22,176,400**	**504,700**	**22,681,100**
Other Revenue							
Indian Gaming Payments	329,400	-	**329,400**	20,500	349,900	-	349,900
Transfer Special Revenue	406,100	-	**406,100**	(20,400)	385,700	-	385,700
Licenses, Permits and Fees	339,600	(25,000)	**314,600**	-	339,600	**(4,000)**	335,600
Rentals, Fines and Escheats	172,500	-	**172,500**	25,800	198,300	-	198,300
Investment Income	254,200	-	**254,200**	(2,800)	251,400	-	251,400
Sales of Commodities	18,800	-	**18,800**	(1,200)	17,600	-	17,600
Miscellaneous	194,100	-	**194,100**	-	194,100	-	194,100
Refunds of Payments	(80,800)	-	**(80,800)**	(11,300)	(92,100)	-	(92,100)
Total Other Revenue	**1,633,900**	**(25,000)**	**1,608,900**	**10,600**	**1,644,500**	**(4,000)**	**1,640,500**
Other Sources							
Federal Grants	1,863,400	167,500	**2,030,900**	(30,500)	1,832,900	**202,400**	2,035,300
Transfer from Tobacco Settlement	94,300	-	**94,300**	(4,100)	90,200	-	90,200
Transfers From/To Other Funds	(49,200)	8,000	**(41,200)**	-	(49,200)	**138,500**	89,300
Total Other Sources	**1,908,500**	**175,500**	**2,084,000**	**(34,600)**	**1,873,900**	**340,900**	**2,214,800**
Volatility Adjustment							
Volatility Cap Adjustment	(1,266,000)	304,500	**(961,500)**	11,100	(1,254,900)	**632,200**	(622,700)
Total Volatility Adjustment	**(1,266,000)**	**304,500**	**(961,500)**	**11,100**	**(1,254,900)**	**632,200**	**(622,700)**
Total General Fund	**24,604,100**	**687,600**	**25,291,700**	**(164,200)**	**24,439,900**	**1,473,800**	**25,913,700**

Policies Details – General Fund

Sales and Use

Exempt the Purchase of Ambulances from the Sales and Use Tax

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Sales and Use	-	-	(400,000)	(400,000)	(400,000)	(400,000)

Background: The luxury sales tax rate of 7.35% applies to most ambulance purchases.

Legislative Revenue: Exempt from the sales and use tax (1) ambulance-type vehicles used exclusively to transport medically incapacitated individuals, except those used to transport these individuals for payment, and (2) ambulances operating under a DPH-issued license or certificate. Section 368 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implement the policy. Effective 7/1/2025.

Corporations

Extend the 10% Corporation Tax Surcharge

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Corporations	48,000,000	80,000,000	48,000,000	80,000,000	-	-

Background: First enacted in 2003 at the rate of 20%, the Corporation Tax Surcharge has since fluctuated from 0% to 25%, and has been imposed at the rate of 10% since 2018. The overall statutory corporation tax rate is 8.25% with the 10% surcharge on top of the 7.5% base rate applied to net income (the surcharge also applies to the capital base calculation). The Corporation Tax Surcharge was due to expire on December 31, 2025 (income year 2025).

Governor: Extend the 10% Corporation Tax Surcharge for 3 income years through income year 2028. Section 9 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy change. Effective 1/1/2026.

Legislative Revenue: Same as Governor. Sections 356-357 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implement the policy change. Effective from passage.

Eliminate the Combined Unitary Reporting Cap for Corporations

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Corporations	133,100,000	83,200,000	133,100,000	83,200,000	-	-

Background: Connecticut converted to Combined Unitary Reporting in 2016. (Prior to this, Connecticut was a "Separate State," and Unitary Combined Reporting was optional.)

However, when enacted, a unique feature was added such that the new unitary tax could not increase a company's liability by more than $2.5 million over the prior system – commonly referred to as the aggregate maximum tax.

- 28 states follow a unitary basis of taxation
- Connecticut is the only state that has this cap feature
- Fewer than 20 firms benefit from this cap
- Based on income year 2022 data, the savings to those firms totaled $83.2 million

Combined Unitary Reporting is when commonly owned corporations that are engaged in a unitary business, where at least one corporation is subject to the corporation business tax, are required to file their corporation business tax returns on a combined unitary basis. A unitary business is a group of related persons whose business activities or operations are interdependent.

Governor: Repeal the $2.5 million aggregate maximum tax i.e., cap. Section 2 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy change. Effective 1/1/2025.

Legislative Revenue: Same as Governor. Sections 354-355 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implement the policy change. Effective from passage.

