

The CuT: Connecticut's Quarterly Economic News

April 2025

ADVANCECT
CONNECTICUT



ABOUT US

Part of Team Connecticut, Connecticut's economic development partnership, AdvanceCT is the leading business attraction entity for the state.

AdvanceCT, in close collaboration with the Connecticut Department of Economic and Community Development (DECD) and partners statewide, provides business support services to companies looking to locate and grow in Connecticut.



Understanding Connecticut's Trajectory

Connecticut ended strong in 2024, as we continued to see positive improvements in the state's standings, especially relative to the pre-pandemic era.

- Connecticut was in the **top half of states for GDP growth for the 3rd straight year** in 2024. While quarterly performance has varied, this longer-term sustained growth is a notable improvement after 4 straight years in the bottom 10 (2018-2021).
- The state's **productivity** remained high at **#4 in the nation**, more than 20% higher than states like Florida, Georgia, and North Carolina—meaning employers get good value for the workers they hire.
- The state also saw **strong job growth in 2024**, particularly the second half of the year when private sector employment reached new all-time highs several months in a row.
- With tax season upon us, we also want to highlight business taxes. Tax systems are complicated, and different indexes—looking at everything from system structure to tax rates—often come to very different conclusions about how states compare. However, one of the most reputable indexes that measures the **total taxes businesses actually pay** relative to their economic output estimates Connecticut's total effective business tax rate at 4.0%, tied for **10th lowest in the country**.

