



Senate

General Assembly

File No. 692

February Session, 2026

Substitute Senate Bill No. 1

Senate, April 20, 2026

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING AFFORDABILITY.

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

1 Section 1. Section 12-412 of the 2026 supplement to the general
2 statutes is amended by adding subdivisions (128) to (130), inclusive, as
3 follows (*Effective July 1, 2026, and applicable to sales occurring on or after*
4 *July 1, 2026*):

5 (NEW) (128) Articles of clothing or footwear intended to be worn on
6 or about the human body, the cost of which article to the purchaser is
7 less than one hundred dollars. Clothing or footwear does not include
8 (A) any special clothing or footwear primarily designed for athletic
9 activity or protective use and which is not normally worn except when
10 used for the athletic activity or protective use for which it was designed,
11 or (B) jewelry, handbags, luggage, umbrellas, wallets, watches and
12 similar items carried on or about the human body but not worn on the
13 body in the manner characteristic of clothing intended for exemption
14 under this subdivision.

15 (NEW) (129) Nonelectronic school supplies, such as backpacks,
16 lunchboxes, notebooks, pens and pencils, crayons, rulers and paper.

17 (NEW) (130) Air conditioners, boilers, furnaces, heat pumps, clothes
18 washers, clothes dryers, standard size refrigerators, dehumidifiers and
19 programmable thermostats, provided such items are for residential use
20 and meet or exceed federal Energy Star standards.

21 Sec. 2. Subdivision (13) of section 12-412 of the 2026 supplement to
22 the general statutes is repealed and the following is substituted in lieu
23 thereof (*Effective October 1, 2026, and applicable to sales occurring on or after*
24 *October 1, 2026*):

25 (13) Sales of food products for human consumption.

26 (A) (i) "Food products" include cereals and cereal products, milk and
27 milk products, oleomargarine, meat and meat products, fish and fish
28 products, eggs and egg products, vegetables and vegetable products,
29 fruit and fruit products, spices and salt, sugar and sugar products other
30 than candy and confectionery; coffee and coffee substitutes, tea, cocoa
31 and cocoa products other than candy and confectionery.

32 (ii) "Food products" do not include spirituous, malt or vinous liquors,
33 soft drinks, sodas or beverages such as are ordinarily dispensed at bars
34 and soda fountains, or in connection therewith, medicines except by
35 prescription, tonics and preparations in liquid, powdered, granular,
36 tablet, capsule, lozenge and pill form sold as dietary supplements or
37 adjuncts. "Food products" also do not include meals sold by an eating
38 establishment or caterer.

39 (B) (i) "Meal" means food products [which] that are furnished,
40 prepared or served in such a form and in such portions that they are
41 ready for immediate consumption [. A meal as defined in this
42 subsection] and includes (I) food products [which] that are sold on a
43 "take out" or "to go" basis and [which] are actually packaged or
44 wrapped, and (II) trays, pans or platters of food that are prepared and
45 delivered by a grocery store. The sale of a meal [, as defined in this

46 subsection,] is a taxable sale.

47 (ii) "Meal" does not include sandwiches, grinders, hot or iced coffee
48 or hot or iced tea, that is ready to be consumed and are prepared in a
49 grocery store at a delicatessen counter or elsewhere for takeout, unless
50 such items are sold in an area of a grocery store where food is intended
51 to be consumed on the premises, such as a food court or a snack bar.

52 (C) "Eating establishment" means a place where meals are sold and
53 includes a restaurant, cafeteria, grinder shop, pizzeria, drive-in, fast
54 food outlet, ice cream truck, hot dog cart, refreshment stand, sandwich
55 shop, private or social club, cocktail lounge, tavern, diner [,] or snack
56 bar, or a hotel or boarding house [which] that furnishes both lodging
57 and meals to its guests.

58 Sec. 3. Subsection (b) of section 12-704c of the general statutes is
59 repealed and the following is substituted in lieu thereof (*Effective January*
60 *1, 2027, and applicable to taxable years commencing on or after January 1,*
61 *2027*):

62 (b) (1) The credit allowed under this section shall not exceed (A) for
63 taxable years commencing on or after January 1, 2011, but prior to
64 January 1, 2016, three hundred dollars; (B) for taxable years
65 commencing on or after January 1, 2016, but prior to January 1, 2022,
66 two hundred dollars; [and] (C) for taxable years commencing on or after
67 January 1, 2022, but prior to January 1, 2027, three hundred dollars; and
68 (D) for taxable years commencing on or after January 1, 2027, four
69 hundred dollars. In the case of any husband and wife who file a return
70 under the federal income tax for such taxable year as married
71 individuals filing a joint return, the credit allowed, in the aggregate,
72 shall not exceed such amount for each such taxable year.

73 (2) Notwithstanding the provisions of subsection (a) of this section,
74 for the taxable years commencing January 1, 2017, to January 1, 2021,
75 inclusive, the credit under this section shall be allowed only for a
76 resident of this state (A) who has attained age sixty-five before the close
77 of the applicable taxable year, or (B) who files a return under the federal

78 income tax for the applicable taxable year validly claiming one or more
79 dependents.

80 Sec. 4. (NEW) (*Effective January 1, 2027, and applicable to taxable years*
81 *commencing on or after January 1, 2027*) (a) As used in this section:

82 (1) "Activities of daily living" means basic personal everyday
83 activities, including, but not limited to, ambulating, feeding, dressing,
84 personal hygiene, continence and toileting.

85 (2) "Eligible expenditure" means (A) the improvement or alteration to
86 the family caregiver's or eligible family member's primary residence to
87 permit the eligible family member to live in the residence and to remain
88 mobile, safe and independent, (B) the family caregiver's purchase or
89 lease of equipment, including, but not limited to, durable medical
90 equipment that is necessary to assist an eligible family member in
91 carrying out one or more activities of daily living, and (C) other paid or
92 incurred expenses by the family caregiver that assist the family
93 caregiver in providing care to an eligible family member, including, but
94 not limited to expenditures related to (i) hiring a home health aide, (ii)
95 respite care, (iii) adult day care, (iv) personal care attendants, (v) health
96 care equipment, and (vi) technology. "Eligible expenditure" does not
97 include general household maintenance activities, including, but not
98 limited to, painting, plumbing, electrical repairs and exterior
99 maintenance.

