



General Assembly

February Session, 2026

***Raised Bill No. 254***

LCO No. 1690



Referred to Committee on HOUSING

Introduced by:  
(HSG)

***AN ACT CONCERNING TAX CREDITS FOR THE CONVERSION OF  
COMMERCIAL PROPERTIES.***

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

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

3 (1) "Affordable housing" has the same meaning as provided in section  
4 8-39a of the general statutes;

5 (2) "Commercial building" means a structure primarily designed or  
6 used for nonresidential purposes, including, but not limited to, as a  
7 hotel, retail space, office space or an industrial building;

8 (3) "Commissioner" means the Commissioner of Housing;

9 (4) "Conversion plan" means any construction plan and specifications  
10 for the proposed conversion of a commercial building into a residential  
11 development that contains sufficient detail to enable the commissioner  
12 to evaluate compliance with the standards developed under the  
13 provisions of subsections (c) and (k) of this section;

14 (5) "Dwelling unit" has the same meaning as provided in section 47a-  
15 1 of the general statutes;

16 (6) "Industrial building" means a structure that is used primarily for  
17 industrial activity and that is generally not open to the public, including  
18 but not limited to, warehouses, factories and storage facilities;

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

23 (8) "Owner" means (A) any taxpayer filing a state of Connecticut tax  
24 return who possesses title to a commercial building, or prospective title  
25 in the form of a purchase agreement or option to purchase a commercial  
26 building to be converted into a residential development, or (B) a  
27 nonprofit corporation that possesses such title or prospective title;

28 (9) "Qualified conversion expenditure" means any cost incurred for  
29 the physical construction involved in the conversion of a commercial  
30 building into a residential development. "Qualified conversion  
31 expenditure" does not include: (A) The owner's personal labor, (B) the  
32 cost of site improvements, unless to provide building access to persons  
33 with disabilities, (C) the cost of a new addition, except as may be  
34 required to comply with any provision of the State Building Code, State  
35 Fire Prevention Code or the State Fire Safety Code, (D) any cost  
36 associated with the conversion of an outbuilding, unless such building  
37 contains one or more dwelling units, and (E) any nonconstruction cost  
38 such as architectural fees, legal fees and financing fees; and

39 (10) "Residential development" means a structure that contains one  
40 or more dwelling units.

41 (b) Not later than January 1, 2027, the Commissioner of Housing shall  
42 establish a program to administer a system of tax credit vouchers within  
43 the resources, requirements and purposes of this section for owners

44 converting commercial buildings into residential developments or  
45 taxpayers making contributions that are qualified conversion  
46 expenditures. Any owner eligible to apply for a tax credit voucher  
47 pursuant to this section shall be eligible for such voucher in an amount  
48 equal to ten per cent of the total qualified conversion expenditure.

49 (c) Not later than January 1, 2027, the commissioner shall develop  
50 standards for the approval of tax credit vouchers for the conversion of  
51 commercial buildings into residential developments for which a tax  
52 credit voucher is sought. Any such standards shall take into account  
53 whether such conversion will create or preserve units for affordable  
54 housing. The commissioner shall post such standards on the  
55 Department of Housing's Internet web site.

56 (d) Prior to beginning any conversion work on a commercial building  
57 for which an owner will seek a tax credit voucher under this section,  
58 such owner shall submit to the commissioner (1) a conversion plan for  
59 a determination of whether such plan meets any standards developed  
60 under the provisions of subsections (c) and (k) of this section, (2) an  
61 estimate of the qualified conversion expenditures made, and (3) any  
62 other information prescribed by the commissioner. Not later than sixty  
63 days after receipt of such plan, estimate and other information, the  
64 commissioner shall determine whether such plan conforms to the  
65 standards developed under the provisions of subsections (c) and (k) of  
66 this section.

67 (e) If the commissioner certifies that the conversion plan conforms to  
68 the standards developed under the provisions of subsections (c) and (k)  
69 of this section, the commissioner shall reserve for the benefit of the  
70 owner an allocation for a tax credit equivalent to ten per cent of the  
71 projected qualified conversion expenditures.

72 (f) Following the completion of the conversion of a commercial  
73 building into a residential development, the owner shall notify the  
74 commissioner that such conversion has been completed. The owner

75 shall provide the commissioner with documentation of any work  
76 performed on the commercial building and shall certify the cost  
77 incurred in converting such building into a residential development.  
78 The commissioner shall review such conversion work and verify its  
79 compliance with the conversion plan. Following such verification, the  
80 commissioner shall issue a tax credit voucher to either the owner  
81 converting the commercial building or the taxpayer named by the  
82 owner as contributing to the conversion. The tax credit voucher shall be  
83 in an amount equivalent to the lesser of (1) the tax credit reserved upon  
84 certification of the conversion plan under the provisions of subsection  
85 (e) of this section, or (2) ten per cent of the actual qualified conversion  
86 expenditures. In order to obtain a credit against any state tax due that is  
87 specified in subsection (h) of this section, the holder of the tax credit  
88 voucher shall file the voucher with the holder's state tax return.

89 (g) The owner of a commercial building converted into a residential  
90 development shall not be eligible for a tax credit voucher under  
91 subsections (f) and (h) of this section, unless the owner incurs qualified  
92 conversion expenditures exceeding fifteen thousand dollars.

93 (h) (1) The Commissioner of Revenue Services shall grant a credit  
94 against the tax imposed under chapter 229 or 208a of the general  
95 statutes, as applicable, in accordance with the following:

96 (A) (i) For a taxpayer described under subparagraph (A) of  
97 subdivision (8) of subsection (a) of this section holding a tax credit  
98 voucher issued on or after January 1, 2027, under subsections (b) to (g),  
99 inclusive, of this section, against the tax imposed under chapter 229 of  
100 the general statutes in the amount specified in the tax credit voucher.

101 (ii) If the amount of the tax credit voucher exceeds the taxpayer's  
102 liability for the tax imposed under chapter 229 of the general statutes,  
103 the Commissioner of Revenue Services shall treat such excess as an  
104 overpayment and, except as provided under section 12-739 or 12-742 of  
105 the general statutes, shall refund the amount of such excess, without

106 interest, to the taxpayer; and

107 (B) (i) For an owner that is a nonprofit corporation holding a tax credit  
108 voucher issued on or after January 1, 2027, under subsections (b) to (g),  
109 inclusive, of this section, against the tax due under chapter 208a of the  
110 general statutes in the amount specified in the tax credit voucher.

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

114 (2) The Commissioner of Housing shall provide a copy of the voucher  
115 issued under subsection (f) of this section to the Commissioner of  
116 Revenue Services upon the request of the Commissioner of Revenue  
117 Services.

118 (i) A credit issued under this section shall not exceed thirty thousand  
119 dollars per dwelling unit for a commercial building converted into a  
120 residential development for an owner that is not a nonprofit  
121 corporation, or not exceed fifty thousand dollars per such dwelling unit  
122 for an owner that is a nonprofit corporation.

123 (j) The aggregate amount of all tax credits that may be reserved by  
124 the Commissioner of Housing upon certification of conversion plans  
125 under subsections (b) to (d), inclusive, of this section shall not exceed  
126 three million dollars in any one fiscal year.

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

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2026, and applicable to taxable years commencing on and after July 1, 2026</i>	New section
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**Statement of Purpose:**

To establish tax credits for the conversion of commercial properties into housing.

*[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.]*