CONNECTICUT'S STATE GDP

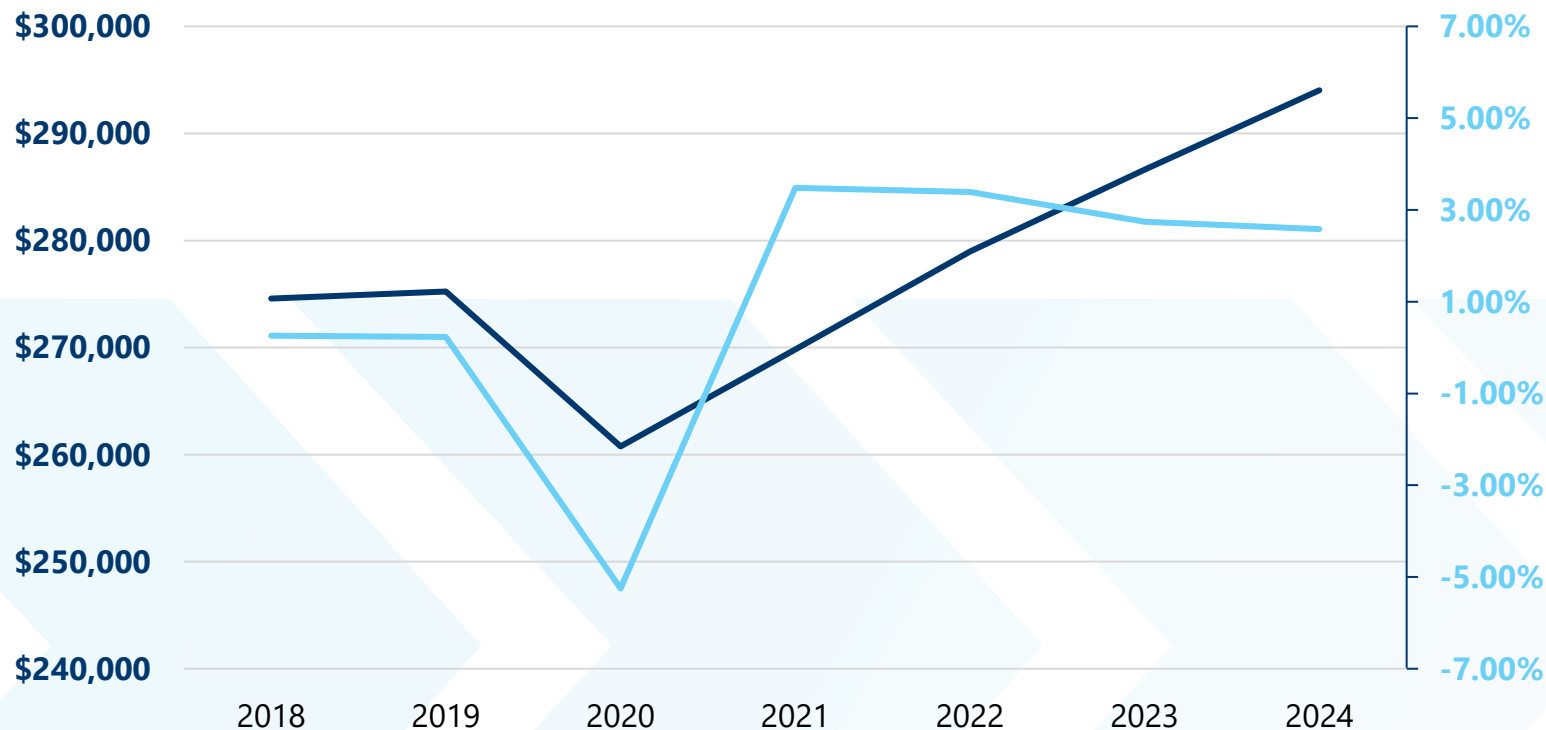
ECONOMIC OUTPUT



Connecticut Ranks In The Top Half Of States For Annual GDP Growth For Third Consecutive Year

Connecticut Annual Real GDP, In Millions of Chained 2017 Dollars

— Annual Real GDP — Annual Real GDP Growth



CT 1Y Growth Rank

48

45

45

43

10

24

23

- Connecticut has seen sustained top 25 growth over the past 3 years after 4 straight years in the bottom 10
- While some have expressed concerns regarding apparent slower Q4 growth, these should be taken in context
 - Quarterly data is prone to fluctuations
