

# 2026 CONNECTICUT TAX DEVELOPMENTS

A Shipman & Goodwin® Newsletter



In its 2026 regular session, the General Assembly made a number of changes to the statutes that affect Connecticut taxes. This newsletter summarizes Connecticut tax legislation enacted, court decisions rendered, and administrative guidance published by the Connecticut Department of Revenue Services (DRS) from July 1, 2025 through June 30, 2026. Please contact a member of our State and Local Tax Practice Group if you have any questions regarding the new tax law changes and how they may affect you and your business.

## Personal Income Tax

**Tax Credit for Family Caregiver Expenditures.** Beginning with the 2027 tax year, a new nonrefundable income tax credit of 50% of eligible expenses incurred, up to \$2,000, is available for income-eligible family caregivers who incur eligible expenditures to care for and support an eligible family member. Eligible expenditures include (1) home modifications to allow the family member to live safely and independently; (2) equipment, including durable medical equipment, needed to help the family member perform daily living activities; and (3) other care-related expenses such as hiring a home health aide, respite care, adult day care, personal care attendants, and health care equipment and technology. General household maintenance activities, such as painting, plumbing, electrical repairs, and exterior maintenance, are excluded. The credit is nonrefundable, meaning it may reduce the taxpayer's Connecticut income tax liability to zero but may not result in a refund. The credit is available to taxpayers who (A) provide care and support for an eligible family member, (B) have a federal adjusted gross income of less than (1) \$50,000 for single filers, a married individual filing separately or a head of household, or (2) \$100,000 for married individuals filing jointly, and (C) have personally incurred uncompensated expenses directly related to the care of an eligible family member. Conn. Pub. Act No. 26-68 §271 (effective January 1, 2027, and applicable to taxable years commencing on or after January 1, 2027).

**Income Tax Subtraction for Veterans' Honor Guard Compensation.** A new subtraction from Connecticut adjusted gross income is created for compensation received by a member of an honor guard detail for attending a funeral. To the extent properly includable in gross income for federal income tax purposes, the full amount of such compensation may be subtracted from federal adjusted gross income in computing Connecticut adjusted gross income. Conn. Gen. Stat. §12-701(a)(20)(B)(xxxviii), as amended by Conn. Pub. Act No. 26-35 §18 (effective July 1, 2026, and applicable to taxable years commencing on or after January 1, 2026).

### Income Tax Subtraction for National Guard Active Service Pay.

Beginning with the 2027 tax year, a new subtraction from Connecticut adjusted gross income is created for pay received by a member of the National Guard as a result of being ordered out for active service. To the extent properly includable in gross income for federal income tax purposes, the full amount of such pay may be subtracted from federal adjusted gross income in computing Connecticut adjusted gross income. Conn. Gen. Stat. §12-701(a)(20)(B)(xxxix), as added by Conn. Pub. Act No. 26-35 §19 (effective July 1, 2026, and applicable to taxable years

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*commencing on or after January 1, 2027).*

**Income Tax Subtraction Modification for U.S. Public Health Service Commissioned Corps.** A new income tax subtraction modification was created for any income received from the United States government as retirement pay for retired members of the U.S. Public Health Service's commissioned corps. In computing Connecticut adjusted gross income, a taxpayer may subtract such retirement income from federal adjusted gross income to the extent it is properly included for federal income tax purposes. Conn. Gen. Stat. 12-701(B)(20)(a) as amended by Conn. Pub. Act No. 26-68 §277 (*effective July 1, 2026, and applicable to taxable years commencing on or after January 1, 2026*).

**Withholding of Taxes from Lump Sum Retirement Distributions.** In 2024, the legislature eliminated mandatory income tax withholding on certain pension and annuity distributions but retained withholding for lump sum distributions. In 2025, the legislature suspended mandatory withholding on lump sum distributions from July 1, 2025 through December 31, 2026. The 2026 legislation extends this suspension period by one year, so that the withholding requirement for lump sum distributions from pensions, annuities, and similar sources will not apply for the period commencing July 1, 2026 and ending December 31, 2027. During this period, withholding applies to lump sum distributions only if the payee requests it. If a payee does not request withholding, the payer must withhold from the taxable portion of the lump sum distribution at the highest marginal rate, except that no withholding is required if (i) any portion of the lump sum distribution was previously subject to tax, or (ii) the lump sum distribution is a rollover effected as a direct trustee-to-trustee transfer or as a direct rollover in the form of a check made payable to another qualified account. Conn. Gen. Stat. §12-705(a)(2)(B), as amended by Conn. Pub. Act No. 26-130 §18 (*effective July 1, 2026*).

## Corporation Business Tax

**Decoupling from Federal Bonus Depreciation for Qualified Production Property.** Beginning with the 2026 income year, Connecticut disallows the federal bonus depreciation deduction for qualified production property under 26 U.S.C. §168(n) for businesses subject to the Connecticut corporate business tax. Taxpayers subject to the corporate business tax are required to add back this deduction when calculating their net income for Connecticut's corporation business tax. Connecticut already disallows the federal bonus depreciation deduction that applies to other qualifying property under 26 U.S.C. §168(k). Conn. Gen. Stat. §12-217(b) as amended by Conn. Pub. Act No. 26-68 §265 (*effective May 26, 2026*).

**Delayed Conformity to Federal R&E Expenditure Changes.** For the 2025 income year, Connecticut decouples from the new federal law that allows domestic research and experimental (R&E) expenditures to be deducted in the year paid or incurred under Section 174A of the Code. Beginning with the 2026 income year, Connecticut conforms to the federal immediate deduction rule under Section 174A. For the 2022 through 2025 income years, Connecticut taxpayers must continue to capitalize and amortize their R&E expenditures over five years. Federally, eligible small business taxpayers have the option to retroactively apply this change starting with the 2022 tax year. Connecticut disallows the retroactive application of this change for Connecticut purposes. Accordingly, even if a small business taxpayer files amended federal returns reflecting immediate R&E expense for 2022 through 2025, that taxpayer must continue to use the amortization method for Connecticut corporation business tax purposes for those years. Conn. Gen. Stat. §12-217(b) as amended by Conn. Pub. Act No. 26-68 §265 (*effective May 26, 2026*).