100 (3) "Eligible family member" means a person who (A) requires
101 assistance with at least two activities of daily living, as certified in
102 writing by a licensed health care provider, as defined in section 19a-106a
103 of the general statutes, (B) qualifies as a dependent, spouse, parent or
104 other relation by blood or marriage to the family caregiver, and (C) lives
105 in a private residential home and not in a long-term care facility, as
106 defined in section 19a-535e of the general statutes.

107 (4) "Family caregiver" means a person who (A) provides care and
108 support for an eligible family member, (B) has a federal adjusted gross
109 income of less than fifty thousand dollars for an individual who files a

110 return under the federal income tax as an unmarried individual, a
111 married individual filing separately or a head of household, and less
112 than one hundred thousand dollars for individuals who file a return
113 under the federal income tax as married individuals filing jointly, and
114 (C) has personally incurred uncompensated expenses directly related to
115 the care of an eligible family member.

116 (b) (1) There shall be allowed, for the taxable years commencing on
117 or after January 1, 2027, a credit against the tax imposed by chapter 229
118 of the general statutes, other than the liability imposed by section 12-707
119 of the general statutes, for eligible expenditures incurred by a family
120 caregiver for the care and support of an eligible family member.

121 (2) The amount of the credit allowed shall be fifty per cent of the
122 eligible expenditures incurred by such family caregiver in a taxable year
123 and shall not exceed two thousand dollars for any taxable year. If two
124 or more family caregivers claim the credit authorized by this section for
125 the same eligible family member, the maximum allowable credit shall
126 be allocated in equal amounts between each of the family caregivers.

127 (c) (1) The Department of Revenue Services shall administer a system
128 of tax credit vouchers within the resources, requirements and purposes
129 of this section. A family caregiver may apply to the Commissioner of
130 Revenue Services, in a form and manner prescribed by the
131 commissioner, for a tax credit voucher in an amount as provided in this
132 section. The application shall contain such information the
133 commissioner deems necessary to administer the provisions of this
134 section.

135 (2) The commissioner shall approve applications on a first-come,
136 first-served basis and shall notify an applicant in writing not later than
137 thirty days after the date of receipt of an application of the
138 commissioner's approval or rejection of the application.

139 (3) The total amount of tax credit vouchers that may be issued under
140 this section shall not exceed one million eight hundred thousand dollars
141 in any one taxable year.

142 (d) Any credit allowed under this section shall be nonrefundable.

143 Sec. 5. (NEW) (*Effective January 1, 2027*) (a) As used in this section:

144 (1) "Dwelling unit" has the same meaning as provided in section 47a-
145 1 of the general statutes;

146 (2) "Eligible renter" means an individual (A) who rented and
147 occupied one or more dwelling units in the state for the entirety of the
148 applicable taxable year as such individual's primary residence and paid
149 rent for such dwelling unit or units, (B) who was not claimed as a
150 dependent on another individual's federal income tax return for the
151 applicable taxable year, and (C) whose federal adjusted gross income
152 for the applicable taxable year does not exceed (i) fifty thousand dollars
153 for individuals who file a return under the federal income tax as an
154 unmarried individual, a married individual filing separately or a head
155 of household, or (ii) one hundred thousand dollars for individuals who
156 file a return under the federal income tax as married individuals filing
157 jointly;

158 (3) "Hotel", "lodging" and "bed and breakfast establishment" have the
159 same meanings as provided in section 12-407 of the general statutes;

160 (4) "Mobile manufactured home" has the same meaning as provided
161 in section 12-63a of the general statutes; and

162 (5) "Short-term rental" has the same meaning as provided in section
163 12-408h of the general statutes.

164 (b) Any eligible renter who is subject to the tax imposed under
165 chapter 229 of the general statutes for any taxable year commencing on
166 or after January 1, 2027, shall be allowed a credit against the tax
167 otherwise due under chapter 229 of the general statutes, other than the
168 liability imposed by section 12-707 of the general statutes, in an amount
169 equal to twenty per cent of the eligible renter's annual rent actually paid
170 by the eligible renter for the applicable taxable year, minus four per cent
171 of the eligible renter's federal adjusted gross income for the applicable
172 taxable year, provided the amount of the credit for any taxable year shall

173 not exceed (1) one thousand dollars for any eligible renter who files a
174 return under the federal income tax as an unmarried individual, a
175 married individual filing separately or a head of household, and (2) one
176 thousand dollars jointly for any two eligible renters who file a return as
177 married individuals filing jointly.

178 (c) If the amount of the credit allowed pursuant to this section exceeds
179 the taxpayer's liability for the tax imposed under chapter 229 of the
180 general statutes, the Commissioner of Revenue Services shall treat such
181 excess as an overpayment and, except as provided under section 12-739
182 or 12-742 of the general statutes, shall refund the amount of such excess,
183 without interest, to the taxpayer.

184 (d) For the purposes of this section:

185 (1) "Rent" includes (A) the amount of heat, hot water, gas, electricity,
186 furniture and parking, to the extent the landlord makes no separate
187 charge for such items, and (B) the rental of a mobile manufactured home
188 or of the leasehold site being occupied by the taxpayer's mobile
189 manufactured home, or both.

190 (2) "Rent" does not include (A) the amount of any housing or rental
191 assistance not paid by the eligible renter, (B) consideration paid for the
192 occupancy of a hotel, lodging house, bed and breakfast establishment or
193 short-term rental, unless such premises are occupied under a rental or
194 lease agreement, or (C) payment in kind by the tenant to the landlord.

