



CENTER ON BUDGET AND POLICY PRIORITIES

820 First Street, NE, Suite 510, Washington, DC 20002
Tel: 202-408-1080 Fax: 202-408-1056 center@cbpp.org www.cbpp.org

CONNECTICUT

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Connecticut is rated as having a significant risk of a structural deficit based on its score of six on the risk scale for structural deficits.



- In Connecticut, corporate income taxes as a share of total taxes declined by 15 percentage points from 1989-2002, surpassing the US average decline of 4.1 percentage points.
- Connecticut provides preferences to seniors in its property tax, regardless of their income level. Also, its income tax preferences for seniors exceed the US average.
- The top bracket of Connecticut's income tax starts at a relatively low level making it a less progressive tax. An individual earning \$30,000 in Connecticut pays income tax at the same rate as someone earning \$300,000.
- During 1994-2000, Connecticut reduced its personal income tax, its corporate income tax and its motor fuel tax. The reduction in income taxes was greater than the reduction in the fuel tax. This is problematic since income taxes provide stronger growth over the long term than other taxes.
- Connecticut has a constitutional spending limit which restricts appropriations growth to the greater of the average growth in personal income for the previous five years or inflation from the previous year.
- Connecticut remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated \$141 million per year.