**Relief from Penalties and Interest on Related Tax Underpayments.** Taxpayers are exempt from interest on estimated tax underpayments for any additional tax due because of the above decoupling and delayed conformity changes. Specifically, the exemption applies to underpayments for (1) income years starting on or after January 1, 2026, but before the Act's passage, for the change to the qualified production property deduction, and (2) the 2022

through 2025 income years for the changes to the R&E deduction. The DRS commissioner must also waive any interest or penalties for underpayments for the 2022 through 2025 income years attributable to the R&E deduction changes if the taxpayer pays the additional tax by (1) November 15, 2026, or (2) the due date for the return on which they report the additional tax, regardless of any filing extension. This relief recognizes that taxpayers may not have anticipated the delayed conformity provision when making estimated tax payments for the affected periods. Conn. Pub. Act No. 26-68 §266 (*effective May 26, 2026*).

## Tax Credits

**Individual Coverage Health Reimbursement Arrangement Tax Credit.** A new tax credit is established for qualified small businesses that offer employees an Individual Coverage Health Reimbursement Arrangement (ICHRA). The credit may be claimed against the state insurance and health care center taxes, corporate business tax or income tax. A small business cannot employ more than 50 employees in the state when it applies for the tax credit and must have adopted an ICHRA instead of a traditional employer-provider health insurance plan. The available credit is the lesser of (1) the sum of qualified contributions made by the qualified small business during the applicable income or taxable year or (2) \$1,000 per covered employee. Credits are available only for the first income year the business offers the ICHRA and the subsequent year. The credit cannot be refunded and expires in the year it was earned. The Commissioner of Revenue Services must approve applications on a first-come, first-served basis and issue a certification letter stating the reserved credit amount for each of the two years. The commissioner must also provide Access Health CT with a copy of each certification letter and may enter into a memorandum of understanding with the exchange to facilitate the credit's administration. Conn. Pub. Act No. 26-68 §263 as amended by Conn. Pub. Act No. 26-76 §85 (*effective from passage and applicable to income and taxable years commencing on or after January 1, 2026*).

**Commuter Transportation Benefit Tax Credit.** A new tax credit is created for eligible employers that provide qualified commuter transportation benefits to their employees. The credit may be claimed against the corporation business tax, the insurance premiums tax, or the pass-through entity tax. This credit replaces the prior commuter tax credit under Conn. Gen. Stat. §12-217s, which is repealed effective January 1, 2027. The credit phases down over five income years: 25% of qualified commuter benefit expenditures in the first year, 20% in the second year, 15% in the third year, 10% in the fourth year, and 5% in the fifth year. These employer-provided benefits must generally be for an employee's commute between home and work, including for: (1) participation in the CTpass program for state agency employees, which provides discounted monthly local bus passes, and (2) any other qualified transportation fringe under federal law. To claim the credit, an eligible employer must submit a written commuter benefit plan to the Commissioner of Transportation for approval and submit documentation of actual expenditures, and upon verification, the commissioner will issue a voucher for the applicable credit percentage. Any unused credit may be carried forward for the three immediately succeeding income years. The credit may also be sold, assigned, or otherwise transferred, in whole or in part, to one or more taxpayers subject to the corporation business tax, and such transferees may further sell, assign, or transfer the credit. Conn. Pub. Act No. 26-21 §§1, 10 (*effective January 1, 2027, and applicable to income years commencing on or after January 1, 2027*).

**Research and Development Tax Credit for Qualified Small Businesses.** A new income tax credit is created for qualifying small businesses that incur eligible research and development (R&D) spending in Connecticut. The credit equals 6% of the R&D spending paid or incurred for a tax year. The Department of Economic and Community Development (DECD) is required to administer a voucher system for the credit program. To qualify, a business must be an S corporation or entity treated as a partnership for federal income tax purposes (or a single member LLC disregarded for tax purposes) and have gross income for the most recent tax year of less than seventy million dollars. Credit-eligible R&D spending generally includes (1) federally deductible R&D expenditures incurred and (2) qualifying basic research payments eligible for a federal R&D tax credit, provided the expenditures or payments are for R&D and

basic research done in Connecticut and are not funded by any grant or contract with a public or private entity. No qualified small business may reserve more than one million five hundred thousand dollars of credits for any taxable year. Each small business will be required to verify its eligible expenses with DECD within 90 days after the close of the year. If the credit exceeds the taxpayer's income tax liability, the taxpayer may apply for a partial refund: 90% of the excess for biotechnology businesses and 65% for other qualified small businesses. The partial refund mechanism is designed to provide meaningful benefit to early-stage businesses that may not yet have sufficient Connecticut income tax liability to absorb the full credit amount. Conn. Pub. Act No. 26-68 §267 (*effective May 26, 2026 and applicable to taxable years commencing on or after January 1, 2026*).

**Film and Digital Media Tax Credit.** The increased redemption rate for film and digital media tax credits claimed against the sales and use tax has been extended. In 2023, the Legislature increased the redemption rate from 78% to 92% of the credits' face value for the 2024 and 2025 income years. The 2026 legislation extends this 92% redemption rate for two additional years, to the 2026 and 2027 income years. Conn. Gen. Stat. §12-217j as amended by Conn. Pub. Act No. 26-68 § 268 (*effective May 26, 2026*).