195 Sec. 6. Subparagraph (B) of subdivision (20) of subsection (a) of
196 section 12-701 of the 2026 supplement to the general statutes is repealed
197 and the following is substituted in lieu thereof (*Effective January 1, 2027,*
198 *and applicable to taxable years commencing on or after January 1, 2027*):

199 (B) There shall be subtracted therefrom:

200 (i) To the extent properly includable in gross income for federal
201 income tax purposes, any income with respect to which taxation by any
202 state is prohibited by federal law;

203 (ii) To the extent allowable under section 12-718, exempt dividends
204 paid by a regulated investment company;

205 (iii) To the extent properly includable in gross income for federal
206 income tax purposes, the amount of any refund or credit for
207 overpayment of income taxes imposed by this state, or any other state
208 of the United States or a political subdivision thereof, or the District of
209 Columbia;

210 (iv) To the extent properly includable in gross income for federal
211 income tax purposes and not otherwise subtracted from federal
212 adjusted gross income pursuant to clause (x) of this subparagraph in
213 computing Connecticut adjusted gross income, any tier 1 railroad
214 retirement benefits;

215 (v) To the extent any additional allowance for depreciation under
216 Section 168(k) of the Internal Revenue Code for property placed in
217 service after September 27, 2017, was added to federal adjusted gross
218 income pursuant to subparagraph (A)(ix) of this subdivision in
219 computing Connecticut adjusted gross income, twenty-five per cent of
220 such additional allowance for depreciation in each of the four
221 succeeding taxable years;

222 (vi) To the extent properly includable in gross income for federal
223 income tax purposes, any interest income from obligations issued by or
224 on behalf of the state of Connecticut, any political subdivision thereof,
225 or public instrumentality, state or local authority, district or similar
226 public entity created under the laws of the state of Connecticut;

227 (vii) To the extent properly includable in determining the net gain or
228 loss from the sale or other disposition of capital assets for federal income
229 tax purposes, any gain from the sale or exchange of obligations issued
230 by or on behalf of the state of Connecticut, any political subdivision
231 thereof, or public instrumentality, state or local authority, district or
232 similar public entity created under the laws of the state of Connecticut,
233 in the income year such gain was recognized;

234 (viii) Any interest on indebtedness incurred or continued to purchase
235 or carry obligations or securities the interest on which is subject to tax
236 under this chapter but exempt from federal income tax, to the extent that
237 such interest on indebtedness is not deductible in determining federal
238 adjusted gross income and is attributable to a trade or business carried
239 on by such individual;

240 (ix) Ordinary and necessary expenses paid or incurred during the
241 taxable year for the production or collection of income which is subject
242 to taxation under this chapter but exempt from federal income tax, or
243 the management, conservation or maintenance of property held for the
244 production of such income, and the amortizable bond premium for the
245 taxable year on any bond the interest on which is subject to tax under
246 this chapter but exempt from federal income tax, to the extent that such
247 expenses and premiums are not deductible in determining federal
248 adjusted gross income and are attributable to a trade or business carried
249 on by such individual;

250 (x) (I) For taxable years commencing prior to January 1, 2019, for a
251 person who files a return under the federal income tax as an unmarried
252 individual whose federal adjusted gross income for such taxable year is
253 less than fifty thousand dollars, or as a married individual filing
254 separately whose federal adjusted gross income for such taxable year is
255 less than fifty thousand dollars, or for a husband and wife who file a
256 return under the federal income tax as married individuals filing jointly
257 whose federal adjusted gross income for such taxable year is less than
258 sixty thousand dollars or a person who files a return under the federal
259 income tax as a head of household whose federal adjusted gross income
260 for such taxable year is less than sixty thousand dollars, an amount
261 equal to the Social Security benefits includable for federal income tax
262 purposes;

263 (II) For taxable years commencing prior to January 1, 2019, for a
264 person who files a return under the federal income tax as an unmarried
265 individual whose federal adjusted gross income for such taxable year is
266 fifty thousand dollars or more, or as a married individual filing

267 separately whose federal adjusted gross income for such taxable year is
268 fifty thousand dollars or more, or for a husband and wife who file a
269 return under the federal income tax as married individuals filing jointly
270 whose federal adjusted gross income from such taxable year is sixty
271 thousand dollars or more or for a person who files a return under the
272 federal income tax as a head of household whose federal adjusted gross
273 income for such taxable year is sixty thousand dollars or more, an
274 amount equal to the difference between the amount of Social Security
275 benefits includable for federal income tax purposes and the lesser of
276 twenty-five per cent of the Social Security benefits received during the
277 taxable year, or twenty-five per cent of the excess described in Section
278 86(b)(1) of the Internal Revenue Code;

279 (III) For [the] taxable [year] years commencing on or after January 1,
280 2019, [and each taxable year thereafter] but prior to January 1, 2027, for
281 a person who files a return under the federal income tax as an unmarried
282 individual whose federal adjusted gross income for such taxable year is
283 less than seventy-five thousand dollars, or as a married individual filing
284 separately whose federal adjusted gross income for such taxable year is
285 less than seventy-five thousand dollars, or for a husband and wife who
286 file a return under the federal income tax as married individuals filing
287 jointly whose federal adjusted gross income for such taxable year is less
288 than one hundred thousand dollars or a person who files a return under
289 the federal income tax as a head of household whose federal adjusted
290 gross income for such taxable year is less than one hundred thousand
291 dollars, an amount equal to the Social Security benefits includable for
292 federal income tax purposes; [and]

293 (IV) For [the] taxable [year] years commencing on or after January 1,
294 2019, [and each taxable year thereafter] but prior to January 1, 2027, for
295 a person who files a return under the federal income tax as an unmarried
296 individual whose federal adjusted gross income for such taxable year is
297 seventy-five thousand dollars or more, or as a married individual filing
298 separately whose federal adjusted gross income for such taxable year is
299 seventy-five thousand dollars or more, or for a husband and wife who
300 file a return under the federal income tax as married individuals filing

301 jointly whose federal adjusted gross income from such taxable year is
302 one hundred thousand dollars or more or for a person who files a return
303 under the federal income tax as a head of household whose federal
304 adjusted gross income for such taxable year is one hundred thousand
305 dollars or more, an amount equal to the difference between the amount
306 of Social Security benefits includable for federal income tax purposes
307 and the lesser of twenty-five per cent of the Social Security benefits
308 received during the taxable year, or twenty-five per cent of the excess
309 described in Section 86(b)(1) of the Internal Revenue Code; and

310 (V) For the taxable year commencing on or after January 1, 2027, and
311 each taxable year thereafter, to the extent properly includable in gross
312 income for federal income tax purposes, the amount of the Social
313 Security benefits received during the taxable year;

314 (xi) To the extent properly includable in gross income for federal
315 income tax purposes, any amount rebated to a taxpayer pursuant to
316 section 12-746;