Eliminate Provision Allowing Certain Corporations to Claim 100% Net Operating Loss

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Corporations	8,300,000	8,300,000	8,300,000	8,300,000	-	-

Background: Beginning in 2016, most companies are only permitted to claim a net operating loss (NOL) deduction equal to 50% of their corporation business tax liability. Certain companies, with greater than $6 billion of NOLs, are allowed to claim an NOL deduction equal to 100% of their income. Under current law, only a handful of companies benefit from this special provision.

Governor: Eliminate the provision which allows firms with greater than $6 billion of cumulative NOLs to deduct those losses equal to 100% of their corporation business tax liability. Section 1 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy change. Effective 1/1/2025.

Legislative Revenue: Same as Governor. Sections 353 and 355 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implement the policy change. Effective from passage and applicable to income years commencing on or after January 1, 2025.

Adjust the Capital Base Tax Method for Corporations

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Corporations	(15,300,000)	(20,400,000)	-	-	15,300,000	20,400,000

Background: Corporations must compute their tax under the Net Income method and Capital Base method and remit the higher of the two liabilities, with a minimum tax of $250 due.

Capital Base method =

- The total of:
  - Average capital stock;
  - Surplus and undivided profits; and
  - Surplus reserves
- Less:
  - Average values of deficits
  - Average values of stockholdings in private corporations

Under this method, a corporation is limited to a maximum tax of $1 million. Approximately 3,875 firms file under the capital base tax method, which is scheduled to phase-out by 1/1/2028.

Governor: Accelerate the elimination of the Capital Base Tax method of the Corporation Business Tax by 2 years. This would result in a revenue loss to the state of approximately $15.3 million in FY 26 and $20.4 million in FY 27. Section 10 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy change. Effective 1/1/2026.

Legislative Revenue: Do not adjust the capital base tax method for corporations.

Adjust the Film Production Tax Credit

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Corporations	9,200,000	17,100,000	-	-	(9,200,000)	(17,100,000)

Background: Current law allows for the following tax credit values for income year expenses:

- 10% of expenses between $100,000-$500,000;
- 15% of expenses between $500,001-$1 million; and
- 30% of expenses over $1 million.

This tax credit can be applied against the following tax types:

- Corporation Tax;
- Insurance Premiums Tax;
- Community Antenna TV Tax; and
- Sales & Use Tax.

From FY 2008 – FY 2024 (17 years), over $1.5 billion in Film Production Tax Credits have been issued – an average of $89.7 million per year. In the last 4 years, over half a billion dollars of these tax credits have been issued – an average of $131.0 million per year.

Governor: Reduce the top rate for the Film Production Tax Credit Program from 30% to 25% of qualifying expenses over $1 million. Sections 3-7 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy change.

Legislative Revenue: Do not adjust the film production tax credit.

Public Service Corporations

Repeal Ineffective Statutes Related to the Municipal Video Competition Trust Account

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Public Service Corporations	5,000,000	5,000,000	5,000,000	5,000,000	-	-
Transfers From/To Other Funds	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	-	-
Total	-	-	-	-	-	-

Background: A provision in the FY 18 and FY 19 biennial budget permanently suspended transfers to the Muni. Video Competition Trust Account. (Transfers had been suspended temporarily for several years prior, with the last grant being made in FY 14.) The method used to permanently suspend the transfers in 2017 left obsolete statutes remaining on the books.

Legislative Revenue: Same as Governor. Section 445 implements the technical fix. Effective 7/1/2025.

Cigarettes and Real Estate Conveyance

Accrue Certain Taxes Beginning in FY 2026

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Cigarettes	1,000,000	-	1,000,000	-	-	-
Real Estate Conveyance	500,000	-	500,000	-	-	-
Total	1,500,000	-	1,500,000	-	-	-

Background: Most state tax revenues received from July 1 through the first five business days after July 30 (the accrual period) are counted towards the fiscal year ending the prior June 30. The purpose of the accrual period is to assign revenues to the fiscal year in which they were earned rather than received.

Governor: Adjust the accounting for two minor tax types (tobacco products and controlling interest real estate conveyances) to better reflect when revenues are earned. The result is a one-time positive bump in revenues in FY 26 as an approximate five-week long accrual period (through early August) is added. FY 27 and future fiscal years will reflect 12 months of revenue earnings (from early August to early August) as most major General and Special Transportation tax types do already. Sections 19 and 20 of the Governor's SB 1246, *AAC Revenue items to Implement the Governor's Budget*, implement the policy changes. Effective 7/1/2025.

Legislative Revenue: Same as Governor. Sections 365 and 366 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implement the policy changes. Effective 7/1/2025.

Admissions and Dues

Raise the (Annual) Dues Tax Exemption from $100 to $250

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Admissions and Dues	-	-	(300,000)	(300,000)	(300,000)	(300,000)

Background: A 10% dues tax applies to any social, athletic, or sporting club in the state that imposes initiation fees or membership dues.