**Additional Film and Digital Media Production Tax Credit.** A new additional film and digital media production tax credit is created for certain eligible production companies that film in Bridgeport, Hartford, or New Haven. This credit is intended to incentivize production activity in Connecticut's urban centers, thereby promoting economic development and job creation in those communities. The additional credit supplements the existing film and digital media tax credit and is available only for productions that conduct principal photography shooting in one or more of the designated municipalities for at least twenty days. The credit equals a percentage of these production expenses and costs, ranging from 30% to 50%. Specifically, 30% for expenses and costs between \$100,000 and \$500,000, 35% for those over \$500,000 up to \$1 million, and 50% for those over \$1 million. The aggregate amount of all production tax credit vouchers issued for this additional credit may not exceed \$1.5 million for income years commencing on or after January 1, 2027 and prior to January 1, 2029. The Department of Economic and Community Development must notify eligible production companies about this credit when issuing eligibility certificates for the existing film and digital media production tax credit, including an estimated reservation amount and application requirements. The credit is available for the 2027 and 2028 income years and may be applied against the insurance premium, corporation business, cable, satellite, competitive video, and sales and use taxes for the income year in which the production expenses or costs were incurred, or in the five immediately succeeding income years, and may be sold, assigned, or otherwise transferred according to the process under existing law for the film and digital media production tax credits. Conn. Pub. Act No. 26-68 §275 as amended by Conn. Pub. Act No. 26-76 §34 (*effective July 1, 2027, and applicable to income years commencing on or after January 1, 2027*).

**Angel Investor Tax Credit.** The angel investor tax credit has been modified in several respects. First, separate applications from a Connecticut business and related persons thereto are now to be considered a single application for purposes of the annual per-business credit cap. This change prevents taxpayers from circumventing the cap by filing multiple applications through related entities. Second, the requirement that not less than 75% of a qualifying Connecticut business's employees reside in the state has been reduced to 50%, broadening the universe of businesses that may attract credit-eligible angel investments. Additionally, Connecticut Innovations, Incorporated shall not reserve tax credits under this section for any investments made in a qualified Connecticut business on or after July 1, 2028. This sunset provision effectively establishes a two-year window during which the modified credit remains available for new investments. Conn. Gen. Stat. §12-704d, as amended by Conn. Pub. Act No. 26-76 §50 (*effective July 1, 2026*).

**Farm Investment Tax Credit Extension.** The farm investment tax credit has been extended to apply to income and taxable years commencing on or after January 1, 2027. The Act expands who qualifies as an eligible farmer under this program to include Connecticut taxpayers whose federal gross income from farming for the income or tax year

is at least \$250,000. Under existing law, Connecticut taxpayers can qualify if their federal gross income from farming for the income or tax year is at least two-thirds of their federal gross income from all sources over \$30,000. By way of example, a farmer under the prior law who had \$250,000 of farm income and \$250,000 of other income would not qualify for the credit. Under the new law, that farmer would qualify because the farmer has farming income of at least \$250,000. The credit applies for qualified investments in farm investment property situated in Connecticut. Conn. Gen. Stat. §12-217vv(a), as amended by Conn. Pub. Act No. 26-75 §2 as amended by Conn. Pub. Act. No. 26-76 §70 (effective from passage and applicable to income and taxable years commencing on or after January 1, 2027).

## Sales and Use Tax

**Expansion of Sales Tax Free Week.** The sales and use tax free week, which occurs from the third Sunday in August through the following Saturday, for clothing and footwear sold has been expanded to include backpacks and clefted shoes. Further, the exemption has been expanded to items costing less than \$300 (increased from \$100). Conn. Gen. Stat. §21-407e as amended by Conn. Pub. Act No. 26-68 §262 (effective from passage).

**Sales and Use Tax Exemption for Nonelectronic School Supplies.** A new exemption from the sales and use tax is created for nonelectronic school supplies that are purchased for nonbusiness purposes. The exemption applies to all qualifying purchases of nonelectronic school supplies regardless of the time of year in which they are purchased, distinguishing this permanent exemption from the limited sales tax holiday for back-to-school items that some states employ on an annual basis. Conn. Gen. Stat. §12-412 as amended by Conn. Pub. Act No. 26-68 §272 (effective July 1, 2026, and applicable to sales occurring on or after July 1, 2026). On June 12, 2026, the DRS issued PS 2026(1) which provides a list of qualifying “nonelectronic school supplies” and sets forth criteria concerning when a purchase is considered made for a business purpose.

**Firefighters’ Cancer Relief Account.** Telephone and telecommunications company providing local telephone service and each provider of (1) commercial mobile radio services and (2) voice over Internet protocol (VOIP) services (generally, phone calls over broadband Internet) must charge each subscriber a five-cents-per-month fee, per service line, for deposit into the firefighters’ cancer relief account. Current law requires the fees to be remitted to the state treasurer. Beginning July 1, 2026, providers must report all fees assessed and remit them with their sales and use tax returns. The fees are not subject to sales tax and should not be included in the gross receipts line on the tax returns. Conn. Gen. Stat. §§16-265l and 12-407(B)(9)(a) as amended by Conn. Pub. Act No. 26-68 §§209-210 (effective May 26, 2026).

## Estate Tax

**Standard of Proof in Estate Tax Domicile Determinations.** In *Daniels v. Commissioner of Revenue Services*, 354 Conn. 768 (2026), the Connecticut Supreme Court addressed the proper standard of proof applicable to estate tax domicile determinations under Conn. Gen. Stat. §12-391. The plaintiff, as executor of the estate of Jack Anderson, appealed from the trial court’s judgment upholding a deficiency assessment imposed by the Commissioner of Revenue Services. At the time of his death, Anderson maintained homes in Connecticut, Arizona, and Florida, and divided his time among those states. The Commissioner determined that Anderson was domiciled in Connecticut at the time of his death and assessed estate tax accordingly. The estate challenged the assessment, arguing that Anderson was domiciled in Florida. The trial court applied the clear and convincing evidence standard of proof and concluded that the executor had failed to demonstrate, by clear and convincing evidence, that Anderson was not a Connecticut domiciliary at the time of his death.

