



# Connecticut Property Taxes

## 2023 LEGISLATIVE UPDATES

Connecticut's legislative sessions typically address a wide array of topics, and the 2023 session was no exception. Amidst the comprehensive legislative agenda, Connecticut made substantial changes in the taxation of income for individuals, corporations, and pass-through entities. Changes were also made in key property tax areas of focus, including income and expense reporting, tax abatements, workforce housing taxation, and the creation of dedicated study groups to address specific property tax challenges.

### *Income Tax*

On June 12, 2023, Connecticut Governor Ned Lamont signed budget bill H.B. 6941, which includes 1) a reduction in personal income tax rates, 2) an extension of the corporation business tax (CBT) surcharge for three years, and 3) changes to the pass-through entity (PTE) tax.

#### **Personal Income Tax**

H.B. 6941 adopted Governor Lamont's proposal to reduce the two lowest marginal personal income tax rates. Specifically, the 3% rate on the first \$10,000 earned by unmarried individuals and the first \$20,000 earned by couples will decrease to 2%. The 5% rate on the next \$40,000 earned by unmarried individuals and the next \$80,000 earned by couples will decrease to 4.5%. These benefits will be capped at unmarried individual filers who earn \$150,000 and couples who earn \$300,000. The legislation is effective from passage and applicable to taxable years beginning on or after January 1, 2024.

#### **Corporation Business Tax**

The pandemic-era corporate surcharge was set to expire for income years beginning after December 31, 2022, but H.B. 6941 included Governor Lamont's proposal to extend the 10% corporation business surtax for the 2023, 2024, and 2025 income years. The adopted legislation is effective upon passage and is applicable to income years beginning on or after January 1, 2023. The surcharge continues to apply to companies that have more than \$250 in CBT liability and 1) have at least \$100 million in gross income for that year or 2) file unitary combined returns.

#### **Pass-Through Entity Tax**

For tax years before 2024, Connecticut's PTE tax remains mandatory. For tax years commencing on or after January 1, 2024, H.B. 6941 changes the PTE tax to an elective one. The PTE tax election will be made annually by submitting written notice to the Commissioner of Revenue no later than the due date of the PTE's return, including extensions.

## Property Tax

### Public Act No. 23-152

Through Public Act No. 23-152, recently enacted legislation introduced clarifications and adjustments designed to alter the reporting process and address associated penalties. Noteworthy modifications include the provision of an extension request option, allowing taxpayers to extend the report filing deadline until June 1, which may be further extended by assessors until July 1. Importantly, reports will now be considered timely filed if postmarked on or before the due date. Additionally, the 10% assessment penalty for noncompliance will now be reflected on the next property tax bills or specially issued bills rather than on the subsequent October 1 grand list. This will result in penalties for noncompliance being payable in much closer proximity to the time the information request is due rather than the grand list year applicable to the information requested.

### Public Act No. 23-207

In a move to stimulate the growth, renewal, and operation of workforce housing, substantial modifications to property taxation strategies and exemptions have been introduced. A key shift involves assessors valuing workforce housing through the “capitalization of net income method based on the actual rent received for the property,” moving away from traditional reliance on market rents for valuation. Moreover,

to incentivize the development of new workforce housing or extensive refurbishments, a noteworthy property tax exemption of up to 70% has been established for a period of seven full assessment years. To mitigate the resulting revenue shortfall in municipalities, a state grant will provide partial reimbursement.

### Property Tax Study Groups

In a concerted effort to address specific property tax-related issues, the Connecticut General Assembly has established three distinct study groups with the aim of exploring and resolving pertinent challenges within the property tax landscape. The first, a Task Force for Motor Vehicle Property Tax Elimination Assessment, evaluates the feasibility of eliminating property tax assessments on motor vehicles and suggesting revenue offsets. The second, a Task Force for Reviewing Local Boards of Assessment Appeals, examines local appeals processes for inefficiencies and explores the potential transition to an independent appeals system. Lastly, a Working Group for Tribal Reservation Land and Personal Property Taxation addresses taxation issues concerning reservation land and tangible personal property held in trust. Through these study groups, the General Assembly showcases its commitment to informed decision-making and pragmatic policy solutions in property tax matters.