Legislative Revenue: Increase the minimum threshold for annual dues and initiation fees that are subject to the state's 10% dues tax from $100 to $250. Section 370 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy change. Effective 7/1/2025.

Miscellaneous Taxes

Adjust Funding Source to Support Cannabis Prevention & Recovery Services

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Miscellaneous Taxes	5,900,000	6,200,000	-	-	(5,900,000)	(6,200,000)

Background: PA 21-1 JSS, *An Act Concerning Responsible and Equitable Regulation of Adult-Use Cannabis*, legalized recreational cannabis use for adults 21 years of age or older. Recreational cannabis sales began in January 2023. The FY 24 - FY 25 budget moved all recreational cannabis expenditures from a non-appropriated, off- budget account to the General Fund, Special Transportation Fund, and two newly-created, appropriated funds that are on-budget, including the Cannabis Prevention and Recovery Services Fund.

The cannabis prevention and recovery services program that the Department of Mental Health and Addiction Services administers is supported by the Cannabis Prevention and Recovery Services Fund.

Governor: Shift the cannabis prevention and recovery services program to the General Fund. Sections 21-29 of the Governor's HB 6865, *AA Implementing the Governor's Recommendations for General Government*, implement the policy change. Effective July 1, 2025.

Legislative Revenue: Do not shift funding for the program to the General Fund. Maintain the program (and related revenues) in the Cannabis Prevention and Recovery Services Fund.

Health Provider

Rebase Hospital User Fee and Reflect Federal Match on Additional Hospital Supplemental Payments

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Health Provider	-	140,000,000	-	375,000,000	-	235,000,000
Federal Grants	-	93,800,000	-	93,800,000	-	-
Total	-	233,800,000	-	468,800,000	-	235,000,000

Background: The provisions of a 2019 settlement agreement between the Connecticut Hospital Association and the Commissioner of the State Department of Social Services, as implemented by PA 19-1 DSS, *AAC Implementation of the Approved Settlement Agreement in the Connecticut Hospital Association et al. v Connecticut Department of Social Services et al. and Making Appropriations Therefor*, provide the state framework for taxation and corresponding supplemental payments to hospitals through FY 26. The agreement sets the base for calculating the user fee as each hospital's audited FY 16 net revenue and requires a total fee amount of $820 million to be collected in FY 26. There were 26 taxpayers per the DRS Annual Report of 2024. Financially distressed hospitals, sole community hospitals, specialty hospitals, children's general hospitals, and state-run hospitals are all exempt from the hospital user fee.

Governor: Update the base of the hospital user fee from 2016 to 2025 and reduce the tax rate on outpatient services, generating $140 million in additional hospital tax revenue beginning in FY 27. Corresponding supplemental payments to hospitals, in the amount of $140 million, are funded via state Medicaid gross appropriations which generate approximately $93.8 million in additional federal grants revenue under the General Fund in FY 27. Sections 16-18 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implement the hospital user fee policy changes.

Legislative Revenue: Require the base year on which the hospital provider tax is calculated to be tied to an applicable federal fiscal year, rather than (state) FY 16; increase, by $375 million, the total revenue on which the tax on outpatient hospital services is calculated and require the starting amount used to calculate the tax in later years to be increased by $25 million over the prior fiscal year; require the DSS commissioner to seek approval from CMS to remove the exemption for children's general hospitals. Sections 360-361 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and Other Items Implementing the State Budget*, implements the policy change. Effective July 1, 2026, and applicable to calendar quarters commencing on or after July 1, 2026.

Increase Medicaid supplemental payments to hospitals by $140 million for FY 27 and require this total to be increased in subsequent years by $25 million over the preceding year if the total amount of hospital provider tax collected for that year increased by $25 million over the preceding year. (The corresponding federal match at the rate of 67% is reflected here as a federal grants revenue increase.) Section 362 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and Other Items Implementing the State Budget*, implements the policy change. Effective July 1, 2026.

Refunds of Taxes

Establish a Farm Investment Tax Credit

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Refunds of Taxes	-	-	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)

Legislative Revenue: Establish a corporation business and personal income tax credit for farmers' investments in eligible machinery, equipment, and buildings; the credit is refundable and equals 20% of the amount farmers spend on eligible property. Section 373 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy. Effective 1/1/2026.

Establish a Tax Credit for Businesses that Donate to UConn

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Refunds of Taxes	-	-	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)

Legislative Revenue: Authorize the University of Connecticut to establish and administer a tax credit incentive program in support of the promotion and public recognition of the university and its programs, services or mission. The amount of the credit shall be fifty per cent of the payments made for a taxable or an income year, as applicable, and shall not exceed five hundred thousand dollars for any taxpayer for any taxable or income year. The aggregate amount of the credits allowed under this section shall not exceed five million dollars in any calendar year. Sections 384-385 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implement the policy. Effective from passage and applicable to taxable and income years commencing on or after January 1, 2025.

