House of Representatives

General Assembly **File No. 604**

February Session, 2022 Substitute House Bill No. 5487

House of Representatives, April 25, 2022

The Committee on Finance, Revenue and Bonding reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE PROPERTY TAX CREDIT AGAINST THE PERSONAL INCOME TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 12-704c of the 2022 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective July 1, 2022, and applicable to taxable years commencing on or after January 1, 2022*):

(a) Any resident of this state, as defined in subdivision (1) of subsection (a) of section 12-701, subject to the tax under this chapter for any taxable year shall be entitled to a credit in determining the amount of tax liability under this chapter, for all or a portion, as permitted by this section, of the amount of property tax, as defined in this section, first becoming due and actually paid during such taxable year by such person on such person's primary residence or motor vehicle in accordance with the provisions of this section, provided in the case of a person who files a return under the federal income tax for such taxable year as an unmarried individual, a married individual filing separately or a head of household, one motor vehicle shall be eligible for such credit and in the case of a husband and wife who file a return under federal income tax for such taxable year as married individuals filing jointly, no more than two motor vehicles shall be eligible for a credit under the provisions of this section.

(b) (1) The credit allowed under this section shall not exceed (A) for taxable years commencing on or after January 1, 2011, but prior to January 1, 2016, three hundred dollars; **[**and**]** (B) for taxable years commencing on or after January 1, 2016, but prior to January 1, 2022, two hundred dollars; (C) for the taxable year commencing January 1, 2022, four hundred dollars; and (D) for taxable years commencing on or after January 1, 2023, the amount as adjusted pursuant to subdivision (2) of this subsection, as applicable. In the case of any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing a joint return, the credit allowed, in the aggregate, shall not exceed such amount for each such taxable year.

(2) (A) For the taxable year commencing January 1, 2023, the amount of the credit set forth in subparagraph (C) of subdivision (1) of this subsection shall be adjusted by the percentage increase in inflation and rounded to the nearest dollar.

(B) For taxable years commencing on or after January 1, 2024, the amount of the credit calculated for the preceding taxable year shall be adjusted annually by the percentage increase in inflation and rounded to the nearest dollar.

[(2)**]** (3) Notwithstanding the provisions of subsection (a) of this section, for the taxable years commencing January 1, 2017, to January 1, **[**2022**]** 2021, inclusive, the credit under this section shall be allowed only for a resident of this state (A) who has attained age sixty-five before the close of the applicable taxable year, or (B) who files a return under the federal income tax for the applicable taxable year validly claiming one or more dependents.

(c) (1) (A) For taxable years commencing on or after January 1, 2011, but prior to January 1, 2013, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds fifty-six thousand five hundred dollars, the amount of the credit shall be reduced by fifteen per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(B) For taxable years commencing on or after January 1, 2013, but prior to January 1, 2014, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds sixty thousand five hundred dollars, the amount of the credit shall be reduced by fifteen per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(C) For taxable years commencing on or after January 1, 2014, but prior to January 1, 2016, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds forty-seven thousand five hundred dollars, the amount of the credit shall be reduced by fifteen per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(D) For taxable years commencing on or after January 1, 2016, in the case of any such taxpayer who files under the federal income tax for such taxable year as an unmarried individual whose Connecticut adjusted gross income exceeds forty-nine thousand five hundred dollars, the amount of the credit shall be reduced by fifteen per cent for each ten thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(2) In the case of any such taxpayer who files under the federal income tax for such taxable year as a married individual filing separately whose Connecticut adjusted gross income exceeds thirty-five thousand two hundred fifty dollars, the amount of the credit shall be

reduced by fifteen per cent for each five thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(3) In the case of a taxpayer who files under the federal income tax for such taxable year as a head of household whose Connecticut adjusted gross income exceeds fifty-four thousand five hundred dollars, the amount of the credit shall be reduced by fifteen per cent for each ten thousand dollars or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(4) In the case of a taxpayer who files under federal income tax for such taxable year as married individuals filing jointly whose Connecticut adjusted gross income exceeds **[**seventy thousand five hundred**]** eighty thousand dollars, the amount of the credit shall be reduced by fifteen per cent for each **[**ten**]** twenty thousand dollars, or fraction thereof, by which the taxpayer's Connecticut adjusted gross income exceeds said amount.

(5) (A) For the taxable year commencing January 1, 2023, the Connecticut adjusted gross income thresholds set forth in subparagraph (D) of subdivision (1) of this subsection and subdivisions (2) to (4), inclusive, of this subsection shall be adjusted by the percentage increase in inflation and rounded to the nearest dollar.

(B) For taxable years commencing on or after January 1, 2024, the income thresholds calculated for the preceding taxable year shall be adjusted annually by the percentage increase in inflation and rounded to the nearest dollar.

(d) (1) Notwithstanding the provisions of subsections (b) and (c) of this section, for taxable years commencing on or after January 1, 2021, for any taxpayer who paid the conveyance tax on real property at the rate prescribed by subparagraph (C)(ii) of subdivision (2) of subsection (b) of section 12-494, the credit allowed under this section shall not exceed thirty-three and one-third per cent of the amount of the conveyance tax paid at such rate, in each of the three taxable years next succeeding the second taxable year after the taxable year in which such conveyance tax was paid. For any taxable year such taxpayer claims the credit or portion thereof under this subsection, such credit shall be in lieu of any credit such taxpayer may be eligible to claim under subsection (b) or (c) of this section.