 - Current data reflects the preliminary release and will be updated as more detailed data become available
 - 3 years of consistent growth is more reflective of overall performance than one quarter

Connecticut Sees Strong Preliminary 2024 Annual GDP Growth Rank

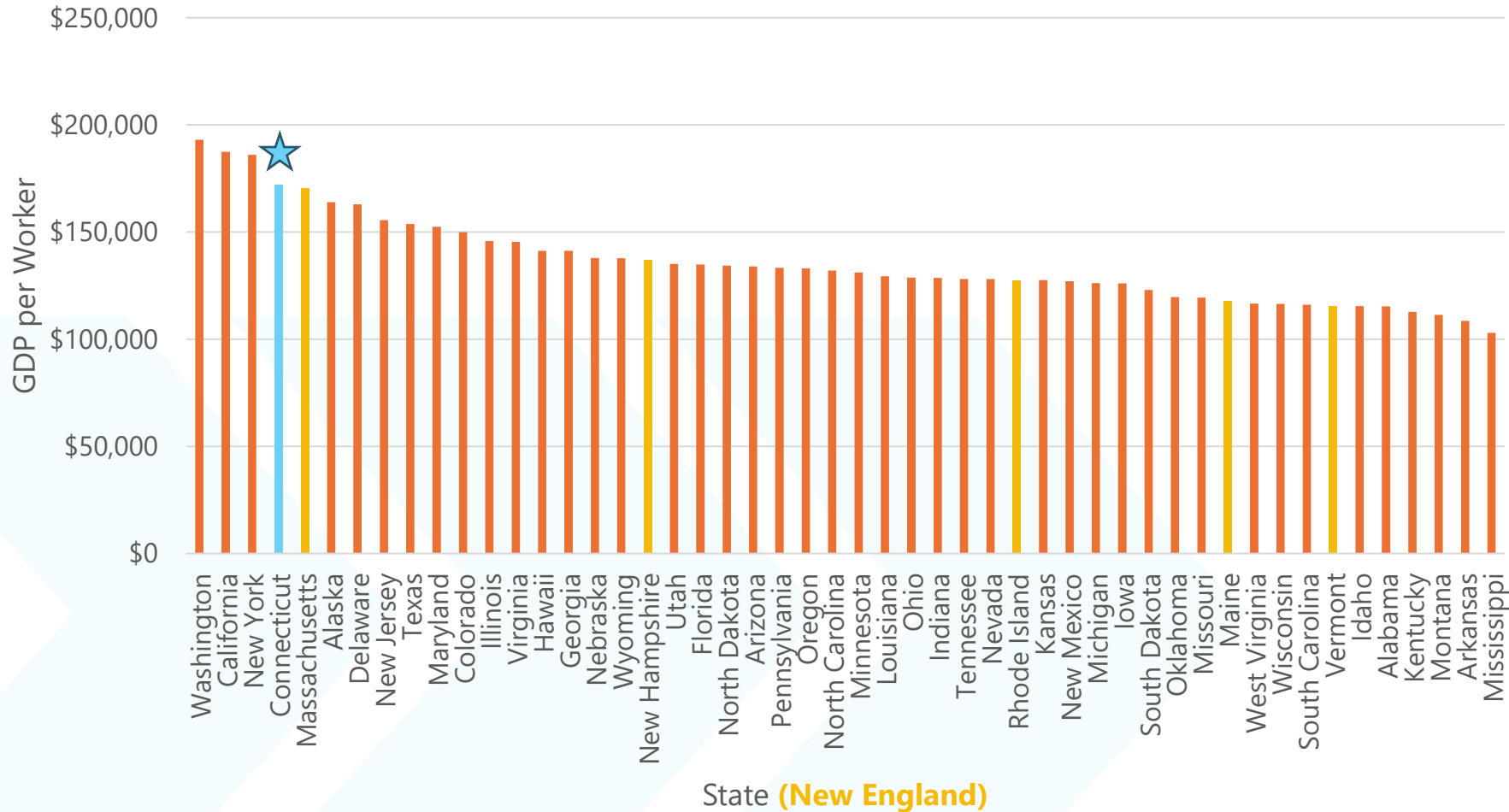
	2023-2024 Preliminary Real GDP Growth (Rank)
United States	2.8%
New England	2.9%
New Hampshire	3.2% (13)
Rhode Island	3.2% (14)
Maine	3.0% (17)
Massachusetts	2.9% (19)
Connecticut	2.6% (23)
New York*	2.4% (26)
Vermont	2.3% (32)
New Jersey*	2.3% (33)