Establish a Tax Credit for an Employer's Contributions to Employees' CHET Accounts

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Refunds of Taxes	-	-	(400,000)	(400,000)	(400,000)	(400,000)

Legislative Revenue: Establish a new 25% tax credit for employers contributing to an employee's CHET account; credit is capped at $500 per employee per income or tax year (i.e., $2,000 in CHET contributions per employee per year) and applies against the corporation business and personal income tax. Sections 374-383 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy. Effective July 1, 2025, and applicable to income and taxable years commencing on or after January 1, 2025.

Establish a Refundable Personal Income Tax Credit of $500 for Home Day Care Owners

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Refunds of Taxes	-	-	-	(900,000)	-	(900,000)

Background: There were a total of 1,788 family child care home (active) licenses in the state as of March 3, 2025.

Legislative Revenue: Establish a refundable income tax credit for taxpayers who own a state-licensed family child care home. The credit equals $500 and applies against the personal income tax, but not the withholding tax. If the taxpayer is an S corporation or treated as a partnership for federal income tax purposes, the taxpayer's shareholders and partners may claim the credit. If the taxpayer is a single member limited liability company (LLC) that is disregarded for federal tax purposes, the LLC's owner may claim the credit as long as the owner is subject to the personal income tax. Section 372 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy. Effective 1/1/2026.

Adjust the Property Tax Credit Against the Personal Income Tax

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Refunds of Taxes	(85,000,000)	(85,000,000)	-	-	85,000,000	85,000,000

Background: Connecticut residents who made qualifying property tax payments on eligible property during the tax year can claim a tax credit against their Connecticut income tax liability for that year. The credit is for property taxes a taxpayer paid to a Connecticut political subdivision (e.g., city, town, or fire district) on a primary residence, privately owned or leased motor vehicle, or both. The credit amount depends on the amount of property tax due and paid and the taxpayer's Connecticut adjusted gross income (CT AGI). The percent of property tax paid that can be taken as a credit declines as CT AGI increases, until it completely phases out. The credit cannot exceed the amount of qualifying property taxes the taxpayer paid or the taxpayer's income tax liability.

Governor: Increase the maximum credit from $300 to $350. Additionally, expand eligibility for the credit based on Connecticut adjusted gross income (CT AGI). Single filers earning up to $70,000 and joint filers earning up to $100,000 would qualify for the full $350 credit, with a phase-out schedule for higher incomes. This is anticipated to benefit approximately 800,000 filers and result in $85 million in tax relief. Section 15 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy change. Effective 1/1/2025.

Legislative Revenue: Do not adjust the property tax credit against the personal income tax.

Earned Income Tax Credit

Supplement the Earned Income Tax Credit (EITC) for those Tax Filers with Children

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Earned Income Tax Credit	-	-	(35,500,000)	(35,500,000)	(35,500,000)	(35,500,000)

Background: Under current law, Connecticut residents who qualify for, and claim, the federal earned income tax credit (EITC) may claim a refundable state EITC equal to 40% of the federal credit for the same tax year. Under federal law, people who work and earn incomes below certain levels qualify for the EITC. Credit amounts vary according to a taxpayer's income and the number of children he or she has. Based on the federal EITC for 2025, the maximum state EITC for the 2025 tax year ranges from $260 for filers with no children, to $1,731 for filers with one child, and $3,218 for filers with three or more children. If the state credit exceeds the taxpayer's state income tax liability, he or she receives the difference as an income tax refund.

Legislative Revenue: Increase the credit's amount by $250 for eligible taxpayers with at least one qualifying child for federal income tax purposes. Section 371 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy. Effective upon passage, and applicable to tax years beginning on or after January 1, 2025

R & D Credit Exchange

Raise the Cap on the Research & Development Credit Exchange for Biotech Firms

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
R & D Credit Exchange	(1,800,000)	(1,800,000)	(1,800,000)	(1,800,000)	-	-

Background: The R&D credit exchange allows firms with less than $70 million in sales which are not yet profitable to exchange their unused R&D tax credits with the state at 65% of their value. (Unlike some other corporation tax credits, R&D credits cannot be sold to other firms.)

Governor: Increase, from 65% to 90%, the cash refund a qualifying small biotechnology company may receive for its unused R&D and R&E tax credits. Section 11 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy change.

Legislative Revenue: Same as Governor. Section 358 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy change. Effective July 1, 2025, and applicable to income years commencing on or after January 1, 2025.