The Supreme Court held that the trial court improperly applied the clear and convincing evidence standard rather than

the preponderance of the evidence standard. Because the estate tax statutes are silent as to the standard of proof, the Court held that the default preponderance of the evidence standard applies to domicile determinations in estate tax appeals. The Court distinguished its prior holding in *Leonard v. Commissioner of Revenue Services*, 264 Conn. 286 (2003), which applied the clear and convincing standard in a sales and use tax appeal, finding that Leonard's rationale did not extend to domicile determinations. The Court noted that Connecticut courts have frequently applied the preponderance standard in property tax assessment appeals and that a survey of other jurisdictions did not reveal a consensus favoring a heightened standard for domicile disputes. The judgment was reversed as to the trial court's decision sustaining the commissioner's assessment, and the case was remanded for a new trial limited to the issue of domicile, applying the preponderance of the evidence standard. *Daniels v. Commissioner of Revenue Services*, 354 Conn. 768 (June 16, 2026).

## Property Tax

### I. Legislation

**Municipal Tax Abatement for Surviving Domestic Partners of First Responders.** The municipal property tax abatement for surviving spouses of first responders who die in the line of duty has been expanded to include domestic partners of such first responders. A "domestic partnership" is a partnership between two people who (1) are at least age 18; (2) are in a committed, intimate relationship with each other; (3) are not married to anyone; (4) would not be prohibited from marrying each other under the state's laws; (5) reside together in a principal residence; and (6) are each other's sole domestic partner. Conn. Gen. Stat. §12-81x as amended by Conn. Pub. Act No. 26-12 §62 (*effective October 1, 2026*).

**Homestead Property Tax Exemption.** Municipalities may now adopt a partial property tax exemption for certain primary residences. A municipality that adopts this new exemption must reduce, by \$50,000, the assessed value of single-family homes, common interest community units, and condominiums that are owned by, or held in trust for, one or more eligible taxpayers. To adopt the new exemption, a municipality's legislative body must vote in favor of it. The municipality may limit eligibility to taxpayers who meet length-of-residency requirements it sets. Taxpayers must annually file a form with their assessors declaring that (1) the dwelling is their primary residence, (2) they have no other primary residence, and (3) they have not claimed the exemption for any other residence that year. Taxpayers who do not file this form by November 1 are ineligible for the exemption for such assessment year. Existing law allows municipalities to provide an exemption for certain owner-occupied primary residences. Under it, municipalities may exempt between 5% and 35% of an eligible property's assessed value. The bill prohibits municipalities from providing this exemption and the new exemption in the same assessment year. New section and Conn. Gen. Stat. §12-81oo as amended by Conn. Pub. Act No. 26-68 §§224-225 (*effective May 26, 2026 and applicable to assessment years starting on or after October 1, 2027*).

**Revisions to Municipal Property Tax Assessment Statutes.** The General Assembly enacted comprehensive revisions to municipal property tax assessment statutes. Key changes include the following:

- (1) The definition of "full inspection" for property assessment purposes has been expanded to include, as an alternative to entering and examining the interior of a building, the use of imaging tools meeting the alternative to periodic on-site inspections guidance published by the International Association of Assessing Officers.
- (2) Municipalities are required to assess all property at a uniform rate of 70% of present true and actual value

or in accordance with the manufacturer's suggested retail price, as applicable.

- (3) The statutory provisions regarding the valuation of tangible personal property other than motor vehicles are now mandatory for all municipalities rather than optional.
- (4) Motor vehicle valuation guidelines previously established by OPM are eliminated, and instead the value for each motor vehicle shall be determined by the schedule of depreciation described in the statute.
- (5) A new provision provides that when the final day prescribed for a taxpayer to file any application or extension relating to the assessment of property taxes falls on Saturday, Sunday, or a legal holiday, such application or extension shall be considered timely if it is filed or postmarked on the next business day.
- (6) Digital parcel file transmission requirements are updated with new deadlines.

Conn. Pub. Act No. 26-114 (*effective October 1, 2026, various sections*).

**Property Tax Exemption for Class I Renewable Energy Sources.** The property tax exemption for Class I renewable energy sources installed for generation or displacement of energy previously was limited to exemption of equipment and devices that have the primary purpose of generating electricity and did not apply to any real property on which such equipment and devices were located or installed. This limitation has been eliminated. Moreover, the property tax exemption for Class I renewable energy sources that consist of equipment and devices that primarily collect solar energy and generate energy by photovoltaic effect has been limited to equipment and devices whose owners receive, on or after July 1, 2025, permission to operate from an electric distribution company or municipal electric utility. Conn. Gen. Stat. §12-81(57) as amended by Conn. Pub. Act No. 26-134 §1 (*effective June 4, 2026*).

**Uniform Solar Capacity Tax.** The Act expands the municipal uniform solar capacity tax to permitted systems on or after July 1, 2025. For those newly captured systems (permission to operate received on or after July 1, 2025 but before July 1, 2026), the tax is imposed for nineteen solar capacity tax years rather than the twenty-year period applicable to systems receiving permission on or after July 1, 2026. The Act also establishes a transitional notification deadline of July 10, 2026 for owners of systems that received permission to operate before July 1, 2026, and clarifies that municipal stabilization agreements—including those entered into under Chapter 203 prior to July 1, 2025—apply in lieu of the tax where the system owner receives permission to operate on or after July 1, 2025. Conn. Gen. Stat. §12-121dd as amended by Conn. Pub. Act No. 26-134 §3 (*effective July 1, 2026*).

**Extension for Filing Certain Grand List Exemptions.** Certain persons who were eligible for grand list exemptions in specified municipalities but failed to file timely are permitted to file late and receive the exemption. This relief applies to: (1) persons eligible for a 2025 grand list exemption under Conn. Gen. Stat. §12-81(76) in Berlin and Waterbury; (2) persons eligible for a 2025 grand list exemption under Conn. Gen. Stat. §12-81(7) in Lebanon, Meriden, Middletown and West Hartford; (3) persons eligible for a 2024 grand list exemption under Conn. Gen. Stat. §12-81(76) in Middletown. The person must file the required statement not later than 30 days after the effective date of the act and pay the late filing fee. Conn. Pub. Act No. 26-76 §§1-7 (*effective July 1, 2026*).

