

State Tax Observations

Connecticut Sends “Tax Cut” Budget to Governor

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Connecticut’s \$24.2 billion budget bill for the fiscal year starting July 1, 2022 was signed by Governor Lamont on May 9th, 2022.

Those supporting the budget claim the proposed tax cuts total the largest in Connecticut history. There are cuts in the gas tax and motor vehicle tax and a phase-out of income tax on pension income.

Those viewing the budget more skeptically claim it contains one-year of cut “gimmicks” and, more importantly, is indirectly leading to an increase in unemployment taxes while barely putting a dent in the huge amount of unfunded liabilities on the state’s books.

Significant Tax and Credit Changes

Key items in the budget include:

- An extension of the gasoline tax suspension (25 cents per gallon) from June 30, 2022 to December 1, 2022.
- A new \$250 per child tax credit up to a maximum of \$750 for single filers making less than \$100,000 and couples making less than \$200,000.
- An increased property tax credit from \$200 to \$300 coupled with an expansion of credit eligibility. Currently, only senior citizens and households with dependents are afforded the credit. The law expands the credit to include all households and is based on income only. The income limits of \$109,500 and \$130,500 for single and joint filers would still apply.
- The elimination of the 6% admissions tax on movie theaters.
- For motor vehicle purchases, the property tax mill rate cap is reduced from 45 mills to a maximum of 32.46 mills.
- An earned income tax credit increase from 30% of the federal amount to 41.5%.
- An exemption from Connecticut income tax for certain pension and annuity earnings for single filers with federal adjusted gross income (AGI) of less than \$75,000 and married couples filing jointly with a federal AGI of less than \$100,000. The phase-out was originally set to be complete by 2025 but is now phased out by 2024.
- A \$30 million “hero pay” for private sector workers in certain jobs. The pandemic bonus is for “essential” private sector workers. The benefit will be between \$200 and \$1,000 based on income capped at \$150,000.

Unemployment Taxes

Notably, the budget only allotted \$40 million to pay down an estimated \$495 million debt in the state’s unemployment trust fund. A new unemployment assessment rate will be applied to private companies in November 2022. The remaining \$400 million will be spread to employers over the next four years

representing an approximate 22% increase in unemployment taxes over that time.

Unfunded Liabilities

Also, as part of the budget, Connecticut will apply \$3.5 billion to the approximately \$95 billion of unfunded liabilities currently on the state's books.

Contact Us

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