Licenses, Permits and Fees

Reflect Revenue Impact of Entering into the Physician Assistant Licensure Compact

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Licenses, Permits and Fees	-	-	(100,000)	(200,000)	(100,000)	(200,000)

Legislative Revenue: Reflect the revenue loss associated with entering Connecticut into the Physician Assistant (PA) Licensure Compact, which is anticipated to reduce the number of PA licensures in CT as licensing from other states is recognized. The compact creates a process authorizing PAs who are licensed in one participating state to practice across state boundaries (including by telehealth) without requiring licensure in each state. Sections 457-458 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implement the policy. Effective 7/1/2025.

Eliminate Certain Occupational License Application Fees

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Licenses, Permits and Fees	(18,800,000)	(25,000,000)	(2,900,000)	(3,800,000)	15,900,000	21,200,000

Background: Fees for certain healthcare, educational and construction trades professionals can range in cost from $50 to $375 a year, depending upon the license.

Governor: Eliminate application and renewal fees for select healthcare, educational and construction trades professions. Nearly 180,000 workers are affected. Sections 23-52 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy change. Effective date 10/1/2025.

Legislative Revenue: Eliminate application fees for select healthcare and educational professions. Additionally, renewal fees for paramedic and initial educator licenses are eliminated. Nearly 20,000 workers are affected. Sections 415-433 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implement the policy change. Effective 10/1/2025.

Federal Grants

Rebase Hospital User Fee and Reflect Federal Match on Additional Hospital Supplemental Payments

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Health Provider	-	140,000,000	-	375,000,000	-	235,000,000
Federal Grants	-	93,800,000	-	93,800,000	-	-
Total	-	233,800,000	-	468,800,000	-	235,000,000

Background: The provisions of a 2019 settlement agreement between the Connecticut Hospital Association and the Commissioner of the State Department of Social Services, as implemented by PA 19-1 DSS, *AAC Implementation of the Approved Settlement Agreement in the Connecticut Hospital Association et al. v Connecticut Department of Social Services et al. and Making Appropriations Therefor*, provide the state framework for taxation and corresponding supplemental payments to hospitals through FY 26. The agreement sets the base for calculating the user fee as each hospital's audited FY 16 net revenue and requires a total fee amount of $820 million to be collected in FY 26. There were 26 taxpayers per the DRS Annual Report of 2024. Financially distressed hospitals, sole community hospitals, specialty hospitals, children's general hospitals, and state-run hospitals are all exempt from the hospital user fee.

Governor: Update the base of the hospital user fee from 2016 to 2025 and reduce the tax rate on outpatient services, generating $140 million in additional hospital tax revenue beginning in FY 27. Corresponding supplemental payments to hospitals, in the amount of $140 million, are funded via state Medicaid gross appropriations which generate approximately $93.8 million in additional federal grants revenue under the General Fund in FY 27. Sections 16-18 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implement the hospital user fee policy changes.

Legislative Revenue: Require the base year on which the hospital provider tax is calculated to be tied to an applicable federal fiscal year, rather than (state) FY 16; increase, by $375 million, the total revenue on which the tax on outpatient hospital services is calculated and require the starting amount used to calculate the tax in later years to be increased by $25 million over the prior fiscal year; require the DSS commissioner to seek approval from CMS to remove the exemption for children's general hospitals. Sections 360-361 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and Other Items Implementing the State Budget*, implements the policy change. Effective July 1, 2026, and applicable to calendar quarters commencing on or after July 1, 2026.

Increase Medicaid supplemental payments to hospitals by $140 million for FY 27 and require this total to be increased in subsequent years by $25 million over the preceding year if the total amount of hospital provider tax collected for that year increased by $25 million over the preceding year. (The corresponding federal match at the rate of 67% is reflected here as a federal grants revenue increase.) Section 362 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and Other Items Implementing the State Budget*, implements the policy change. Effective July 1, 2026.

Reflect Federal Revenue Impact of Other Expenditure Changes

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Federal Grants	500,000	-	30,400,000	64,300,000	29,900,000	64,300,000

Background: Some state General Fund line items are gross funded, meaning state appropriations are made to cover the full cost with the expectation that federal reimbursements would partially offset those costs. Anticipated federal reimbursements are reflected in the Federal Grants revenue source. These adjustments exclude Medicaid, which is net funded.

Governor: Reflect the impact of other (aside from altering supplemental payments to hospitals) changes to appropriations on federal grants revenue.

Legislative Revenue: Same as Governor, but reflecting more state appropriations.