**Municipal Option to Abate Delinquent Property Taxes.** A municipality may, by vote of its legislative body (or board of selectmen if the legislative body is a town meeting), abate all or a portion of the total amount of any delinquent real property taxes owed to the municipality for the 2013 and 2014 grand lists on any parcel of land that is less than 6,000 square feet and has been owned continuously under the same ownership for not less than forty-five years. Conn. Pub.

Act No. 26-76 §8 (effective from passage).

**Validation of Property Tax-Related Actions in Wilton.** The acts and proceedings of the officers and officials of the Town of Wilton related to the mailing of the notice of assessment increase for the October 1, 2025 grand list and the hearings for appeals of such assessments conducted by the board of assessment appeals of said town are validated. Conn. Pub. Act No. 26-76 §9 (effective from passage).

**Hartford Revaluation Delay.** The City of Hartford, which is required to implement a revaluation of real property for the assessment year commencing October 1, 2026, may defer such implementation until the assessment year commencing October 1, 2027, provided such deferral is approved by the legislative body of the city. Any required revaluation subsequent to the deferred revaluation must be implemented in accordance with the regular statutory schedule, recommencing at the point in the schedule the city was following prior to the deferral. Conn. Pub. Act No. 26-76 §25 (effective from passage).

**State Property Classification for Property Tax Purposes.** The Secretary of the Office of Policy and Management (OPM) is required to collaborate with each state agency having custody or control of real property belonging to or held in trust for the state to identify all such real property that is farm land, forest land, open space land, or maritime heritage land. Upon making such identification, the secretary must notify the assessor of the municipality in which such land is located. Upon receipt of the notification, the municipal assessor must (1) classify the property accordingly, (2) value such property in accordance with the schedules of unit prices developed, and (3) add such property to the grand list. The notification must be made not earlier than thirty days before or later than thirty days after the assessment date, except in a revaluation year, when notification may be made up to ninety days after the assessment date. Any classification of property as farm land, forest land, open space land, or maritime heritage land under this provision is deemed personal to the state and does not run with the land. Such classified property remains classified without additional notification until the use is changed or the property is sold or transferred. Conn. Pub. Act No. 26-137 §2 (effective June 4, 2026 and applicable to assessment years commencing on or after October 1, 2026).

**Forest Land Use Values Reinstated.** The Secretary of the OPM is directed to reinstate the land use values for forest land that were established in the October 1, 2025 recommended values and best practices report. Such reinstated values remain in effect until the next valuation date. This provision ensures continuity of the valuation schedule for forest land classified under Connecticut's use assessment program. Conn. Pub. Act No. 26-75 §4 (effective July 1, 2026).

**PILOT Payment for Mashantucket Pequot Reservation Land.** The Mashantucket Pequot reservation lands that are eligible for the 100% reimbursement rate under the payment in lieu of taxes (PILOT) program have been expanded. Under prior law, the 100% statutory reimbursement rate applied only to land designated within the 1983 settlement boundary and taken into trust by the federal government. The Act removes the settlement boundary criteria, thus providing PILOT payments on forgone property taxes on all land taken into trust for the Mashantucket Pequot tribe, regardless of whether it is within the 1983 settlement boundary area. Conn. Gen. Stat. §12-19b as amended by Conn. Pub. Act No. 26-68 §488 (effective July 1, 2026).

**Municipal Waivers of Late Payment Interest.** Municipalities may, by vote of their legislative bodies, waive some or all of the interest on delinquent property taxes owed by a common interest community that has more than 500 units and is in a Superior Court-ordered receivership. Municipalities may also refund all or some of the interest the common interest community has already paid. Conn. Pub. Act No. 26-68 §174 (effective May 26, 2026).

**Bridgeport Mill Rate on Vehicles.** Bridgeport is permitted to set a motor vehicle mill rate that is equal to or higher

than its rate for other property types, but it may not be higher than 32.46 mills. Conn. Gen. Stat. 12-71e as amended by Conn. Pub. Act No. 26-68 §219 (effective October 1, 2026, and applicable to assessment years commencing on or after October 1, 2026).

## II. Case Law

**Collateral Estoppel in Municipal Tax Collection Actions.** In *Torrington Tax Collector, LLC v. Riley*, 354 Conn. 66 (2026), the plaintiff, a municipal tax collector for the City of Torrington, commenced a bank execution action against the defendant to collect unpaid personal property taxes associated with a business in which the defendant had previously been involved. The defendant had moved to California at least ten years earlier and claimed she never received notice of the tax debt. In a prior 2021 action, the trial court found the tax collector's bank execution "of no effect" because the defendant had not received notice of or an opportunity to challenge the tax debt, and the plaintiff had failed to comply with the written demand requirement of Conn. Gen. Stat. §12-155(a). The plaintiff withdrew its appeal of that decision, then sent written demand to the defendant's California address and initiated a new bank execution but did not provide a new tax bill or opportunity to challenge the debt. The Appellate Court affirmed the trial court's judgment, concluding that the doctrine of collateral estoppel barred the plaintiff from relitigating the issue of whether it could execute on the defendant's funds without first providing adequate notice and an opportunity to challenge because that issue was actually litigated and necessarily determined in the 2021 action. The Supreme Court determined that both independent, alternative grounds supporting the earlier judgment were entitled to preclusive effect and declined to create a public policy exception for municipal tax collection actions. The Court affirmed the judgment of the Appellate Court. *Torrington Tax Collector, LLC v. Riley*, 354 Conn. 66, 349 A.3d 551 (2026).

**Property Tax Exemption for Church-Owned Property Leased to For-Profit Daycare.** In *Lee Memorial Methodist Church of Norwich, Connecticut v. City of Norwich*, 237 Conn. App. 826 (2026), the Connecticut Appellate Court affirmed the trial court's judgment that a portion of real property owned by the plaintiff church and leased to a for-profit, licensed daycare facility was entitled to a property tax exemption under Conn. Gen. Stat. §12-81(14). The plaintiff had leased a portion of its property to Creating Opportunities for Youth, LLC (d/b/a Little Learners), an unaffiliated for-profit entity. The City of Norwich denied the exemption. The Appellate Court held that the plain language of Conn. Gen. Stat. §12-81(14) requires only that the exempt property be owned by a religious organization and that it be used exclusively as a daycare facility. The statute does not require that the daycare facility be operated by the religious organization or be a not-for-profit entity. *Lee Memorial Methodist Church of Norwich, Connecticut v. City of Norwich*, 237 Conn. App. 826 (March 10, 2026).

