

# The CuT: Connecticut's Quarterly Economic News

January 2026

**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.



# CONNECTICUT'S STABILITY, COMPETITIVENESS, & RESILIENCE

Connecticut enters the end of 2025 with a strong fiscal and labor-market position.

- The state's business tax environment remains a competitive advantage, with Connecticut ranking 7th lowest nationally in total effective business tax rate in FY 2024. This standing reflects a consistently low tax burden on businesses and a tax structure that relies less heavily on business taxation than any other state, reinforcing Connecticut's attractiveness for private-sector investment.
- Connecticut's fiscal resilience is underscored by one of the strongest reserve positions in the country. The state ranks among the top ten nationally in Rainy Day Fund balances and 5th in per-capita reserves, providing a substantial buffer against economic volatility and strengthening long-term budget stability.
- Labor market conditions remain broadly healthy despite modest softening late in the year. Private-sector employment continues to exceed pre-pandemic levels, and Connecticut's unemployment rate, while ticking up slightly in November, has remained below the national rate for nearly three years. Labor force churn has largely normalized after a brief late-summer slowdown, signaling stabilization rather than contraction.

Taken together, these fiscal and labor-market dynamics point to an economy that is moderating from recent highs and remains fundamentally strong, well-capitalized, and positioned for sustained growth relative to historical and regional benchmarks.

# EFFECTIVE TAX RATE

ERNST & YOUNG FY 2024 UPDATE



	5	6	7	8	9	10	11	12
18.48	16.16	15.72	2,276	18.17	55.32	31.42	14.77	
16.16	15.25	25.41	3,654	55.32	31.42	14.77		
16	33.24	54.32	23.31	9,220	31.42	14.77		

# Connecticut's Total Effective Business Tax Rate Ranks 7<sup>th</sup> Lowest in Nation

Rank (lowest TEBTR to highest)	State	Total Effective Business Tax Rate (TEBTR), FY 2024
1	North Carolina	3.20%
2 (tie)	Indiana	3.30%
2 (tie)	Michigan	3.30%
4 (tie)	Arizona	3.50%
4 (tie)	Georgia	3.50%
4 (tie)	Ohio	3.50%
7 (tie)	Connecticut	3.60%
7 (tie)	Missouri	3.60%
7 (tie)	Utah	3.60%
10 (tie)	Idaho	3.80%
10 (tie)	Massachusetts	3.80%
12	New Hampshire	3.90%

- ✓ **Top-tier national standing:** Connecticut ranks 7th lowest nationally in total effective business tax rate (TEBTR), consistent with recent years despite normal rank fluctuation.
- ✓ **Regional leader:** Connecticut outperforms Northeast peers including Massachusetts (10th), New Jersey (20th), Pennsylvania (25th), Rhode Island (38th), and New York (43rd).
- ✓ **Low and declining burden:** Connecticut's FY2024 TEBTR is 3.6%, down from 4.0% in FY2022 and FY2023, placing it among 12 states below 4%.
- ✓ **Business-friendly tax mix:** Businesses pay 31.5% of total state and local taxes, the lowest share nationally, reflecting greater reliance on individual income taxes rather than business taxes.

$$\begin{array}{l}
 \text{Total Effective} \\
 \text{Business Tax} \\
 \text{Rate (TEBTR)}
 \end{array}
 =
 \frac{\text{Total State \& Local Taxes Paid by Businesses}}{\text{Private Gross State Product}}$$

(measure of total taxable business activity)

# FISCAL UPDATE

## RAINY DAY FUND



# Connecticut Rainy Day Fund Among the Largest in Nation

## Top 10 Largest Rainy Day Fund Balances

State	Rainy Day Fund FY2025 (\$ in millions)
California	\$35,891
Texas	\$24,282
New York	\$8,756
Massachusetts	\$8,227
Pennsylvania	\$7,491
Georgia	\$5,583
Kentucky	\$4,812
Virginia	\$4,750
Florida	\$4,441
<b>Connecticut</b>	<b>\$4,327</b>



Connecticut ranks **5<sup>th</sup> nationally** for Rainy Day Fund dollars per capita

(NASBO, FY2025– Fall 2025 release; U.S. Census Bureau, 2024, most recent as of Jan 2026)



Connecticut is in the **Top 10** states with the **largest Rainy Day Fund balances** for FY2025

(NASBO, FY2025– Fall 2025 release)