Reduce State Health Plan Rates to Hospitals and Reflect Federal Match on (Related) Additional Hospital Supplemental Payments

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Federal Grants	-	73,700,000	-	46,900,000	-	(26,800,000)

Governor: The Comptroller shall explore measures to reduce hospital costs under the state employee and non-Medicare retiree plans by $100 million. If the anticipated savings are achieved, in FY 27 the state would increase hospital supplemental payments under Medicaid by $110 million, a net gain to the hospitals of $10 million. The state would receive approximately $73.7 million in federal reimbursement from the additional payments. Section 32 of the Governor's HB 6864, *AAC the State Budget for the Biennium Ending June Thirtieth, 2027, and Making Appropriations Therefor*, implements the policy.

Legislative Revenue: Same as Governor, except the supplemental payments are appropriated at a lower amount (yielding less federal matching funds). Section 28 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy. Effective from passage.

Update Federal Workforce Innovation and Opportunity Act (WIOA) Allotment to CT

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Federal Grants	-	-	(2,600,000)	(2,600,000)	(2,600,000)	(2,600,000)

Background: The Workforce Innovation and Opportunity Act (WIOA) is a fully federally-funded grant. Per Sec. 191 of PL 113-128, states must appropriate WIOA Title I funds.

Legislative Revenue: Update the state revenue amount in both FY 26 and FY 27 to reflect a decrease in the federal WIOA grant.

Transfers From/To Other Funds

Support the Cannabis Regulatory Fund

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Transfers From/To Other Funds	-	-	(10,300,000)	(10,500,000)	(10,300,000)	(10,500,000)

Background: Transfers from the General Fund supported the Cannabis Regulatory Fund through the FY 24 - FY 25 biennium.

Legislative Revenue: Continue support of the Cannabis Regulatory Fund through transfers from the General Fund. Section 39 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget,* implements the policy. Effective 7/1/2025.

Support the New Bottle Bill Escheats Enforcement and Assistance Account

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Transfers From/To Other Funds	-	-	(2,000,000)	-	(2,000,000)	-

Background: Since Connecticut's bottle bill deposit was increased from five to ten cents, some bottle redemption centers near state lines have reported an unusually strong uptick in the amount of redemptions. Said uptick seems to indicate the redemption of bottles from other states (with five cent deposits) happening to a relatively significant degree.

Legislative Revenue: Provide funding specifically to enforce Connecticut's prohibition against bottle deposits across state lines and to support those bottle redemption centers most negatively impacted by such. Sections 404-405 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implement the policy. Effective from passage.

Close-Out the Itinerant Vendors Guaranty Fund

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Transfers From/To Other Funds	46,200	-	46,200	-	-	-

Background: The Connecticut Itinerant Vendors Guaranty Fund is a state fund that has been used to reimburse consumers who have been financially damaged by itinerant vendors. However, the program has been closed, and a balance of $46,200 in the fund remains. (An itinerant vendor is a person or business that travels from place to place selling goods or services, typically without a fixed location or permanent establishment. They move around to different areas to conduct their business, whether selling products directly to customers or at events like fairs.)

Governor: Close out the Vendors Guaranty Fund and transfer the remaining balance to the General Fund. Section 22 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy change. Effective upon passage.

Legislative Revenue: Same as Governor. Section 367 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy. Effective from passage.

Credit General Fund Revenues to Subsequent Fiscal Years

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Transfers From/To Other Funds	(86,000,000)	86,000,000	(244,000,000)	244,000,000	(158,000,000)	158,000,000

Background: Revenues may be credited to subsequent fiscal years to balance a budget. However, use of prior years' revenues to balance budgets often contributes to future structural imbalances between projected revenues and spending.

Governor: Transfer $86 million FY 26 revenues to FY 27. Section 26 of the Governor's HB 6864, *AAC the State Budget for the Biennium Ending June Thirtieth, 2027, and Making Appropriations Therefor*, implements the transfer. Effective July 1, 2025.

Legislative Revenue: Transfer $244 million from FY 26 to FY 27 to balance the FY 27 budget. Section 42 of PA 25-168, PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy. Effective from passage.

Credit Revenues to Subsequent Fiscal Year – Support Additional Teachers Retirement System (TRS) Pension Payment

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Transfers From/To Other Funds	-	-	150,000,000	-	150,000,000	-

Legislative Revenue: Transfer $150 million from FY 25 to FY 26 to support an additional Teachers' Retirement System (TRS) pension payment in FY 26. The additional payment is made to the unfunded actuarial accrued liability. Section 41 of PA 25-168, PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the transfer. Effective from passage.