**Interpretation of Section 12-65b Property Tax Agreements.** In *Loch View, LLC v. Town of Windham*, 237 Conn. App. 462 (2026), the Connecticut Appellate Court interpreted a property tax agreement between a developer and municipality under Conn. Gen. Stat. §12-65b, which authorizes municipalities to enter into agreements fixing property tax assessments for up to 30 years. The case involved a developer attempting to redevelop nineteenth-century mill buildings. The court addressed issues including: (1) in agreements covering property being newly constructed or rehabilitated, expenditure benchmarks must be drafted with sufficient precision so that it is clear what types of expenditures count toward satisfaction and whether pre-agreement expenditures are included; (2) periodic reporting requirements that are not enforced by the municipality may be found waived in the event of a dispute; and (3) parties have flexibility to agree on remedies for breach, but those remedies must be expressed with precision to avoid ambiguity. *Loch View, LLC v. Town of Windham*, 237 Conn. App. 462 (2026).

**Income and Expense Penalty—Meaning of “Provided.”** In *Greenwich Retail, LLC v. Town of Greenwich*, 233 Conn. App. 78 (2025), the Appellate Court addressed whether the requirement that a municipal tax assessor “provide” an owner of rental income-producing real property with an income and expense form is satisfied when the form is

timely mailed to, but not actually received by, the property owner or its agent. The plaintiff, a Delaware LLC owning commercial property in Greenwich, argued that the word “provided” requires actual receipt by the property owner, and that the assessor’s mailing of the form to an outdated address did not comply with the statute. The assessor had bulk mailed the income and expense form to the plaintiff’s last known address in April 2020, but the plaintiff’s property manager had moved offices in 2016 without providing adequate documentation of the address change to the assessor. After the plaintiff failed to submit the required information by the extended deadline, the assessor imposed a 10 percent penalty. The Appellate Court affirmed the trial court’s judgment in favor of the town, holding that the term “provided” simply means “supplied or made available” and does not impose any specific requirement that assessors must either mail the income and expense forms in a prescribed manner or assure actual receipt by some other method. The court further concluded that the plaintiff’s interpretation would yield absurd and unworkable results, as it would require assessors to verify the correct addresses of all rental property owners—769 properties in the present case—creating a nearly impossible administrative burden. The court held that the burden lies appropriately with property owners to provide the relevant municipality with their most up-to-date addresses, and that the assessor’s mailing of the form to the plaintiff’s last known address at least 45 days before the statutory deadline satisfied the requirements of § 12-63c(a). *Greenwich Retail, LLC v. Town of Greenwich*, 233 Conn. App. 78 (2025).

**Income and Expense Penalty—Timing of Penalty Imposition.** In *CHC Fairfield, LLC v. Town of Trumbull*, 2026 WL 1329310 (New Brit. Super. Ct. May 6, 2026), the Superior Court considered whether the Town of Trumbull properly imposed a ten percent income and expense penalty for the assessment years commencing October 1, 2023 and October 1, 2024. The plaintiff acknowledged that it failed to timely file the income and expense reports but argued, relying on *Wilton Campus 1691, LLC v. Town of Wilton*, 339 Conn. 157 (2021), that the penalty should not have been applied to the grand list. The court noted, however, that after the Wilton Campus decision, the legislature enacted Public Act 23-152 (effective July 1, 2023), which expressly allows assessors to add the ten percent penalty by issuance of a certificate of correction, even after publication of the grand list, and requires the tax collector to mail a bill to the property owner within thirty days after receipt of the certificate of correction. The court found that the town demonstrated compliance with all statutory requirements, including the thirty-day billing requirement. *CHC Fairfield, LLC v. Town of Trumbull*, 2026 WL 1329310 (New Brit. Super. Ct. May 6, 2026).

**Manufacturing Exemption—Generation of Electricity.** In *McHenry Solar, LLC v. Town of Hampton*, 235 Conn. App. 355 (2025), the Appellate Court considered whether machinery and equipment used at a solar facility to generate electricity qualifies for the personal property tax exemption for manufacturing machinery and equipment under General Statutes § 12-81(76). The plaintiff, which owned solar generation equipment and sold the electricity produced to Connecticut argued that its process of generating solar electricity constituted “manufacturing” as defined in § 12-81(72)(A)(iii)—“the activity of converting or conditioning tangible personal property by changing the form, composition, quality or character of the property for ultimate sale at retail.” The court concluded that the definition of manufacturing is ambiguous as to whether it includes the generation of electricity. Applying the rule that tax exemptions must be strictly construed against the taxpayer, the court held that businesses engaged in the generation of electricity are ineligible for manufacturing exemptions from the sales tax. The court further concluded that it would be illogical to find that the generation of electricity is manufacturing for purposes of the property tax exemption but not the sales tax, given that the legislature made the definition of manufacturing the same under both statutory schemes. *McHenry Solar, LLC v. Town of Hampton*, 235 Conn. App. 355 (2025).

## Miscellaneous Taxes

**Cannabis Tax.** The current multi-tiered state taxes on retail sales of cannabis plant material, cannabis edible products, and other cannabis (based on THC content) are replaced 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. The new single-rate tax 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. The tax applies in addition to the 3% municipal cannabis tax and the 6.35% state general sales tax, bringing the total combined tax burden on adult-use cannabis sales to approximately 20.10% (exclusive of municipal property taxes and other charges). The Act also 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%. Conn. Gen. Stat. §12-330ll as amended by Conn. Pub. Act No. 26-68 §264 (*effective October 1, 2026, and applicable to sales occurring on or after that date*).