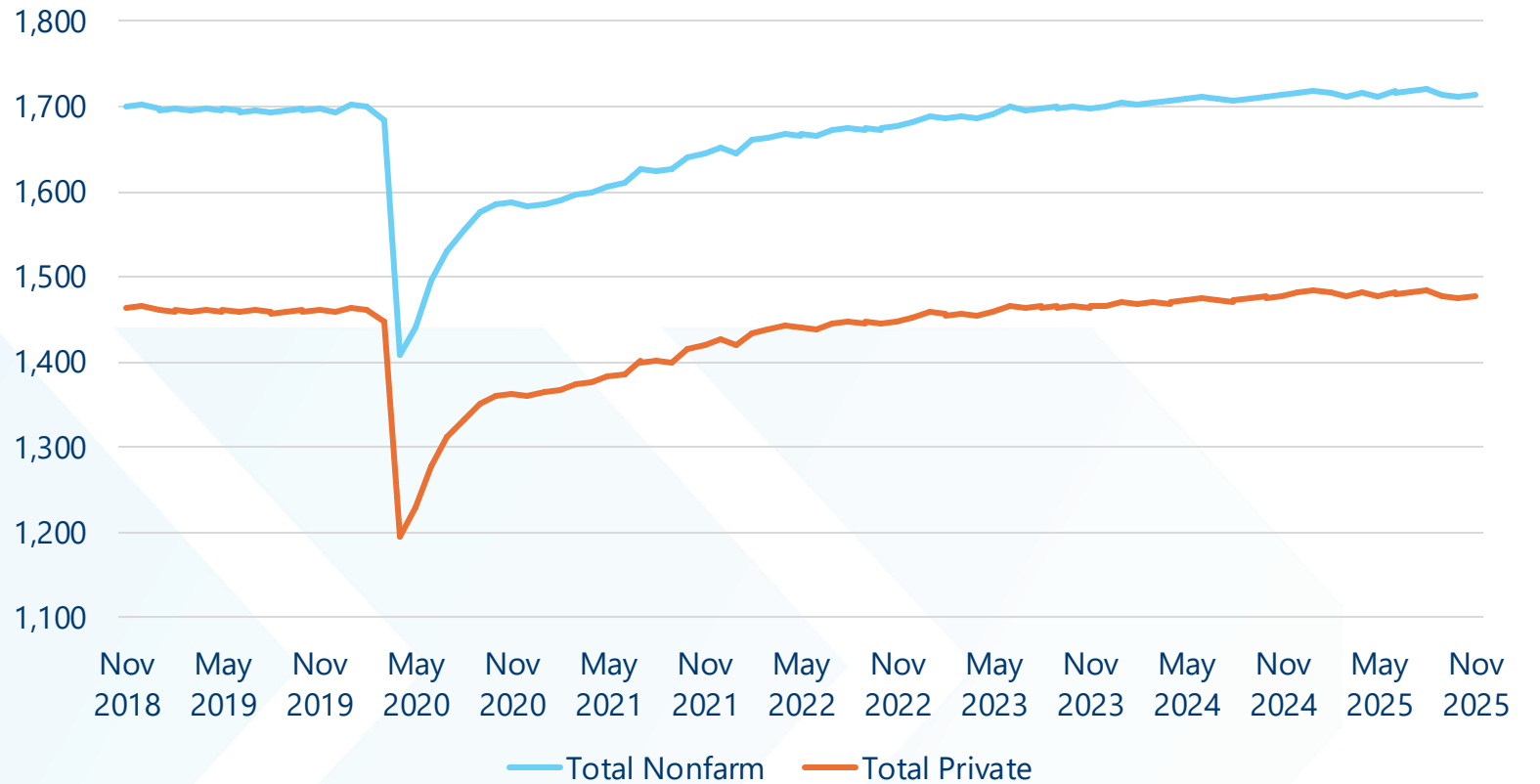
# LABOR FORCE

JOB GROWTH & LABOR CHURN

# Connecticut is Ending 2025 Strong, While Unemployment Remains Below U.S. Levels

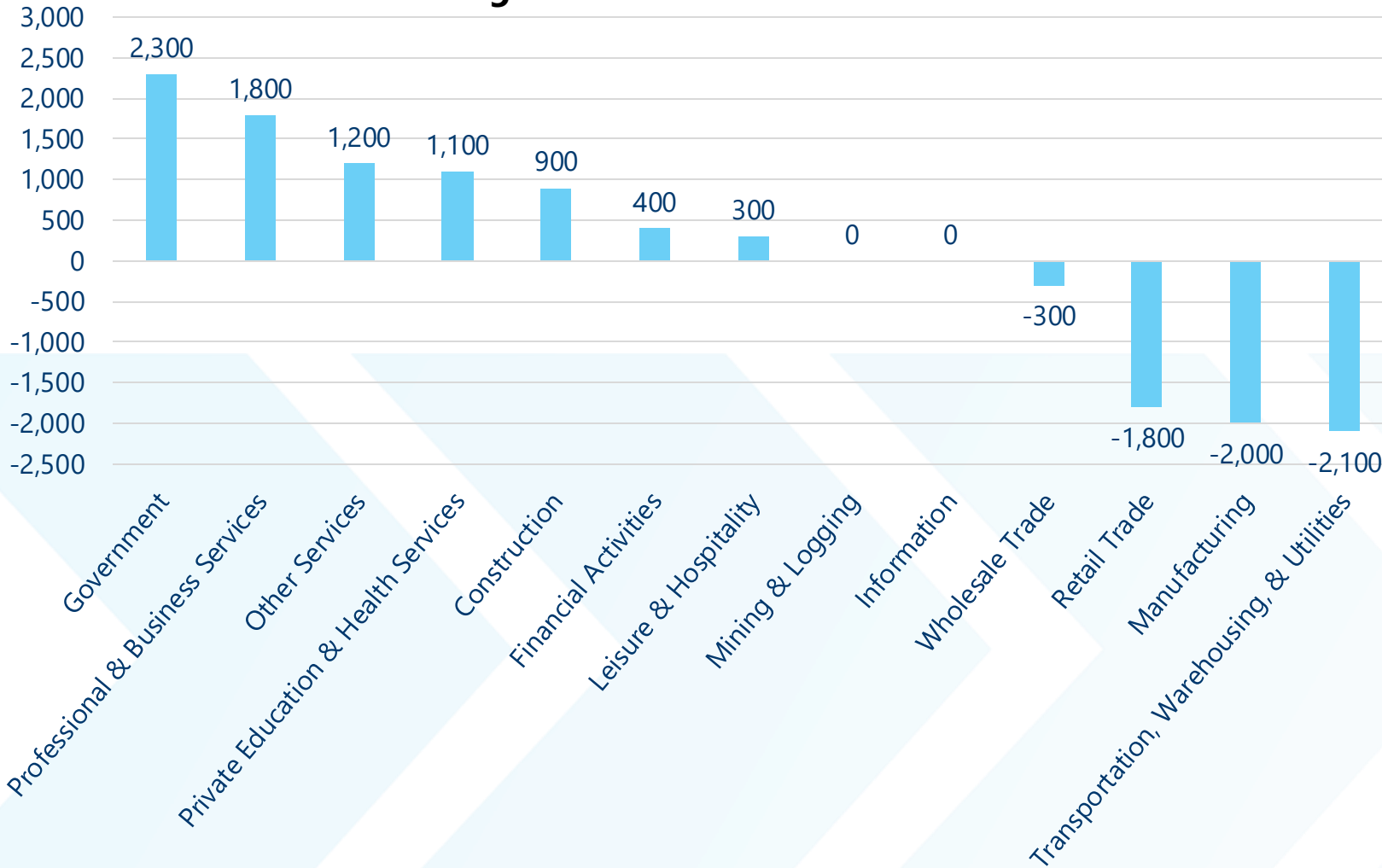
- Private sector jobs **increased by 1,900 in Nov 2025 (+0.1%)** and is lower than the Nov 2024 level by only 500 jobs.
- The private sector is **11,000 jobs higher than the pre-pandemic level**, showing employment remains strong
- CT unemployment rate rose slightly to **4.0% in Nov 2025** the first change in several months, and remains **below U.S. average for 35th consecutive month**