317 (xii) To the extent properly includable in the gross income for federal
318 income tax purposes of a designated beneficiary, any distribution to
319 such beneficiary from any qualified state tuition program, as defined in
320 Section 529(b) of the Internal Revenue Code, established and
321 maintained by this state or any official, agency or instrumentality of the
322 state;

323 (xiii) To the extent allowable under section 12-701a, contributions to
324 accounts established pursuant to any qualified state tuition program, as
325 defined in Section 529(b) of the Internal Revenue Code, established and
326 maintained by this state or any official, agency or instrumentality of the
327 state;

328 (xiv) To the extent properly includable in gross income for federal
329 income tax purposes, the amount of any Holocaust victims' settlement
330 payment received in the taxable year by a Holocaust victim;

331 (xv) To the extent properly includable in the gross income for federal

332 income tax purposes of a designated beneficiary, as defined in section
333 3-123aa, interest, dividends or capital gains earned on contributions to
334 accounts established for the designated beneficiary pursuant to the
335 Connecticut Homecare Option Program for the Elderly established by
336 sections 3-123aa to 3-123ff, inclusive;

337 (xvi) To the extent properly includable in gross income for federal
338 income tax purposes, any income received from the United States
339 government as retirement pay for a retired member of (I) the Armed
340 Forces of the United States, as defined in Section 101 of Title 10 of the
341 United States Code, or (II) the National Guard, as defined in Section 101
342 of Title 10 of the United States Code;

343 (xvii) To the extent properly includable in gross income for federal
344 income tax purposes for the taxable year, any income from the discharge
345 of indebtedness in connection with any reacquisition, after December
346 31, 2008, and before January 1, 2011, of an applicable debt instrument or
347 instruments, as those terms are defined in Section 108 of the Internal
348 Revenue Code, as amended by Section 1231 of the American Recovery
349 and Reinvestment Act of 2009, to the extent any such income was added
350 to federal adjusted gross income pursuant to subparagraph (A)(xi) of
351 this subdivision in computing Connecticut adjusted gross income for a
352 preceding taxable year;

353 (xviii) To the extent not deductible in determining federal adjusted
354 gross income, the amount of any contribution to a manufacturing
355 reinvestment account established pursuant to section 32-9zz in the
356 taxable year that such contribution is made;

357 (xix) To the extent properly includable in gross income for federal
358 income tax purposes, (I) for the taxable year commencing January 1,
359 2015, ten per cent of the income received from the state teachers'
360 retirement system, (II) for the taxable years commencing January 1,
361 2016, to January 1, 2020, inclusive, twenty-five per cent of the income
362 received from the state teachers' retirement system, and (III) for the
363 taxable year commencing January 1, 2021, and each taxable year
364 thereafter, fifty per cent of the income received from the state teachers'

365 retirement system or, for a taxpayer whose federal adjusted gross
366 income does not exceed the applicable threshold under clause (xx) of
367 this subparagraph, the percentage pursuant to said clause of the income
368 received from the state teachers' retirement system, whichever
369 deduction is greater;

370 (xx) To the extent properly includable in gross income for federal
371 income tax purposes, except for retirement benefits under clause (iv) of
372 this subparagraph and retirement pay under clause (xvi) of this
373 subparagraph, for a person who files a return under the federal income
374 tax as an unmarried individual whose federal adjusted gross income for
375 such taxable year is less than seventy-five thousand dollars, or as a
376 married individual filing separately whose federal adjusted gross
377 income for such taxable year is less than seventy-five thousand dollars,
378 or as a head of household whose federal adjusted gross income for such
379 taxable year is less than seventy-five thousand dollars, or for a husband
380 and wife who file a return under the federal income tax as married
381 individuals filing jointly whose federal adjusted gross income for such
382 taxable year is less than one hundred thousand dollars, (I) for the taxable
383 year commencing January 1, 2019, fourteen per cent of any pension or
384 annuity income, (II) for the taxable year commencing January 1, 2020,
385 twenty-eight per cent of any pension or annuity income, (III) for the
386 taxable year commencing January 1, 2021, forty-two per cent of any
387 pension or annuity income, and (IV) for the taxable years commencing
388 January 1, 2022, and January 1, 2023, one hundred per cent of any
389 pension or annuity income;

390 (xxi) To the extent properly includable in gross income for federal
391 income tax purposes, except for retirement benefits under clause (iv) of
392 this subparagraph and retirement pay under clause (xvi) of this
393 subparagraph, any pension or annuity income for the taxable year
394 commencing on or after January 1, 2024, and each taxable year
395 thereafter, in accordance with the following schedule, for a person who
396 files a return under the federal income tax as an unmarried individual
397 whose federal adjusted gross income for such taxable year is less than
398 one hundred thousand dollars, or as a married individual filing

399 separately whose federal adjusted gross income for such taxable year is
 400 less than one hundred thousand dollars, or as a head of household
 401 whose federal adjusted gross income for such taxable year is less than
 402 one hundred thousand dollars:

T1	Federal Adjusted Gross Income	Deduction
T2	Less than \$75,000	100.0%
T3	\$75,000 but not over \$77,499	85.0%
T4	\$77,500 but not over \$79,999	70.0%
T5	\$80,000 but not over \$82,499	55.0%
T6	\$82,500 but not over \$84,999	40.0%
T7	\$85,000 but not over \$87,499	25.0%
T8	\$87,500 but not over \$89,999	10.0%
T9	\$90,000 but not over \$94,999	5.0%
T10	\$95,000 but not over \$99,999	2.5%
T11	\$100,000 and over	0.0%

403 (xxii) To the extent properly includable in gross income for federal
 404 income tax purposes, except for retirement benefits under clause (iv) of
 405 this subparagraph and retirement pay under clause (xvi) of this
 406 subparagraph, any pension or annuity income for the taxable year
 407 commencing on or after January 1, 2024, and each taxable year
 408 thereafter, in accordance with the following schedule for married
 409 individuals who file a return under the federal income tax as married
 410 individuals filing jointly whose federal adjusted gross income for such
 411 taxable year is less than one hundred fifty thousand dollars:

T12	Federal Adjusted Gross Income	Deduction
T13	Less than \$100,000	100.0%
T14	\$100,000 but not over \$104,999	85.0%
T15	\$105,000 but not over \$109,999	70.0%
T16	\$110,000 but not over \$114,999	55.0%
T17	\$115,000 but not over \$119,999	40.0%
T18	\$120,000 but not over \$124,999	25.0%
T19	\$125,000 but not over \$129,999	10.0%

T20	\$130,000 but not over \$139,999	5.0%
T21	\$140,000 but not over \$149,999	2.5%
T22	\$150,000 and over	0.0%

412 (xxiii) The amount of lost wages and medical, travel and housing
413 expenses, not to exceed ten thousand dollars in the aggregate, incurred
414 by a taxpayer during the taxable year in connection with the donation
415 to another person of an organ for organ transplantation occurring on or
416 after January 1, 2017;

417 (xxiv) To the extent properly includable in gross income for federal
418 income tax purposes, the amount of any financial assistance received
419 from the Crumbling Foundations Assistance Fund or paid to or on
420 behalf of the owner of a residential building pursuant to sections 8-442
421 and 8-443;

422 (xxv) To the extent properly includable in gross income for federal
423 income tax purposes, the amount calculated pursuant to subsection (b)
424 of section 12-704g for income received by a general partner of a venture
425 capital fund, as defined in 17 CFR 275.203(l)-1, as amended from time to
426 time;

427 (xxvi) To the extent any portion of a deduction under Section 179 of
428 the Internal Revenue Code was added to federal adjusted gross income
429 pursuant to subparagraph (A)(xiv) of this subdivision in computing
430 Connecticut adjusted gross income, twenty-five per cent of such
431 disallowed portion of the deduction in each of the four succeeding
432 taxable years;

433 (xxvii) To the extent properly includable in gross income for federal
434 income tax purposes, for a person who files a return under the federal
435 income tax as an unmarried individual whose federal adjusted gross
436 income for such taxable year is less than seventy-five thousand dollars,
437 or as a married individual filing separately whose federal adjusted gross
438 income for such taxable year is less than seventy-five thousand dollars,
439 or as a head of household whose federal adjusted gross income for such
440 taxable year is less than seventy-five thousand dollars, or for a husband

441 and wife who file a return under the federal income tax as married
 442 individuals filing jointly whose federal adjusted gross income for such
 443 taxable year is less than one hundred thousand dollars, for the taxable
 444 year commencing January 1, 2023, twenty-five per cent of any
 445 distribution from an individual retirement account other than a Roth
 446 individual retirement account;

447 (xxviii) To the extent properly includable in gross income for federal
 448 income tax purposes, for a person who files a return under the federal
 449 income tax as an unmarried individual whose federal adjusted gross
 450 income for such taxable year is less than one hundred thousand dollars,
 451 or as a married individual filing separately whose federal adjusted gross
 452 income for such taxable year is less than one hundred thousand dollars,
 453 or as a head of household whose federal adjusted gross income for such
 454 taxable year is less than one hundred thousand dollars, (I) for the taxable
 455 year commencing January 1, 2024, fifty per cent of any distribution from
 456 an individual retirement account other than a Roth individual
 457 retirement account, (II) for the taxable year commencing January 1, 2025,
 458 seventy-five per cent of any distribution from an individual retirement
 459 account other than a Roth individual retirement account, and (III) for
 460 the taxable year commencing January 1, 2026, and each taxable year
 461 thereafter, any distribution from an individual retirement account other
 462 than a Roth individual retirement account. The subtraction under this
 463 clause shall be made in accordance with the following schedule:

T23	Federal Adjusted Gross Income	Deduction
T24	Less than \$75,000	100.0%
T25	\$75,000 but not over \$77,499	85.0%
T26	\$77,500 but not over \$79,999	70.0%
T27	\$80,000 but not over \$82,499	55.0%
T28	\$82,500 but not over \$84,999	40.0%
T29	\$85,000 but not over \$87,499	25.0%
T30	\$87,500 but not over \$89,999	10.0%
T31	\$90,000 but not over \$94,999	5.0%
T32	\$95,000 but not over \$99,999	2.5%

T33 \$100,000 and over 0.0%

464 (xxix) To the extent properly includable in gross income for federal
465 income tax purposes, for married individuals who file a return under
466 the federal income tax as married individuals filing jointly whose
467 federal adjusted gross income for such taxable year is less than one
468 hundred fifty thousand dollars, (I) for the taxable year commencing
469 January 1, 2024, fifty per cent of any distribution from an individual
470 retirement account other than a Roth individual retirement account, (II)
471 for the taxable year commencing January 1, 2025, seventy-five per cent
472 of any distribution from an individual retirement account other than a
473 Roth individual retirement account, and (III) for the taxable year
474 commencing January 1, 2026, and each taxable year thereafter, any
475 distribution from an individual retirement account other than a Roth
476 individual retirement account. The subtraction under this clause shall
477 be made in accordance with the following schedule:

T34	Federal Adjusted Gross Income	Deduction
T35	Less than \$100,000	100.0%
T36	\$100,000 but not over \$104,999	85.0%
T37	\$105,000 but not over \$109,999	70.0%
T38	\$110,000 but not over \$114,999	55.0%
T39	\$115,000 but not over \$119,999	40.0%
T40	\$120,000 but not over \$124,999	25.0%
T41	\$125,000 but not over \$129,999	10.0%
T42	\$130,000 but not over \$139,999	5.0%
T43	\$140,000 but not over \$149,999	2.5%
T44	\$150,000 and over	0.0%

478 (xxx) To the extent properly includable in gross income for federal
479 income tax purposes, for the taxable year commencing January 1, 2022,
480 the amount or amounts paid or otherwise credited to any eligible
481 resident of this state under (I) the 2020 Earned Income Tax Credit
482 enhancement program from funding allocated to the state through the
483 Coronavirus Relief Fund established under the Coronavirus Aid, Relief,
484 and Economic Security Act, P.L. 116-136, and (II) the 2021 Earned

485 Income Tax Credit enhancement program from funding allocated to the
486 state pursuant to Section 9901 of Subtitle M of Title IX of the American
487 Rescue Plan Act of 2021, P.L. 117-2;