**Hospital Provider Tax.** The Act makes various changes to the hospital provider tax:

- (1) The tax on inpatient hospital services is decreased from 6% to 4% for July 1, 2026 through June 30, 2031 and to 3.5% on and after July 1, 2031.
- (2) The total revenue on which the outpatient hospital services tax is calculated has been decreased. The tax on outpatient hospital services is calculated based on the total revenue to be collected for each fiscal year from the hospital provider tax. The Act creates a table for outpatient hospital services tax rate. The total audited net revenue attributable to inpatient hospital services to be calculated as though any children's general hospital subject to a pending request to remove its exemption from the tax is subject to the tax.
- (3) If a hospital dissolves or ceases for any reason to be subject to the tax, including if the exemption for children's general hospitals remains in place, the amount of total hospital tax revenue attributable to the hospital is not collected for the fiscal year in which the hospital dissolves or ceases to operate or for any subsequent year. Instead, for the fiscal year in which the event occurs and each subsequent year, the total hospital tax revenue for the respective year is reduced, without further action, by the amount of tax attributable to the hospital and the outpatient hospital services tax rate for remaining taxpaying hospitals must stay the same.
- (4) The applicable federal fiscal year used to calculate the tax has been changed. Hospitals must report the required information by June 1, 2030, and every five years after.
- (5) Additionally, children's general hospitals are required to pay the tax starting July 1, 2026, subject to refund if federal CMS approval is not ultimately obtained. Hospital tax revenue is also diverted to a new dedicated account for specified supplemental payments. The hospital tax and related supplemental payments are required to revert to the structure and amounts in effect on June 1, 2025, under specified circumstances, including the failure to obtain necessary federal approvals.
- (6) Each hospital required to pay the tax for fiscal year 2027 must submit to the DRS commissioner the information required to calculate audited net inpatient and outpatient revenue and net revenue for each hospital for 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. If an audit is started, the hospital must comply with the commissioner's requests for the additional information needed to fully audit the hospital within 30 days after the request.

Conn. Pub. Act No. 26-68 §§357-362, as amended by Conn. Pub. Act No. 26-76 §§18-20 & 82 (*effective various dates*).

**Tax on Nursing Homes and Intermediate Care Facilities.** The Act repeals the 6% tax on nursing homes and

intermediate care facilities that was scheduled to take effect on July 1, 2026. Instead, the current quarterly user fee on these facilities will remain in place. Conn. Gen. Stat. §12-263s(b) as amended by Conn. Pub. Act No. 26-68 §60 (effective July 1, 2026, and applicable to calendar quarters commencing on or after July 1, 2026).

**Insurance Department Assessment Timing Changes.** The deadline by which the Commissioner of Revenue Services must certify insurance company tax amounts to the Insurance Commissioner has been changed from June 30 to August 31. Correspondingly, the deadline for the Insurance Commissioner to render proposed assessment statements to insurance companies and entities has been changed from July 31 to September 15. The assessment payment structure has also been revised. The first estimated payment, due June 30, has been increased from 25% to 35% of the prior year's assessment. The second installment, previously due September 30, is now due October 31 and remains at 25% (adjusted to reflect any changes from the prior year's assessment). The remaining 40% (reduced from 50% under prior law) is payable in two equal installments on December 31 and March 31. Additionally, the Insurance Commissioner's deadline to notify companies of final adjustments has been changed from September 1 to October 1. Conn. Gen. Stat. §38a-48, as amended by Conn. Pub. Act No. 26-69 §5 (effective October 1, 2026).

**Rebate for Eligible Deposit Initiators.** On or before July 15, 2026, an "eligible deposit initiator"—defined as one that derived at least 80% of its revenue for the fiscal year ending June 30, 2026, from the distribution of beer, ale, wine, or distilled spirits and properly reported a negative balance in its special account for the quarter ending June 30, 2026—may apply to the Commissioner of Revenue Services for a rebate against the tax imposed under the section. The rebate equals the negative balance reported, subject to a cap: the sum of all rebates may not exceed 80% of the revenue projected for the fiscal year ending June 30, 2027, as determined by the consensus revenue estimate issued April 30, 2026. If aggregate negative balances exceed the cap, rebates are reduced on a pro rata basis, and each eligible deposit initiator must reduce its negative balance by the rebate amount received. Conn. Gen. Stat. §22a-245a as amended by Conn. Pub. Act No. 26-2 §3 (effective March 3, 2026).

**Revisions to Gaming Statutes.** The General Assembly enacted revisions to various gaming statutes. Key changes include the following:

- (1) Licensees are required to (a) have a toll-free phone number that allows someone to get the licensee's help with problems with the licensee's electronic wagering platform, which can include a prerecorded message routing a person to online help and (b) conspicuously display this toll-free number on their websites and mobile applications, along with other information already required by law.
- (2) Advertising, marketing and other promotional materials for keno, online lottery ticket sales, or fantasy contests cannot be published or otherwise disseminated (a) during television programs primarily aimed at people under age 18 or (b) at athletic facilities on higher education institution campuses or on websites, social media, online services, or mobile applications of, or maintained by or on behalf of, these institutions.
- (3) Each lottery gaming system must be tested and certified in a manner and frequency determined by the Department of Consumer Protection ("DCP"). DCP must notify CLC that it deems testing and certification necessary within two weeks of receiving a notice from CLC that it plans to offer a new lottery draw game or modify an existing game or keno. If an emergency requires modifying an existing game or keno, DCP must immediately notify CLC if the department deems testing and certification necessary. After reviewing the lab's report and evaluating a lottery draw game or keno, DCP can suspend or revoke approval of a lottery draw game or keno without notice if DCP has good cause to believe continued operation of the game or keno is a threat to gaming security and integrity. The Act (1) eliminates DCP's option to revoke approval, (2) eliminates DCP's ability to take action without notice, and (3) changes the good cause finding to instead require good

cause to believe that continued operation of the game or keno could reasonably cause substantial detriment to the public interest.

Conn. Pub. Act No. 26-53 (effective May 19, 2026, various sections).