- CT ranks **#23 for real GDP growth** in 2024, a one-place improvement from #24 in 2023.
- CT growth is on par with the U.S. and New England average, and is **ahead of** states like **New York** and **New Jersey**



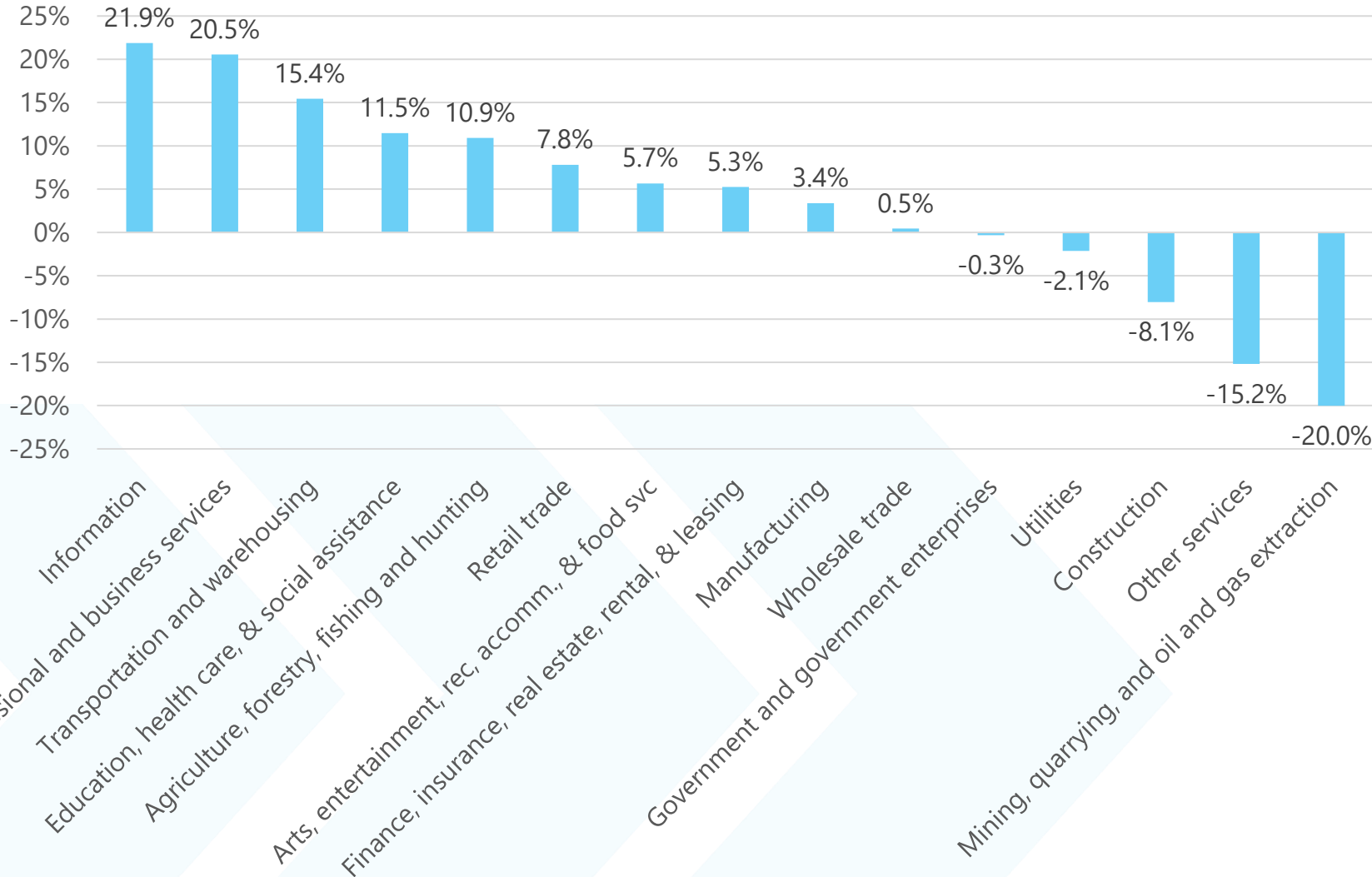
Connecticut Has The 4th Highest Worker Productivity In The Country

State Productivity by real GDP per Worker



- ✓ Connecticut is the **4th most productive state** in the country, and **the most productive state** in New England
- ✓ Connecticut is **over 20% more productive** than states like Georgia, Florida, and North Carolina

Connecticut's Percent Change in Real GDP by Industry 2019 to 2024



- Real GDP has surpassed pre-covid levels, though the industry mix has shifted
- Information, professional and business services, and transportation and warehousing have experienced the highest increases in output, while other services, construction, utilities, and government have decreased somewhat*
- Professional and business services grew the most by dollar amount, almost \$7B

Source: Bureau of Economic Analysis, 2024

*While mining has experienced a decrease in GDP in percentage terms, this industry is very small in Connecticut so the change in dollars is negligible.