488 (xxxix) For the taxable year commencing January 1, 2023, and each
489 taxable year thereafter, for a taxpayer licensed under the provisions of
490 chapter 420f or 420h, the amount of ordinary and necessary expenses
491 that would be eligible to be claimed as a deduction for federal income
492 tax purposes under Section 162(a) of the Internal Revenue Code but that
493 are disallowed under Section 280E of the Internal Revenue Code
494 because marijuana is a controlled substance under the federal
495 Controlled Substance Act;

496 (xxxix) To the extent properly includable in gross income for federal
497 income tax purposes, for the taxable year commencing on or after
498 January 1, 2025, and each taxable year thereafter, any common stock
499 received by the taxpayer during the taxable year under a share plan, as
500 defined in section 12-217ss;

501 (xxxix) To the extent properly includable in gross income for federal
502 income tax purposes, the amount of any student loan reimbursement
503 payment received by a taxpayer pursuant to section 10a-19m;

504 (xxxix) Contributions to an ABLE account established pursuant to
505 sections 3-39k to 3-39q, inclusive, not to exceed five thousand dollars for
506 each individual taxpayer or ten thousand dollars for taxpayers filing a
507 joint return;

508 (xxxix) To the extent properly includable in gross income for federal
509 income tax purposes, the amount of any payment received pursuant to
510 subsection (c) of section 3-122a;

511 (xxxix) For an account holder, as defined in section 12-724b, who files
512 a return under the federal income tax as an unmarried individual, a
513 married individual filing separately or a head of household, whose
514 federal adjusted gross income for the taxable year is less than one
515 hundred twenty-five thousand dollars or who files a return under the

516 federal income tax as married individuals filing jointly whose federal
517 adjusted gross income for the taxable year is less than two hundred fifty
518 thousand dollars:

519 (I) To the extent not deductible in determining federal adjusted gross
520 income, for the taxable year commencing January 1, 2027, an amount
521 equal to the contributions deposited during the taxable years
522 commencing January 1, 2026, and January 1, 2027, in a first-time
523 homebuyer savings account established pursuant to subsection (c) of
524 section 12-724b, less any amounts withdrawn during said taxable years
525 by the account holder from such account under subparagraph (D) of
526 subdivision (2) of subsection (f) of section 12-724b. The amount claimed
527 under this subclause shall not exceed two thousand five hundred
528 dollars for each such taxable year for an unmarried individual, a
529 married individual filing separately or a head of household and five
530 thousand dollars for each such taxable year for married individuals
531 filing jointly;

532 (II) To the extent not deductible in determining federal adjusted gross
533 income, for the taxable year commencing January 1, 2028, and each
534 taxable year thereafter, an amount equal to the contributions deposited
535 during the taxable year in a first-time homebuyer savings account
536 established pursuant to subsection (c) of section 12-724b, less any
537 amounts withdrawn during the taxable year by the account holder from
538 such account pursuant to subparagraph (D) of subdivision (2) of
539 subsection (f) of section 12-724b. The amount allowed to be claimed
540 under this subclause for the taxable year shall not exceed two thousand
541 five hundred dollars for an unmarried individual, a married individual
542 filing separately or a head of household and five thousand dollars for
543 married individuals filing jointly; and

544 (III) To the extent properly includable in gross income for federal
545 income tax purposes, for the taxable year commencing January 1, 2027,
546 and each taxable year thereafter, an amount equal to the sum of all
547 interest accrued on a first-time homebuyer savings account, established
548 pursuant to subsection (c) of section 12-724b, during the taxable year;

549 and

550 (xxxvii) To the extent properly includable in gross income for federal
 551 income tax purposes, for the taxable year commencing January 1, 2027,
 552 and each taxable year thereafter, for an account holder who is a qualified
 553 beneficiary of a first-time homebuyer savings account, as those terms
 554 are defined in section 12-724b, and who files a return under the federal
 555 income tax as an unmarried individual, a married individual filing
 556 separately or a head of household, whose federal adjusted gross income
 557 for the taxable year is less than one hundred twenty-five thousand
 558 dollars or who files a return under the federal income tax as married
 559 individuals filing jointly whose federal adjusted gross income for the
 560 taxable year is less than two hundred fifty thousand dollars, an amount
 561 equal to any withdrawal from such account that is used to pay or
 562 reimburse such qualified beneficiary for eligible costs, as defined in
 563 section 12-724b, incurred by the qualified beneficiary.

564 Sec. 7. Section 12-407e of the general statutes is repealed. (*Effective July*
 565 *1, 2026*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2026, and applicable to sales occurring on or after July 1, 2026</i>	12-412(128) to (130)
Sec. 2	<i>October 1, 2026, and applicable to sales occurring on or after October 1, 2026</i>	12-412(13)
Sec. 3	<i>January 1, 2027, and applicable to taxable years commencing on or after January 1, 2027</i>	12-704c(b)
Sec. 4	<i>January 1, 2027, and applicable to taxable years commencing on or after January 1, 2027</i>	New section
Sec. 5	<i>January 1, 2027</i>	New section

Sec. 6	<i>January 1, 2027, and applicable to taxable years commencing on or after January 1, 2027</i>	12-701(a)(20)(B)
Sec. 7	<i>July 1, 2026</i>	Repealer section

Statement of Legislative Commissioners:

Section 4(a)(4)(B) was rewritten for consistency with the general statutes; and in Section 4(c)(1), "An eligible family member" was changed to "A family caregiver" for accuracy.

FIN *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 27 \$	FY 28 \$
Revenue Serv., Dept.	Various - Revenue Loss	241.6 million	571.7 million
Revenue Serv., Dept.	GF - Cost	None	Up to 125,000

Note: Various=Various; GF=General Fund

Municipal Impact: None

Explanation

The bill results in a net revenue loss to the state of \$241.6 million in FY 27 and \$571.7 million in FY 28 as well as a cost of up to \$125,000 to the Department of Revenue Services (DRS) in FY 28 only by modifying various taxes.

Revenue Impact

Table 1 lists all the tax policy changes under the bill and their associated impact. **Table 2** summarizes the bill's impact by fund.

