FREE REFERENCE

Connecticut business taxes, explained for 2026

Small businesses in Connecticut register with the state revenue agency for income tax withholding and sales tax, and with the Connecticut Department of Labor for unemployment tax. Connecticut has income tax rates from 2% to 6.99%, a 6.35% state sales tax and a $27,000 unemployment wage base for 2026.

QUICK FACTS

- **Income tax.** Income tax rates from 2% to 6.99% for 2026
- **Sales tax.** 6.35% state rate, about 6.35% combined with local
- **Unemployment.** Employers pay Connecticut unemployment tax on the first $27,000 of each worker's 2026 wages

What taxes does a small business pay in Connecticut?

Most Connecticut businesses deal with four: federal and state payroll taxes once they hire, sales tax if they sell taxable items, income tax on profit, and the state's annual report or franchise filing for an LLC or corporation, filed with the Secretary of State.

How do I register for payroll taxes in Connecticut?

Before your first payroll in Connecticut:

1. Get a federal EIN and enroll in EFTPS for federal deposits.
2. Open a Connecticut withholding account with the Connecticut revenue agency, so you can withhold and pay state income tax.
3. Register for unemployment insurance with the Connecticut Department of Labor. For 2026, the tax applies to the first $27,000 of each employee's wages, at a rate the state sets for new employers and then adjusts to your history.
4. Report each new hire to Connecticut's new hire registry, usually within 20 days.

Employees in Connecticut also pay paid leave at 0.5% of wages up to $184,500.

Our state payroll registration guide explains each step, and our payroll service handles it for you.

General information, not tax advice for your situation.

Do I need a Connecticut sales tax permit?

If you sell taxable goods or services in Connecticut, yes. Register with the Connecticut revenue agency before your first taxable sale. Out-of-state sellers need one once they pass Connecticut's economic nexus threshold.

SALES TAX IN CONNECTICUT, MIDYEAR 2026	RATE
State rate	6.35%
Average local rate	0%
Average combined rate	6.35%
Highest local rate	0%

The state sets how often you file. Our sales tax permit guide covers what to have ready, and the sales tax calculator adds tax to a price.

How does Connecticut tax business owners?

Profit from a sole proprietorship, LLC, partnership or S-Corp passes through to the owners, who pay Connecticut income tax on it at the personal rates: income tax rates from 2% to 6.99%. Connecticut allows a personal exemption of $15,000 single and $24,000 joint that phases out above $30,000 and $48,000 of income.

Estimate yours with the Connecticut income tax calculator.

Where are Connecticut's tax forms and refund status?

- Connecticut tax forms
- Connecticut revenue agency
- Connecticut refund status
- Connecticut Department of Labor

Every state's links are on our state tax forms page.

Which calculators work for Connecticut?

- Connecticut paycheck calculator: take-home pay after every deduction
- Connecticut income tax calculator: your 2026 state income tax
- Payroll cost calculator: what a hire costs you, with Connecticut unemployment

Common questions

Do I need a sales tax permit in Connecticut?
Yes, if you sell taxable goods or services there. Register with the Connecticut revenue agency before your first taxable sale.

What is the Connecticut unemployment wage base for 2026?
$27,000. Employers pay Connecticut unemployment tax on that much of each employee's wages, at a rate the state assigns.

Does Connecticut have a state income tax?
Yes. Connecticut has income tax rates from 2% to 6.99% for 2026.

Who runs payroll taxes in Connecticut?
The Connecticut revenue agency handles income tax withholding, and the Connecticut Department of Labor handles unemployment tax.

Want payroll handled?

We set it up, run it and file the returns. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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