



“We targeted these tax cuts and credits specifically for middle-class and working-class taxpayers because we want to enact the broadest-based relief possible to those who need it.”

— Gov. Ned Lamont, signing tax cut legislation June 12, 2023

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Connecticut

Pop. (2023): 3,610,650
Median household income (2023): \$86,611
Credit Rating: AA- / Stable

Pop. growth 2023–2028: -0.10%
Median age (2023): 42.0
Right-to-work state: No

LEGISLATIVE UPDATE

Signed in June, Connecticut’s two-year state budget provides for what Gov. Lamont says is the largest reduction in state income tax ever enacted. The law provides an income tax cut to Connecticut’s middle class, increases the Earned Income Tax credit for low-income workers and benefits seniors by expanding exemptions on certain pension and annuity earnings.

The income tax cut provided for in the budget reduces from 3% to 2% the rate on the first \$10,000 earned by individuals and the first \$20,000 by couples. The 5% rate on the next \$40,000 earned by individuals and the next \$80,000 by couples will decrease to 4.5%. Benefits are capped at individual filers who earn \$150,000 and couples who earn \$300,000. It is estimated that 1 million tax filers will benefit from the rate cuts, according to the governor’s office.

The increase in the Earned Income Tax Credit for low-income workers is projected to deliver an additional \$44.6 million in state tax credits to an estimated 211,000 low-income filers. The rate will increase from the earlier 30.5% of the federal credit to 40%. The budget allows for a phase-out of specified pension and annuity and IRA distribution deductions against the personal income tax.

