Senate

General Assembly **File No. 246**

February Session, 2022 Substitute Senate Bill No. 295

Senate, March 31, 2022

The Committee on Housing reported through SEN. LOPES of the 6th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING TAX CREDITS FOR ENERGY-EFFICIENT HOMES.

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

Section 1. (*Effective from passage*) (a) For purposes of this section, (1) "energy-efficient home" means a newly constructed home with a score of fifty or less on the Home Energy Rating System Index, or the equivalent requirements for Energy Star certified homes, as measured and certified by a licensed third-party professional qualified to conduct such measurement and certification, and (2) "Energy Star" means the voluntary labeling program administered by the United States Environmental Protection Agency designed to identify and promote energy-efficient products, equipment and buildings.

(b) (1) For taxable years commencing on or after January 1, 2022, but prior to January 1, 2026, there shall be a one-time credit allowed against the tax imposed under chapter 229 of the general statutes for the purchaser or purchasers, as applicable, of an energy-efficient home during any such taxable year, provided such energy-efficient home is occupied as the principal residence of such purchaser for at least three years after such purchase, verifiable by property tax records, and is not a vacation or rental property.

(2) The credit shall be in an amount equal to (A) two thousand five hundred dollars for any such purchaser who files an income tax return individually, and (B) five thousand dollars for any such purchasers who file an income tax return jointly. Each such purchaser shall claim the credit in the taxable year in which such purchase of an energy-efficient home occurred by including the certificate issued pursuant to subdivision (3) of this subsection with such income tax return filed with the Commissioner of Revenue Services.

(3) The Secretary of the Office of Policy and Management shall issue a certificate to each purchaser of an energy-efficient home, upon the application of such purchaser on a form prescribed by the secretary. Such certificate shall identify the taxpayer filing individually, or the taxpayers filing jointly, as applicable, and certify that such purchaser satisfies the requirements of subdivision (1) of this subsection.

(c) (1) The amount of the credit allowed to any taxpayer filing individually or taxpayers filing jointly, as applicable, pursuant to this section shall not exceed the amount of tax due from such taxpayer or taxpayers under chapter 229 of the general statutes with respect to the taxable year in which such credit is being claimed. Any such credit claimed by such taxpayer or taxpayers but not applied against the tax due under said chapter may be carried forward for the five immediately succeeding taxable years until the full credit has been applied.

(2) If an energy-efficient home purchased in accordance with this section ceases to be the principal residence of any such purchaser within the three years after such purchase as required under subdivision (1) of subsection (b) of this section, such purchaser shall forfeit the right to the full amount of such credit and shall remit to the Commissioner of Revenue Services a prorated amount, as determined by the commissioner, based on the length of time such energy-efficient home was the principal residence of such purchaser subtracted from such

three years.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*from passage*	New section

Statement of Legislative Commissioners:
Subsec. (a) was redesignated as Subsecs. (a) and (b) and reordered for consistency with standard drafting conventions.

HSG *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 $	FY 24 $
Department of Revenue Services	GF - Revenue Loss	Up to 7 million	Up to 7 million
Policy & Mgmt., Off.	GF - Cost	84,000	168,000
State Comptroller - Fringe Benefits[1]	GF - Cost	34,000	68,000
Department of Revenue Services	GF - Cost	40,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a time-limited credit against the personal income tax for the purchase of a newly constructed energy-efficient home, results in: 1) a General Fund revenue loss of up to $7 million annually from FY 23 through FY 26, 2) a one-time cost to the Department of Revenue Services of $40,000 for updates to the online Taxpayer Service Center and CTax integrated tax administration system in FY 23 only, and 3) an ongoing cost to the Office of Policy and Management (OPM) of $118,000 in FY 23 (partial year) and $236,000 in FY 24 (full year).

The cost to OPM is to hire a Staff Attorney and an Office Assistant to issue and track certificates for program participants. The full cost of these two positions is $236,000 ($168,000 for salary and $68,000 for fringe

[1]The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.53% of payroll in FY 23.

benefits). Due to the timing of personnel changes, it is anticipated that the annualized cost would first occur in FY 24; thus, costs in FY 23 reflect a January 1 start date.

The revenue estimate is based on 2020 data from Residential Energy Services Network (RESNET) indicating that the average Home Energy Rating System Index score in Connecticut was 51 based on a sample of 1,459 ratings.

The Out Years

The annualized ongoing fiscal impact identified above would continue through FY 26, with the cost impact subject to inflation. The annualized ongoing revenue loss could be lower to the extent that program participants become subject to the bill's claw back provisions.

Sources: Residential Energy Services Network 2019 & 2020 HERS Activity by State

OLR Bill Analysis

sSB 295

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SUMMARY

The Office of Legislative Research does not analyze Special Acts.

COMMITTEE ACTION

Housing Committee

Joint Favorable				
Yea	15	Nay	0	(03/15/2022)