Repeal Ineffective Statutes Related to the Municipal Video Competition Trust Account

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Public Service Corporations	5,000,000	5,000,000	5,000,000	5,000,000	-	-
Transfers From/To Other Funds	(5,000,000)	(5,000,000)	(5,000,000)	(5,000,000)	-	-
Total	-	-	-	-	-	-

Background: A provision in the FY 18 - FY 19 biennial budget permanently suspended transfers to the Muni. Video Competition Trust Account. (Transfers had been suspended temporarily for several years prior, with the last grant being made in FY 14.) The method used to permanently suspend the transfers in 2017 left obsolete statutes remaining on the books.

Legislative Revenue: Same as Governor. Section 445 implements the technical fix. Effective 7/1/2025.

Support the Municipal Revenue Sharing Fund

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Transfers From/To Other Funds	(85,000,000)	(73,000,000)	(101,000,000)	(90,000,000)	(16,000,000)	(17,000,000)

Background: A 0.5% portion of the general sales and use tax rate supports the (appropriated) Municipal Revenue Sharing Fund (MRSF). Additionally, transfers from the General Fund to the MRSF have supported the MRSF: $115.8 million in FY 24; and $104.9 million in FY 25.

Governor: Continue supporting the MRSF with transfers from the General Fund. Section 28 of the Governor's HB 6864, *AAC The State Budget for the Biennium Ending June Thirtieth, 2027, and Making Appropriations Therefor*, implements the transfers. Effective 7/1/2025.

Legislative Revenue: Subsequent to the Governor's budget recommendation, sales tax projections were revised downward. This downward revision negatively impacted municipal grant funding via the MRSF, so additional General Fund revenue is transferred to maintain grant funding at current levels. Section 43 of PA 25-168, PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy. Effective 7/1/2025.

Volatility Cap Adjustment

Raise the Volatility Cap

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Volatility Cap Adjustment	288,900,000	304,500,000	600,000,000	632,200,000	311,100,000	327,700,000

Background: The purposes of the volatility cap are to minimize budgetary exposure to significant fluctuations in relatively volatile revenues while contributing to the building up of budget reserves and to reducing long-term, primarily unfunded accrued actuarial pensions debt. Enacted in November 2017, the volatility cap threshold permanently limited budgetary revenue from the estimates and finals portion of the personal income tax to $3.15 billion, effective with the FY 18 budget. The volatility cap threshold was later revised (May 2018) to incorporate the newly established pass-through entity tax (PET) and require the cap to be adjusted annually for personal income growth beginning in FY 19. The $3.15 billion starting point for the volatility cap closely tracked FY 17 total revenue in the estimates and finals portion of the personal income tax, which was a low point relative to every fiscal year since FY 12.

The volatility cap is subject to the so-called 'bond lock' which governs future changes to specified sections of CT statutes. However, existing statute authorizes the General Assembly to, "…amend the threshold amount of three billion one hundred fifty million dollars, by vote of at least three-fifths of the members of each house of the General Assembly, due to changes in state or federal tax law or policy or significant adjustments to economic growth or tax collections."

Governor: Establish an alternative starting point for the volatility cap, which increases revenues available to the General Fund budget by $288.9 million and $304.5 million in FY 26 and FY 27, respectively. Specifically, use an average of (estimated and finals) revenues from FY 12 to FY 16 as the basis for the volatility cap, which is equal to $3,370.3 million. Under current law, the volatility cap increases annually at the rate of personal income growth beginning in FY 19. The Governor's proposed amounts in FY 26 and FY 27 effectively assume the same rates of growth have been applied (as required under current law) but on a larger basis in FY 18. Section 12 of the Governor's SB 1246, *AAC Revenue Items to Implement the Governor's Budget*, implements the policy change. Effective July 1, 2025.

Legislative Revenue: Raise the volatility cap to provide additional (above current law) General Fund revenue: $150 million in FY 25; and $600 million in FY 26. Allowable projected growth (at a rate of 5.4%) from FY 26 to FY 27 increases the amount to $632.2 million. Section 386 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy change. Effective 6/30/2025.