## Administrative Matters

### I. Legislation

**Sourcing Revenue to Municipalities.** Existing law requires the DRS commissioner, starting with FY 26, to track and record the source of state sales and use, personal income, and corporation business tax to accurately and fairly attribute the revenue from each of these taxes to municipalities. The Act additionally requires the commissioner to track and record the source of insurance premiums taxes for this same purpose. Conn. Gen. Stat. §12-7e as amended by Conn. Pub. Act No. 26-68 §273 (effective July 1, 2026).

**Payroll Tax Working Group.** A working group is established to study and provide recommendations on establishing a payroll tax program for state employees. The working group is tasked with evaluating the feasibility, structure, and potential revenue impact of such a program, and must report its findings and recommendations to the Finance, Revenue and Bonding Committee by January 1, 2027. Conn. Pub. Act No. 26-68 §249 (effective May 26, 2026).

**Working Group for Volunteer Firefighters.** A working group is established to review and make recommendations for legislation regarding tax incentives and credits for volunteer firefighters in the state. Conn. Pub. Act No. 26-12 §63 (effective May 11, 2026).

**Connecticut Workforce and Productivity Gap Plan.** By January 1, 2027, the OPM secretary, in consultation with the revenue services and labor commissioners and chief workforce officer, must submit a plan to the General Assembly to address technological advancements and workforce impacts. The plan must include a formula for a surcharge against employers that maintain a “productivity gap,” defined as a measurable increase in revenue-per-employee hours occurring when Connecticut payroll is reduced materially while gross revenue remains stable or increases. The plan must also include a workforce and economic stability account in which the surcharge funds will be used for grants to employers to acquire and train staff on generative or assistive artificial intelligence technologies that demonstrate a measurable increase in per-worker output without a corresponding reduction in headcount. Conn. Pub. Act No. 26-68 §274, as amended by Conn. Pub. Act No. 26-76 §59 (effective January 1, 2027).

### II. Administrative Publications

**Diesel Fuels Tax.** Effective July 1, 2026, the motor vehicle fuels tax rate per gallon on the sale or use of diesel fuel increases from 48.9 cents to 49.9 cents. AN 2026(2), Motor Vehicle Fuels Tax Rate on Diesel Fuel Effective July 1, 2026.

**Prepaid Wireless E 9-1-1- Fee.** Effective July 1, 2026, the prepaid wireless E 9-1-1 fee increases from 69 cents to 74 cents. This rate will remain in effect through June 30, 2027. TSSB 2026-1, Prepaid Wireless E 9-1-1 Fee Increase Effective July 1, 2026.

## Tax Studies

**Study of the Human Capital Investment Tax Credit.** The Department of Revenue Services, in consultation with the Office of Policy Management, shall study the expansion of the human capital investment tax credit to cover intern compensation paid by (a) employers who earned the online training credential and (b) an S corporation, limited liability company, limited liability partnership, or limited partnership that earned the credential. Conn. Pub. Act No. 26-12 §61 (*effective October 1, 2026*).

**Study of Sales and Use Tax Exemption for Veterans' Organizations.** The Commissioner of Revenue Services, in consultation with the Commissioner of Veterans Affairs and representatives of military and veterans' organizations that are exempt from federal income tax under Section 501(a) of the Internal Revenue Code and that operate in Connecticut, is directed to conduct a study to (1) determine the amount of tangible personal property or services purchased annually by such organizations, and (2) evaluate the fiscal impact of establishing an exemption from the state sales and use tax for such organizations. The commissioner must submit a report of findings and any recommendations for legislation to the joint standing committee having cognizance of matters relating to veterans' and military affairs not later than January 1, 2027. Conn. Pub. Act No. 26-35 §23 (*effective May 26, 2026*).

**Dairy Farming Sustainability Working Group.** A Dairy Farming Sustainability Working Group is established within the Department of Agriculture to develop long-term support recommendations for the state's dairy industry. The working group's recommendations must include, but are not limited to: (1) the potential use and efficacy of a reimbursable tax credit program for dairy producers, (2) use of Community Investment Act funding for dairy sustainability, (3) processing capacity within the state, and (4) the use and efficacy of property tax exemptions for farmers, including both mandatory and optional local exemptions. The Commissioner of Agriculture must submit the working group's recommendations to the relevant joint standing committees on or before January 1, 2027. Conn. Pub. Act No. 26-75 §3 (*effective May 27, 2026*).

## Office of Legislative Research Reports

**OLR Report on Comparison of State Income Taxes.** The Connecticut General Assembly's Office of Legislative Research published Report 2026-R-0057, comparing Connecticut's personal income taxes to those of California, Illinois, Massachusetts, New Jersey, New York, and Rhode Island. The report provides examples of relative taxes owed and tax rates for resident taxpayers in those states.

**OLR Report on Mandatory Property Tax Relief for Homeowners.** The Office of Legislative Research published Report 2026-R-0027, describing the property tax relief municipalities must provide to eligible homeowners under mandatory programs. This report updates OLR Report 2024-R-0126.

## Administrative Publications

### Announcements

AN 2026(2), Motor Vehicle Fuels Tax Rate on Diesel Fuel Effective July 1, 2026

AN 2026(5), Assessments Refunded by the Connecticut Insurance Guaranty Association

AN 2026(6), 2026 Revision of Forms TPM-1 and TPM-2

### Information Publications

IP 2026(1) - Circular CT - Employer's Tax Guide to Withholding



IP 2026(7) - Is My Connecticut Withholding Correct?  
IP 2026(8) - Connecticut Tax Guide For Payers of Nonpayroll Amounts

**Policy Statement**

PS 2026(1), The Exemption from the Sales and Use Tax for Nonelectronic School Supplies

**Taxpayer Services Special Bulletins**

TSSB 2026-1, DRS Announces Prepaid Wireless E 9-1-1 Fee That Will Be In Effect From July 1, 2026 Through June 30, 2027

TSSB 2025-6, Taxpayer Alert DRS Warns Taxpayers of New Scam Involving Fraudulent Text Messages

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