Table 1: Impact of SB 1 by Policy - in millions

Section	Policy	Fund	FY 27	FY 28
Sec 1	Exempt clothing under \$100 from the sales and use tax	GF	(147.9)	(151.6)
		STF	(13.8)	(14.2)
		MRSF	(13.8)	(14.2)
		<i>Total</i>	<i>(175.5)</i>	<i>(179.9)</i>
Sec 1	Exempt certain school supplies from the sales and use tax	GF	(5.9)	(6.0)
		STF	(0.6)	(0.6)
		MRSF	(0.6)	(0.6)

Section	Policy	Fund	FY 27	FY 28
		<i>Total</i>	(7.0)	(7.2)
Sec 1	Exempt certain appliances from the sales and use tax	GF	(10.1)	(10.4)
		STF	(0.9)	(1.0)
		MRSF	(0.9)	(1.0)
		<i>Total</i>	(12.0)	(12.3)
Sec 2	Exempt certain items sold in the supermarket from the sales and use tax	GF	(49.1)	(67.0)
Sec 3	Increase the maximum property tax credit from \$300 to \$400	GF	-	(46.0)
Sec 4	Establishes a refundable personal income tax credit for caregiver costs	GF	-	(1.8)
Sec 5	Establishes a refundable personal income tax credit for rent paid of up to \$1,000 for eligible filers	GF	-	(202.0)
Sec 6	Fully exempts Social Security benefits from the personal income tax	GF	-	(57.5)
Sec 7	Repeals the "sales-tax-free-week" holiday	GF	1.7	1.7
		STF	0.2	0.2
		MRSF	0.2	0.2
		<i>Total</i>	2.0	2.0

Table 2: Net Impact of SB 1 by Fund - in millions

Fund	FY 27	FY 28
General Fund (GF)	(211.3)	(540.6)
Special Transportation Fund (STF)	(15.2)	(15.5)
Municipal Revenue Sharing Fund (MRSF)	(15.2)	(15.5)
Net Total All Funds	(241.6)	(571.7)

DRS Costs

Section 4 results in a one-time cost to DRS of up to \$50,000 in FY 28 for the development and implementation of a voucher system.

Section 5 results in a one-time cost to DRS of up to \$75,000 in FY 28 associated with programming updates to the CTax tax administration system and myconneCT online portal, as well as form modification.

The Out Years

The costs noted in **Sections 4 and 5** are one-time only in FY 28. The revenue loss associated with **Section 5** would grow annually thereafter in accordance with the number of filers receiving Social Security benefits and the growth in benefit amounts received. All other impacts identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 1*****AN ACT CONCERNING AFFORDABILITY.*****SUMMARY**

This bill makes the following state income tax changes starting with the 2027 tax year:

1. increases, from \$300 to \$400, the maximum property tax credit against the state income tax, beginning in 2027 (§ 3);
2. creates a nonrefundable income tax credit of up to \$2,000 for income-eligible family caregivers who incur eligible expenditures to care and support an eligible family member (§ 4);
3. creates a refundable income tax credit of up to \$1,000 for eligible renters with incomes of up to \$100,000 for joint filers or up to \$50,000 for other filers (§ 5); and
4. fully exempts Social Security benefits from state income tax, regardless of taxpayer income (§ 6).

Starting July 1, 2026, the bill also creates sales and use tax exemptions for certain (1) clothing and footwear costing less than \$100; (2) nonelectronic school supplies; (3) energy efficient home appliances; and (4) sandwiches, grinders, coffee, and tea sold in a grocery store for takeout (§§ 1-2 & 7).

EFFECTIVE DATE: Various, see below.

§§ 1-2 & 7 — SALES AND USE TAX EXEMPTIONS

The bill exempts the following items from the state's 6.35% sales and use tax:

1. clothing and footwear costing less than \$100, but not (a) special athletic or protective clothing and footwear not normally worn except for its specialized use and (b) jewelry, handbags, luggage, umbrellas, wallets, watches, and similar items that people carry but do not wear;
2. nonelectronic school supplies, like backpacks, lunchboxes, notebooks, pens, pencils, crayons, rulers, and paper; and
3. air conditioners, boilers, furnaces, heat pumps, clothes washers and dryers, standard size refrigerators, dehumidifiers, and programmable thermostats, if they are (a) for residential use and (b) meet or exceed federal Energy Star standards.

Corresponding to the clothing and footwear exemption, the bill eliminates “sales tax free week” for these items that currently runs from the third Sunday in August through the following Saturday.

Starting October 1, 2026, the bill also exempts sandwiches, grinders, coffee (hot or iced) and tea (hot or iced) prepared and sold in a supermarket for takeout, unless they are sold in the food court or snack bar area. Under current Department of Revenue Services (DRS) guidance on sales and use taxes on meals, these items are taxable when sold anywhere in a supermarket (see BACKGROUND). The bill also explicitly makes food trays, pans, and platters prepared and delivered by a supermarket taxable sales of meals, which is in line with this DRS guidance. By law, taxable meals are subject to 7.35% sales and use tax.

EFFECTIVE DATE: July 1, 2026, and applicable to sales starting on or after that date, for the clothing, school supplies, and appliances exemptions; October 1, 2026, and applicable to sales starting on or after that date, for the grocery exemptions.

§ 3 — PROPERTY TAX CREDIT

Starting with the 2027 tax year, the bill increases the maximum property tax credit against the income tax from \$300 to \$400.

By law, Connecticut residents may qualify for this credit for property taxes paid on a primary residence or automobile in the state. The credit amount depends on the amount of property tax paid and the filer's income. The percent of property tax paid that can be taken as a credit declines as income increases until it completely phases out.

EFFECTIVE DATE: January 1, 2027, and applicable to tax years starting on or after that date.

§ 4 — TAX CREDIT FOR FAMILY CAREGIVER EXPENDITURES

Credit Eligibility and Amount

Starting with the 2027 tax year, the bill allows a nonrefundable income tax credit for a portion of the eligible expenditures a “family caregiver” incurs to care and support an eligible family member. To qualify, the family caregiver must have federal adjusted gross income (AGI) of less than (1) \$50,000 for single filers, married people filing separately, or heads of households or (2) \$100,000 for joint filers.

