General Assembly

Raised Bill No. 7114

January Session, 2025

LCO No. **5508**

Referred to Committee on HOUSING

Introduced by:
(HSG)

AN ACT ESTABLISHING A TAX CREDIT FOR THE CONSTRUCTION OF RESIDENTIAL UNITS ABOVE RETAIL PROPERTY.

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

Section 1. (NEW) (*Effective July 1, 2025, and applicable to taxable years commencing on and after January 1, 2026*) (a) As used in this section:

(1) "Dwelling unit" has the same meaning as provided in section 47a-1 of the general statutes;

(2) "Nonprofit corporation" means a nonprofit corporation incorporated pursuant to chapter 602 of the general statutes, or any predecessor statutes thereto, and having as one of its purposes the construction, conversion, ownership or operation of housing;

(3) "Owner" means (A) any taxpayer filing a state of Connecticut tax return who possesses title to a retail property or prospective title in the form of a purchase agreement or option to purchase a retail property to construct residential dwelling units above such retail property; and (B) a nonprofit corporation that possesses such title or prospective title;

(4) "Qualified construction expenditures" means any costs incurred for the physical construction involved in the development of residential dwelling units above existing retail property; and

(5) "Retail property" means commercial real estate that is used to sell consumer goods and services.

(b) Not later than January 1, 2026, the Commissioner of Housing shall establish a program to administer a system of tax credit vouchers within the resources, requirements and purposes of this section for owners constructing residential dwelling units above existing retail property or taxpayers making contributions that are qualified construction expenditures. Any owner eligible to apply for a tax credit voucher pursuant to this section shall be eligible for such voucher in an amount equal to ten per cent of the qualified construction expenditures for each additional floor above the retail property for a maximum of three additional floors against the tax imposed under chapter 208 of the general statutes.

(c) Not later than January 1, 2026, the commissioner shall develop standards for the approval of tax credit vouchers for the construction of residential dwelling units above retail property for which a tax credit voucher is sought.

(d) Prior to beginning any construction work on a retail property for which an owner will seek a tax credit voucher under this section, such owner shall submit a construction plan to the commissioner for a determination of whether such construction plan meets the standards developed under the provisions of subsections (c) and (k) of this section and shall also submit to the commissioner an estimate of the qualified construction expenditures and any other information prescribed by the commissioner. Not later than sixty days after receipt of such plan, estimate of qualified construction expenditures and other such information prescribed by the commissioner, the commissioner shall determine whether such plan conforms to the standards developed

under the provisions of subsections (c) and (k) of this section.

(e) If the commissioner certifies that a construction plan conforms to the standards developed under the provisions of subsections (c) and (k) of this section, the commissioner shall reserve for the benefit of the owner an allocation for a credit against the tax imposed under chapter 208 of the general statutes equivalent to ten per cent of the projected qualified construction expenditures.

(f) Following the completion of the construction of residential dwelling units above existing retail property, the owner shall notify the commissioner that such construction has been completed. The owner shall provide the commissioner with documentation of work performed to construct residential dwelling units above the existing retail property and shall certify the cost incurred in constructing such residential units above existing retail property. The commissioner shall review such work and verify its compliance with the plan. Following such verification, the commissioner shall issue a tax credit voucher to either the owner of the existing retail property or the taxpayer named by the owner as contributing to the construction. The tax credit voucher shall be in an amount equivalent to the lesser of (1) the tax credit reserved upon certification of the plan under the provisions of subsection (e) of this section, or (2) ten per cent of the actual qualified construction expenditures. In order to obtain a credit against any tax due under chapter 208 of the general statutes, the holder of the tax credit voucher shall file the voucher with the holder's state tax return.

(g) An owner who constructs residential dwelling units above existing retail property shall not be eligible for a tax credit voucher under subsections (f) and (h) of this section, unless the owner incurs qualified construction expenditures exceeding fifteen thousand dollars.

(h) (1) The Commissioner of Revenue Services shall grant a credit against the tax imposed under chapter 208 of the general statutes, as applicable, in accordance with the following:

(A) (i) For a taxpayer, as described in subparagraph (A) of subdivision (3) of subsection (a) of this section, holding a tax credit voucher issued on or after January 1, 2026, pursuant to subsections (b) to (g), inclusive, of this section, against the tax imposed under chapter 208 of the general statutes in the amount specified in the tax credit voucher.

(ii) If the amount of the tax credit voucher exceeds the taxpayer's liability for the tax imposed under chapter 208 of the general statutes, the Commissioner of Revenue Services shall treat such excess as an overpayment and, except as provided in section 12-242g of the general statutes, shall refund the amount of such excess, without interest, to the taxpayer; and

(B) (i) For an owner that is a nonprofit corporation holding a tax credit voucher issued on or after January 1, 2026, pursuant to subsections (b) to (g), inclusive, of this section, against the tax due under chapter 208 of the general statutes in the amount specified in the tax credit voucher.

(ii) Any unused portion of such credit under this subparagraph may be carried forward to any or all of the four income years following the year in which the tax credit voucher is issued.

(2) The Commissioner of Housing shall provide a copy of any voucher issued under this section to the Commissioner of Revenue Services upon the request of the Commissioner of Revenue Services.

(i) A credit issued under this section shall not exceed (1) thirty thousand dollars per dwelling unit constructed above existing retail property for an owner that is not a nonprofit corporation, or (2) fifty thousand dollars per such dwelling unit for an owner that is a nonprofit corporation.

(j) The aggregate amount of all tax credits that may be reserved by the Commissioner of Housing upon certification of construction plans under subsections (b) to (d), inclusive, of this section shall not exceed

three million dollars in any one fiscal year.

(k) The Commissioner of Housing may, in consultation with the Commissioner of Revenue Services, adopt regulations in accordance with the provisions of chapter 54 of the general statutes to carry out the purposes of this section.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*July 1, 2025, and applicable to taxable years commencing on and after January 1, 2026*	New section

Statement of Purpose:
To establish a tax credit for the construction of residential dwelling units above existing retail property.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]