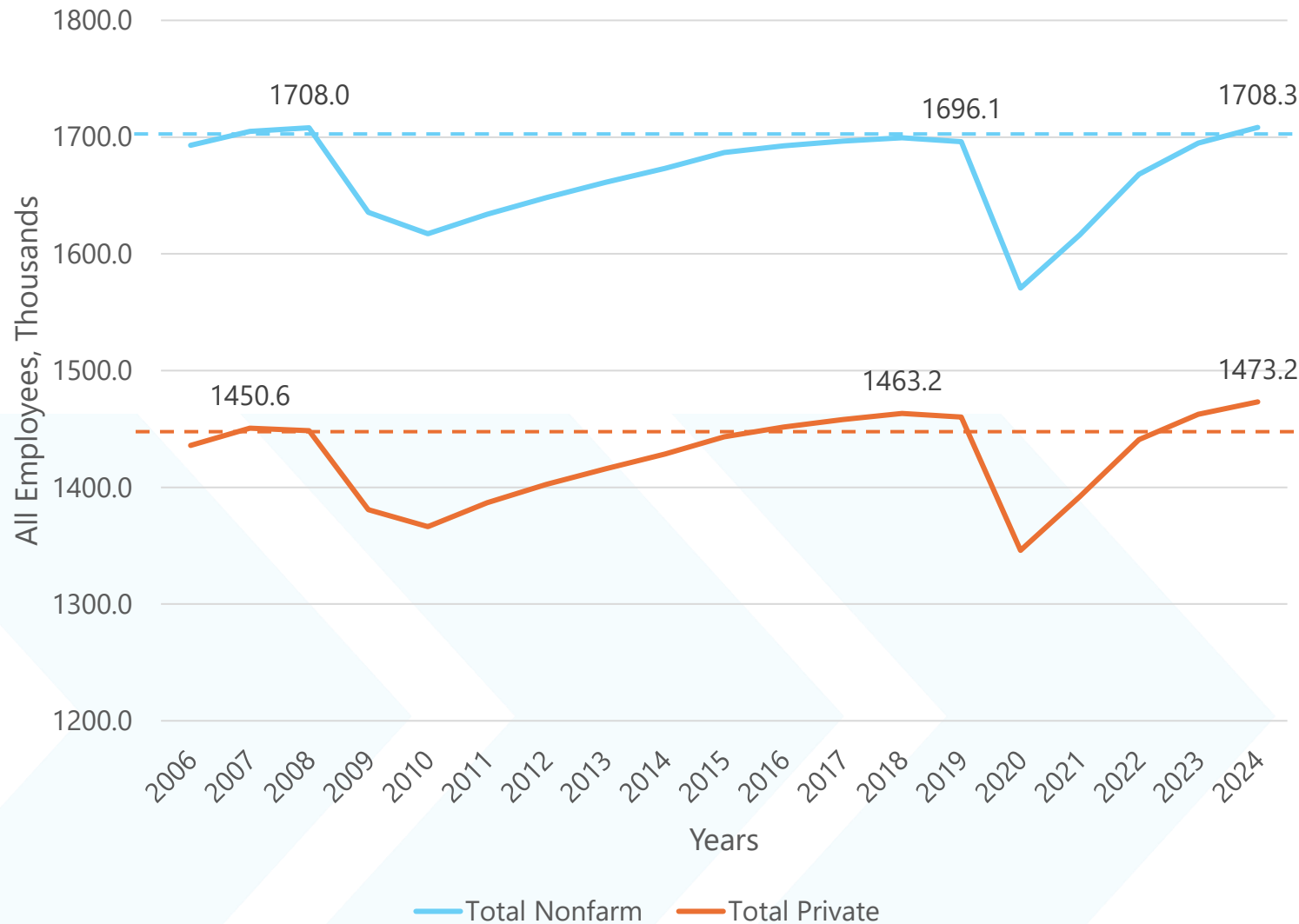
JOBS GROWTH

POWERING BUSINESSES



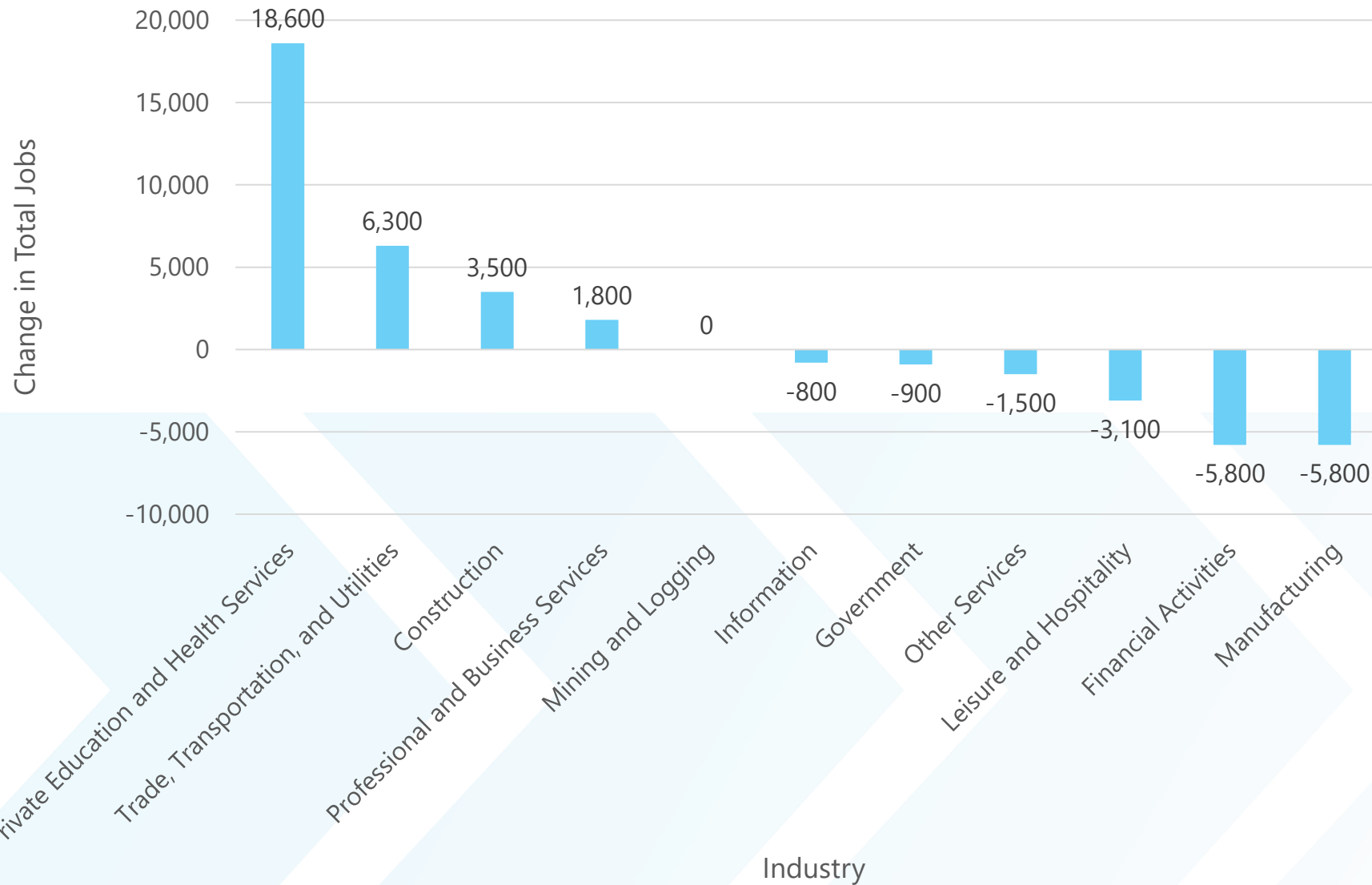
Total Nonfarm Jobs in Connecticut Reach All-Time Highs in 2024

Total Jobs by Year²



- Both total payroll jobs and labor force hit new all-time highs in 2024¹
- Private sector jobs reached new all-time highs in multiple months in 2024¹
- The slower recovery in total nonfarm jobs compared to total private sector jobs was driven by a 24,400 decrease in government jobs between 2008 and 2024²
- Changes at the national level are expected to impact Connecticut's 2025 jobs trends,¹ and preliminary data shows employment has tapered off slightly in Q1 2025.³

Connecticut's Change in Total Jobs Between 2019 and 2024 by Industry



- Private education and health services had the largest increase in jobs since 2019; followed by trade, transportation, and utilities; and construction.
 - Private education and health services and construction typically grow with population, and Connecticut's population has grown significantly post-pandemic.
 - Transportation and warehousing jobs have increased significantly, but that growth is partly offset by decreases in retail trade jobs in that supersector.
- Manufacturing and financial activities experienced the largest decreases in employment, in line with longer term trends in their respective industries (e.g., aging workforce, specialization in high value-added manufacturing, technology advancement).

Source: Bureau of Labor Statistics, Current Employment Statistics, 2024; AdvanceCT calculations.

BUSINESS TAXES

MEASURING CONTRIBUTIONS



Different Business Tax Ranking Methodologies Yield Widely Disparate Results for Connecticut

Measurable differences in business taxes by state are minimal. (Notice the large number of ties in two of the rankings.; the State Tax Competitiveness Index also acknowledges this, but their methodology is designed to ensure there are no ties.)