**Connecticut Jobs (in thousands)**



# Despite Setbacks in Late 2025, Industries Continue to Grow Long-Term in Connecticut

**Total Job Change from November 2024 to November 2025**



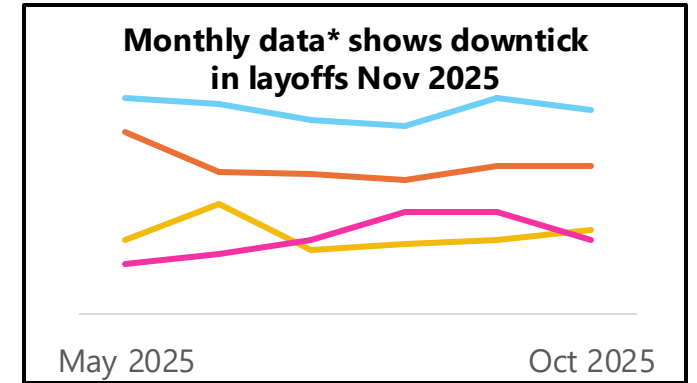
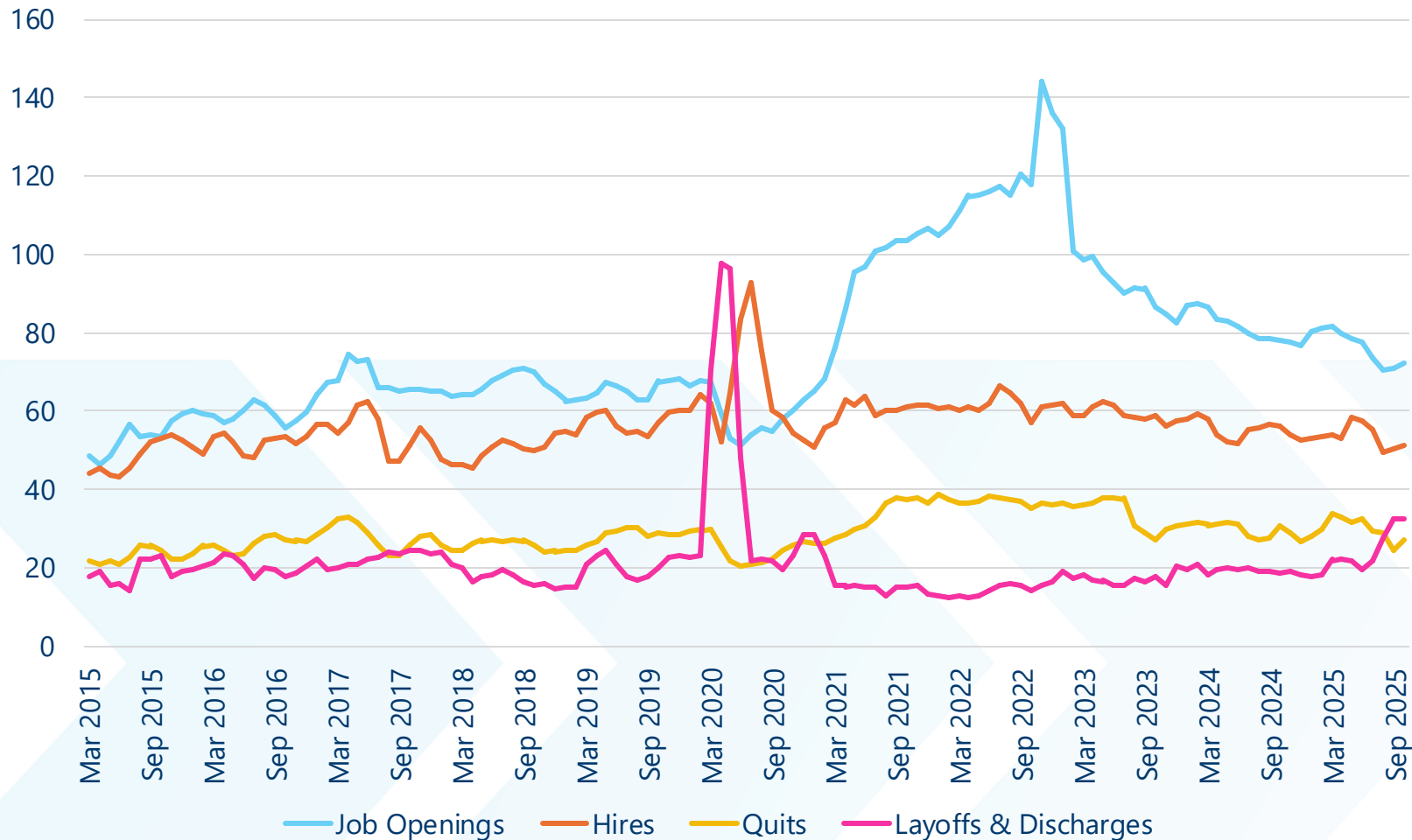
- Construction *added 600 jobs in November 2025*, and totaled *900 jobs more than November 2024*
- Education and Health Services increased in November, driven by a *1,700 job increase in Healthcare and Social Assistance*, which compensated for a smaller Private Educational Services decrease.
- Professional & Business Services *increased by 1,800 jobs* from November 2024 to November 2025.
- Government jobs have increased by 2,300 in the past 12 months but *remain 22,500 lower than in March 2008\**

Source: U.S. Bureau of Labor Statistics, CES, Dec 2025 release. Seasonally adjusted data.  
 \*March 2008 was the record high for employment in CT. Government jobs have declined by about 22,500 since that time.

# Connecticut Labor Force Churn Steadies After Brief Slowdown

## Connecticut Job Openings and Labor Turnover Survey (JOLTS) Data

Mar 2015 – Oct 2025, 3-month trailing average, in thousands



- CT's **August and September of 2025** did follow the national trend with low churn, but **remained close to pre-pandemic baseline**
- Slight elevation in layoffs & discharges in concert with slight decline in quits July 2025 through September 2025 **returned to normal baseline in October 2025**



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# CHOOSE Connecticut

**ADVANCECT**  
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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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