FY 26 and FY 27 Revenue Schedule – Special Transportation Fund

In Thousands of Dollars

	January Consensus FY 26	Governor Policies	Governor FY 26 Revenue	Consensus Update (April)	April Consensus FY 26	Legislative Revenue Policies	Legislative Revenue FY 26 Revenue
Taxes							
Motor Fuels	502,100	-	**502,100**	(100)	502,000	**-**	502,000
Oil Companies	336,300	-	**336,300**	(42,500)	293,800	**-**	293,800
Sales Tax - STF	902,000	-	**902,000**	(22,800)	879,200	**(50)**	879,150
Sales Tax DMV	118,800	-	**118,800**	(700)	118,100	**-**	118,100
Highway Use Tax	61,700	-	**61,700**	-	61,700	**-**	61,700
Refunds of Taxes	(11,000)	-	**(11,000)**	700	(10,300)	**-**	(10,300)
Total Taxes Less Refunds	**1,909,900**	**-**	**1,909,900**	**(65,400)**	**1,844,500**	**(50)**	**1,844,450**
Other Sources							
Motor Vehicle Receipts	282,100	-	**282,100**	-	282,100	**-**	282,100
Licenses, Permits and Fees	134,900	-	**134,900**	-	134,900	**-**	134,900
Interest Income	42,000	-	**42,000**	5,000	47,000	**-**	47,000
Federal Grants	-	-	**-**	-	-	**-**	-
Transfers From/To Other Funds	(5,500)	(38,000)	**(43,500)**	-	(5,500)	**17,000**	11,500
Refunds of Payments	(8,400)	-	**(8,400)**	(2,500)	(10,900)	**-**	(10,900)
Total Other Sources	**445,100**	**(38,000)**	**407,100**	**2,500**	**447,600**	**17,000**	**464,600**
Total Special Transportation Fund	**2,355,000**	**(38,000)**	**2,317,000**	**(62,900)**	**2,292,100**	**16,950**	**2,309,050**

	January Consensus FY 27	Governor Policies	Governor FY 27 Revenue	Consensus Update (April)	April Consensus FY 27	Legislative Revenue Policies	Legislative Revenue FY 27 Revenue
Taxes							
Motor Fuels	498,400	-	**498,400**	(4,000)	494,400	**-**	494,400
Oil Companies	349,400	-	**349,400**	(49,200)	300,200	**-**	300,200
Sales Tax - STF	925,400	-	**925,400**	(23,100)	902,300	**(50)**	902,250
Sales Tax DMV	120,000	-	**120,000**	(700)	119,300	**-**	119,300
Highway Use Tax	62,600	-	**62,600**	-	62,600	**-**	62,600
Refunds of Taxes	(11,400)	-	**(11,400)**	800	(10,600)	**-**	(10,600)
Total Taxes Less Refunds	**1,944,400**	**-**	**1,944,400**	**(76,200)**	**1,868,200**	**(50)**	**1,868,150**
Other Sources							
Motor Vehicle Receipts	283,400	-	**283,400**	-	283,400	**-**	283,400
Licenses, Permits and Fees	137,200	-	**137,200**	-	137,200	**-**	137,200
Interest Income	36,500	-	**36,500**	5,000	41,500	**-**	41,500
Federal Grants	-	-	**-**	-	-	**-**	-
Transfers From/To Other Funds	(5,500)	43,000	**37,500**	-	(5,500)	**123,000**	117,500
Refunds of Payments	(8,600)	-	**(8,600)**	(2,500)	(11,100)	**-**	(11,100)
Total Other Sources	**443,000**	**43,000**	**486,000**	**2,500**	**445,500**	**123,000**	**568,500**
Total Special Transportation Fund	**2,387,400**	**43,000**	**2,430,400**	**(73,700)**	**2,313,700**	**122,950**	**2,436,650**

Policies Details - Special Transportation Fund

Sales Tax - STF

Exempt the Purchase of Ambulances from the Sales and Use Tax

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Sales Tax - STF	-	-	(50,000)	(50,000)	(50,000)	(50,000)

Background: The luxury sales tax rate of 7.35% applies to most ambulance purchases.

Legislative Revenue: Exempt from the sales and use tax (1) ambulance-type vehicles used exclusively to transport medically incapacitated individuals, except those used to transport these individuals for payment, and (2) ambulances operating under a DPH-issued license or certificate. Section 368 of PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implement the policy. Effective 7/1/2025.

Transfers From/To Other Funds

Credit Special Transportation Fund Revenues to Subsequent Fiscal Years

Account	Governor FY 26	Governor FY 27	Legislative Revenue FY 26	Legislative Revenue FY 27	Difference FY 26	Difference FY 27
Transfers From/To Other Funds	(38,000,000)	43,000,000	17,000,000	123,000,000	55,000,000	80,000,000

Background: Revenues may be credited to subsequent fiscal years to balance a budget. However, use of prior years' revenues to balance budgets often contributes to future structural imbalances between projected revenues and spending.

Governor: Transfer $5 million FY 25 revenues to FY 26 and $43 million from FY 26 to FY 27. Sections 25 and 27 of the Governor's HB 6864, *AAC the State Budget for the Biennium Ending June Thirtieth, 2027, and Making Appropriations Therefor*, implement the transfers. Effective July 1, 2025.

Legislative Revenue: Transfer $140 million of revenue from FY 25 to balance the FY 26 - FY 27 budget. Section 44 of PA 25-168, PA 25-168, *AAC the State Budget for the Biennium Ending June 30, 2027, and Making Appropriations Therefor, and Provisions Related to Revenue and other Items Implementing the State Budget*, implements the policy. Effective from passage.