Methodology weighs heavily on rankings.

EY's Lowest TEBTR States

Rank	State
1 (T)	Indiana
1 (T)	Michigan
1 (T)	North Carolina
4 (T)	Georgia
4 (T)	Missouri
6 (T)	Massachusetts
6 (T)	Utah
8 (T)	Arizona
8 (T)	Wisconsin
10 (T)	Connecticut
10 (T)	Idaho
10 (T)	Maryland
10 (T)	Ohio

Tax Foundation State Tax Competitiveness Index Top States

Rank	State
1	Wyoming
2	South Dakota
3	Alaska
4	Florida
5	Montana
6	New Hampshire
7	Texas
8	Tennessee
9	North Dakota
10	Indiana
...	
47	Connecticut

Lowest Statutory Corporate Income Tax Rate for Top Bracket*

Rank	State
1	North Carolina
2 (T)	Missouri
2 (T)	Oklahoma
4	Arkansas
5	North Dakota
6	Colorado
7	Utah
8 (T)	Arizona
8 (T)	Indiana
10 (T)	Kentucky
10 (T)	Mississippi
10 (T)	South Carolina
...	
35 (T)	Connecticut

Source: Ernst & Young, Total State and Local Business Taxes, FY 2023—released Dec 2024; Tax Foundation, State Tax Competitiveness Index, 2025; Tax Foundation, State Corporate Income Tax Rates and Brackets, 2025. *Tax Foundation altered Connecticut's top bracket methodology this year to create a top bracket incorporating the capital stock tax for businesses earning at least \$100,000,000 in annual gross income. In previous year publications without this adjustment, Connecticut typically ranked around 5 places better.

How Methodology Impacts State Business Tax Rankings

#10

Ernst & Young Total State and Local Business Taxes Report

- Total Effective Business Tax Rate (TEBTR) is a **quantitative measure** which calculates **total taxes ultimately borne by businesses divided by private sector state GDP**.
- Connecticut is one of 12 states with a TEBTR under 4%. The variation in state TEBTRs is very small, so minor shifts in rank are common. Connecticut has fluctuated between 7th and 12th since 2020.
- Connecticut is among the 6 states where businesses pay the least amount of taxes relative to the benefits they receive from government spending (via allocation of state expenditure categories as benefits to businesses).

#35

Tax Foundation State Corporate Income Tax Rates and Brackets

- Methodology identifies the **top marginal corporate income tax rate** in each state.
- Due to the complexity of states' tax systems, including deductions, credits, and varying definitions of income, this rank is not necessarily reflective of what businesses pay. Nevada, Ohio, Texas, and Washington have a gross receipts tax instead of a corporate income tax.
- Connecticut's ranking has shifted over the years due to changes in how the state's capital stock tax is accounted for. From 2019-2024, it was footnoted, leaving Connecticut's top rate at 7.5%. In 2025, it was incorporated, and the state's top marginal tax rate was calculated as 8.25%, shifting the state's rank 5 slots lower.

#47

Tax Foundation State Tax Competitiveness Index (previously State Business Tax Climate Index)

- Evaluates the **structure of state tax systems** to determine the degree to which this distorts the free market.
- Connecticut has ranked 47th in this index for a decade or more, ranking near our peer states in the Northeast (e.g. Massachusetts, 41; New Jersey, 49; New York, 50 in 2025).
- States with progressive individual income tax structures rank poorly in this index. Policies that distort the market—such as investment tax credits—also cause a state to rank lower, even if those policies reduce the tax burden.

TO SUM IT UP

10 (T)	Connecticut
10 (T)	Idaho
10 (T)	Maryland
10 (T)	Ohio

Measurable differences in state business taxes are minimal

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In rankings that measure actual taxes paid by businesses, Connecticut consistently ranks well (among top ~12)



To get a true evaluation of what their tax position in different states may be, businesses should consult an accountant or tax attorney.



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CHOOSE Connecticut

ADVANCECT
CONNECTICUT

Engage. Retain. Recruit.

AdvanceCT is a private nonprofit economic development organization that drives job creation and new capital investment in Connecticut through business attraction, retention, and expansion, in close cooperation with state, regional, and local partners.



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