Connecticut Passes Tax Credit for Commuter Benefit

Connecticut has enacted a state tax credit for employer-provided transportation benefits, effective **Jan. 1, 2027**.

Eligible Employers

Employers are eligible for the tax credit if they are:

- Licensed to operate a business in the state;
- Subject to a tax under Connecticut General Statutes Chapter 207, 208 or 228z; and
- An employer with at least five employees in the state.

The number of employees is calculated by averaging the employer's number of employees during the preceding 12 months.

Participating Employees

Employees are considered "participating employees" under the law if they work at least 20 hours per week in the state.

Tax Credit

Starting Jan. 1, 2027, and continuing for five years, eligible employers may take a credit against Chapter 207, 208 or 228z taxes for a qualified commuter transportation benefit they provide to participating employees under an approved commuter benefit plan.

The amount of the credit diminishes over the five years it is allowed, as follows:

- **First income year: 25%** of the qualified commuter benefit expenditures made in that year;
- **Second income year: 20%** of the qualified commuter benefit expenditures made in that year;
- **Third income year: 15%** of the qualified commuter benefit expenditures made in that year;
- **Fourth income year: 10%** of the qualified commuter benefit expenditures made in that year; and
- **Fifth income year: 5%** of the qualified commuter benefit expenditures made in that year.

Unused credits may be carried forward and credited against taxes in the

Highlights

Connecticut recently passed a state tax credit for commuter benefits:

- Eligible employers providing qualified commuter transportation benefits may take a credit against the expense of the benefit for five years;
- The amount of the credit diminishes over the five-year period; and
- Employers must apply to the Connecticut commissioner of transportation to take the credit, describing their proposed commuter benefit plan.

The credit goes into effect Jan. 1, 2027.

three immediately succeeding income years, or until the full credit has been allowed, whichever occurs first.

To claim the credit, employers must submit an application to the Connecticut commissioner of transportation, describing their proposed commuter benefit plan and including:

1. The type of qualified commuter transportation benefits to be established or expanded;
2. The projected qualified commuter benefit expenditures to be made over the five-year period;
3. The number of participating employees expected to be covered; and
4. Any additional information the commissioner may require.

Once an application and commuter benefit plan are approved, the commissioner will determine and reserve the amount of the credit the eligible employer will be entitled to claim over the five-year period. Employers must provide documents demonstrating their commuter benefit expenditures annually.

Employers may sell or assign their unused tax credits to other taxpayers.

The total amount of tax credits permitted under the new provision is limited to $7.5 million.

Qualified Commuter Transportation Benefit

"Qualified commuter transportation benefit" means any benefit provided by an eligible employer to an employee for the purpose of commuting between the employee's residence and place of employment. It includes participation in the CTpass program and any other transportation benefit that qualifies as a qualified transportation fringe under 26 USC 132(f).

The term does not include the use of a single-occupancy vehicle to commute between the employee's residence and place of employment.

Employer Next Steps

Connecticut employers that provide a commuter benefit or are interested in pursuing one should review the tax credit requirements against their plans. Employers should also watch for guidance from the state department of transportation on the availability of applications for the new tax credit.