(2) If any credit allowed under this subsection or portion thereof is not used because the amount of the credit exceeds the tax due and owing by the taxpayer or the amount of property tax paid by the taxpayer, the unused amount may be carried forward to each of the successive taxable years until such amount is fully taken, except that in no event may any amount of the credit be carried forward for a period of more than six taxable years.

(e) The credit allowed under **[**this**]** subsection (b) of this section shall be available for any person leasing a motor vehicle pursuant to a written agreement for a term of more than one year. Such lessee shall be entitled to the credit in accordance with the provisions of this section for the taxes actually paid by the lessor or lessee on such leased vehicle, provided the lessee was lawfully in possession of the motor vehicle at such time when the taxes first became due. The lessor shall provide the lessee with documentation establishing, to the satisfaction of the Commissioner of Revenue Services, the amount of property tax paid during the time period in which the lessee was lawfully in possession of the motor vehicle. The lessor of the motor vehicle shall not be entitled to a credit under the provisions of this section.

(f) **[**The credit may only be used to reduce a qualifying taxpayer's tax liability for the year for which such credit is applicable and shall not be used to reduce such tax liability to less than zero**]** If the amount of the credit allowed under subsection (b) of this section exceeds the taxpayer's liability for the tax imposed under this chapter, the Commissioner of Revenue Services shall treat such excess as an overpayment and, except as provided under section 12-739 or 12-742, shall refund the amount of such excess, without interest, to the taxpayer.

(g) The amount of tax due pursuant to sections 12-705 and 12-722 shall be calculated without regard to [this] the credit allowed under subsection (b) of this section.

(h) For the purposes of this section:

(1) "Property tax" means the amount of property tax exclusive of any interest, fees or charges thereon for which a taxpayer is liable, or in the case of any husband and wife who file a return under the federal income tax for such taxable year as married individuals filing a joint return, for which the husband or wife or both are liable, to a Connecticut political subdivision on the taxpayer's primary residence or motor vehicles;

(2) ["motor vehicle"] "Motor vehicle" means a motor vehicle, as defined in section 14-1, that is privately owned or leased; [and (3) property]

(3) "Increase in inflation" means the increase in the consumer price index for all urban consumers during the preceding year, calculated on an August over August basis, using data reported by the United States Bureau of Labor Statistics; and

(4) Property tax first becomes due, if due and payable in a single installment, on the date designated by the legislative body of the municipality as the date on which such installment shall be due and payable and, if due and payable in two or more installments, on the date designated by the legislative body of the municipality as the date on which such installment shall be due and payable or, at the election of the taxpayer, on the date designated by the legislative body of the municipality as the date on which any earlier installment of such tax shall be due and payable.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2022, and applicable to taxable years commencing on or after January 1, 2022*	12-704c

Statement of Legislative Commissioners:

Subsecs. (b)(1)(C), (b)(2)(A) and (c)(5)(A) were rewritten for conciseness.

FIN *Joint Favorable Subst. -LCO*

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 $	FY 24 $
Revenue Serv., Dept.	GF - Revenue Loss	322.7 million	269.7 million

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which increases, expands, and adjust for inflation the property tax credit against the personal income tax, results in a General Fund revenue loss of $322.7 million and $269.7 million in FY 23 and FY 24, respectively.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis
sHB 5487

AN ACT CONCERNING THE PROPERTY TAX CREDIT AGAINST THE PERSONAL INCOME TAX.

SUMMARY

This bill makes several changes to the property tax credit against the personal income tax. Beginning with the 2022 tax year, the bill (1) increases the credit from $200 to $400 and (2) expands the number of people eligible to claim the credit by eliminating provisions limiting the credit to people who are age 65 or older or claim dependents on their tax return. Beginning in the 2023 tax year, the bill requires the credit to be annually adjusted by the percent "increase in inflation," rounded to the nearest dollar. "Increase in inflation" means the increase in the consumer price index for urban consumers during the prior year, calculated on an August-over-August basis, using U.S. Bureau of Labor Statistics data.

By law, taxpayers earn the credit for property taxes paid on their primary residences or motor vehicles, and the amount of property taxes paid that can be taken as a credit declines as adjusted gross income (AGI) increases until it completely phases out. The bill (1) increases, from $70,500 to $80,000, the AGI threshold above which the credit begins to phase out for married individuals filing jointly and (2) beginning in the 2023 tax year, requires the thresholds for all filing statuses to be annually adjusted by the increase in inflation and rounded to the nearest dollar. The bill also slows down the credit's phase-out by requiring that the credit be reduced by 15% for each $20,000, or part of $20,000, rather than each $10,000, or part of $10,000, as current law requires.

Finally, the bill makes the credit refundable and makes various technical and conforming changes.

EFFECTIVE DATE: July 1, 2022, and applicable to tax years beginning on or after January 1, 2022.

BACKGROUND

Related Bill

sSB 11, favorably reported by the Finance, Revenue and Bonding committee, increases the property tax credit from $200 to $300 and expands the number of people eligible for the credit by eliminating provisions restricting the credit to seniors and those with dependents.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea	50	Nay	1	(04/06/2022)