



Connecticut Budget Includes Several Tax Law Changes

By Marc T. Finer | July 21, 2021

On June 23rd, Governor Lamont signed Connecticut’s state budget legislation into law. The budget does not contain any changes in income or sales tax rates but does contain several other tax-related increases, reductions and relief provisions including the following:

- The 10% surcharge payable under the corporation business tax by corporations with at least \$100 million in annual gross income is extended for two years to the 2021 and 2022 tax years. The surcharge was scheduled to expire after the 2020 tax year.
- The phase-out of the capital base tax is extended through the 2027 tax year with the phase-out commencing with the 2024 tax year. The phase-out was scheduled to be completed by the 2024 tax year.
- The Department of Revenue Services is directed to establish a tax amnesty program that will operate from November 1, 2021 through January 3, 2022 and apply to any taxable period ending on or before December 30, 2020. Taxpayers that qualify for the program will be required to file returns and pay any taxes owed but will benefit from a 75% reduction in applicable interest and the elimination of penalties otherwise due. Taxpayers who are approved for the program will be required to relinquish all appeal rights and rights to a credit or refund for the taxes covered by the application. The program does not apply to any taxpayer that is a party to a closing agreement, has had an offer in compromise accepted, is a party to a managed audit agreement or is subject to a pending criminal investigation or criminal litigation.
- Certain businesses that sell meals (e.g., restaurants, hotels and bars) will be permitted to keep the sales tax collected on meals and beverages during one of three designated weeks selected by the eligible business (August 1-7, 2021, December 12-18, 2021, or May 15-21, 2022).
- The admissions tax is eliminated starting July 1, 2021 for all places of amusement, entertainment or recreation except movie theaters.
- The research and development credit corporations may claim against their their annual Connecticut tax liability will be increased over two years from its current 50.01% to 60% for the 2022 tax year and 70% for the 2023 tax year and tax years thereafter. However, the carryforward period for unused credits will be reduced from an unlimited to a 15-year carryforward period beginning with R&D credits earned in the 2021 tax year and thereafter.
- A decrease in the excise tax on beer will become effective beginning July 1, 2023.
- The income tax on income from IRAs (other than Roth IRAs) for taxpayers with qualifying incomes will be phased out between the 2023 and 2026 tax years.

If you have any questions regarding the tax provisions of the recently enacted Connecticut budget legislation, please contact Marc T. Finer, Tax Partner, at 860-240-6096 or mfiner@murthalaw.com.