The credit equals 50% of eligible expenses incurred, up to a maximum of \$2,000, for any tax year. If two or more family caregivers claim the credit for the same eligible family member, the maximum allowable credit is split equally between them. (Presumably, this means that one or more taxpayers can only claim up to \$2,000 in aggregate tax credits per year for the same eligible family member, based on the expenses each taxpayer incurred in caring for and supporting the family member.) Caregivers may apply the credit against their personal income tax liability, but not the withholding tax.

DRS must administer a tax credit voucher system for the credit and approve applications on a first-come, first served basis. Eligible family caregivers apply for the credit on a DRS-prescribed application form, including any information the commissioner needs to administer the credit. Within 30 days after receiving an application, the commissioner must notify applicants in writing of whether or not they were approved. He may issue up to \$1.8 million in tax credit vouchers per tax year.

Eligible Family Member

To qualify for the credit, the caregiver must incur eligible expenditures to support someone who meets the following criteria:

1. is the caregiver's dependent, spouse, parent, or other relative by blood or marriage;
2. lives in a private residence and not a nursing home or managed residential community that provides assisted living services (long-term care facility); and
3. needs help with at least two daily living activities, such as walking, feeding, dressing, personal hygiene, and toileting, as certified in writing by a state-licensed physician, physician assistant, or advanced practice registered nurse.

Eligible Expenditures

Under the bill, credit-eligible expenditures include the following:

1. improvements or alterations made to the caregiver's or eligible family member's primary residence to allow the family member to live there and stay mobile, safe, and independent;
2. purchased or leased equipment, including durable medical equipment, needed to help the eligible family member do one or more daily living activities;
3. other expenses the caregiver paid or incurred that help him or her provide care to an eligible family member, such as hiring a home health aide, respite care, adult day care, personal care attendants, and health care equipment and technology.

They exclude general household maintenance activities, such as painting, plumbing, electrical repairs, and exterior maintenance.

EFFECTIVE DATE: January 1, 2027, and applicable to tax years starting on or after that date.

§ 5 — RENTER'S TAX CREDIT

Credit Amount

Starting with the 2027 tax year, the bill creates a personal income tax credit for a portion of eligible rent paid by eligible renters. The credit equals 20% of the annual rent the renter actually paid for the applicable tax year, minus 4% of his or her federal AGI for that year, up to \$1,000. The \$1,000 maximum applies regardless of the renter's tax filing status, meaning that two renters who file a joint return together may claim a total credit of up to \$1,000.

Renters may apply the credit against their personal income tax liability, but not the withholding tax. The credit is refundable if it exceeds the taxpayer's income tax liability.

Eligible Renters

To qualify for the credit, an "eligible renter" must:

1. have federal AGI for the applicable tax year of \$50,000 or less (for single filers, married people filing separately, or heads or households) or \$100,000 or less (for joint filers);
2. have rented and occupied at least one dwelling unit in Connecticut as his or her primary residence for all of the applicable tax year and paid rent for the unit or units; and
3. not have been claimed as a dependent on someone else's federal income tax return for the year.

Eligible Rent Payments

Under the bill, credit-eligible rent payments also include amounts for (1) heat, hot water, gas, electricity, furniture, and parking if the landlord does not charge separately for these and (2) renting a mobile manufactured home, the leasehold site it occupies, or both. But they exclude the following:

1. housing or rental assistance not paid by the eligible renter;
2. consideration (something of value, for example, money) paid for occupancy in a hotel, lodging house, bed and breakfast, or short-

term rental, unless occupied under a rental or lease agreement;
and

3. payments in kind by the tenant to the landlord.

(It is unclear whether other amounts qualify as rent, such as amounts paid as a security deposit when entering into the rental or lease agreement.)

EFFECTIVE DATE: January 1, 2027

§ 6 — INCOME TAX EXEMPTION FOR SOCIAL SECURITY

Under current law, income taxpayers who receive federally taxable Social Security benefits may claim a deduction that eliminates or reduces the amount subject to Connecticut income tax. Specifically, they may deduct 100% of the benefits included in their federal AGI if their AGI is less than (1) \$75,000 for single filers and married people filing separately and (2) \$100,000 for joint filers and heads of household. Taxpayers with federal AGIs at or above these thresholds qualify for a partial deduction that results in no more than 25% of total Social Security benefits received being subject to tax.

Starting with the 2027 tax year, the bill instead allows all income taxpayers, regardless of their federal AGI, to fully deduct any federally taxable Social Security benefits, exempting these amounts from state income tax.

EFFECTIVE DATE: January 1, 2027, and applicable to tax years starting on or after that date.

BACKGROUND

Sales and Use Taxes on Groceries

Most groceries are exempt from sales tax in Connecticut under the law's exemption for "food products for human consumption." This exemption applies to a range of grocery staples, including cereal, milk, margarine, meat, fish, eggs, vegetables, fruit, spices, salt, sugar, coffee, tea, and cocoa. But it excludes certain foods and beverages, including

alcoholic beverages, carbonated beverages, candy and gum, and “meals” sold by eating establishments or caterers. “Meals” are generally food sold in a form and portions that are ready for immediate consumption at or near the seller’s location. They include food sold as takeout (CGS § 12- 412(13); Conn. Agencies Regs., § 12-426-29).

Current DRS guidance establishes what is considered a taxable sale of a meal by a supermarket (*Sales and Use Taxes on Meals*, DRS Policy Statement 2002(2)). Under this guidance, sales tax applies only to the (1) specified items (sandwiches, grinders, coffee, and tea) and catering services and (2) meals sold in the supermarket’s snack bar or food court area.

Related Bills

sHB 5114, favorably reported by the Finance, Revenue and Bonding Committee, creates a similar refundable income tax credit of up to \$2,500 for eligible renters that have federal AGI of \$150,000 or less for joint filers or \$75,000 for other filers.

sHB 5443, § 4, favorably reported by the Finance, Revenue and Bonding Committee, expands the sales and use tax exemption for clothing and footwear sold during “sales tax free week” to items costing less than \$300, rather than \$100, and adds backpacks to the list of exempt items.

SB 84, § 31, favorably reported by the Finance, Revenue and Bonding Committee, increases the exemption amount for “sales tax free week” from \$100 to \$300 and adds backpacks and cleated shoes to the list of exempt items.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 54 Nay 0 (03/30/2026)