
OLR Bill Analysis

sHB 5114

AN ACT ESTABLISHING A REFUNDABLE CREDIT AGAINST THE PERSONAL INCOME TAX FOR A PORTION OF ANNUAL RENT PAYMENTS MADE BY A TAXPAYER FOR A PRIMARY RESIDENCE IN THE STATE.

SUMMARY

Starting with the 2027 tax year, this bill creates a refundable personal income tax credit of up to \$2,500 for eligible renters with incomes of up to \$150,000 for joint filers or \$75,000 for other filers. The credit amount renters can claim is based on a portion of the eligible rent they paid for the applicable tax year and their federal adjusted gross income (AGI).

The bill requires rental property owners or managers to give certain renters a “certificate of rent paid” by February 1 of the year after the rent was paid. It requires renters to file these certificates, or a specified affidavit, when claiming the tax credit.

The bill authorizes the Department of Revenue Services (DRS) commissioner to (1) adopt implementing regulations for the credit and (2) coordinate with the housing department and other state agencies to promote its public awareness. It also requires DRS to annually report to the General Assembly on the credit.

EFFECTIVE DATE: January 1, 2027

CREDIT AMOUNT AND CLAIMS

Under the bill, the credit equals 20% of the annual rent the eligible renter actually paid for the applicable tax year, minus 4% of his or her federal AGI for that year, up to \$2,500. The \$2,500 maximum applies regardless of the renter’s tax filing status, meaning that two eligible renters who file a joint return may claim a credit of up to \$2,500 jointly.

Renters may apply the credit against their personal income tax

liability, but not the withholding tax. The credit is refundable if it exceeds their income tax liability.

ELIGIBLE RENTERS

To qualify for the credit, an “eligible renter” must:

1. have federal AGI for the applicable tax year of \$75,000 or less (for single filers, married people filing separately, or heads of households) or \$150,000 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. amounts paid as a security deposit or for the last month’s rent when entering into the rental or lease agreement, unless they are applied to unpaid rent;
2. payments by a cooperative housing corporation’s tenant-stockholder to the corporation;
3. payments by a condominium’s or common interest community unit’s tenant or owner to the respective unit owner association;
4. consideration paid for occupancy in a hotel, lodging house, bed and breakfast, or short-term rental, unless occupied under a rental or lease agreement; and
5. payments in kind by the tenant to the landlord.

CERTIFICATES OF RENT PAID

The bill requires certain property owners and managing agents to give renters a “certificate of rent paid” that eligible renters must in turn file with their income tax returns to claim the tax credit. This requirement applies to anyone who owns or manages a property in Connecticut, including a mobile manufactured home park, occupied by a renter as their primary residence on December 31 and for which the renter pays rent. DRS must prescribe the certificate’s requirements.

Property owners or managing agents must provide these certificates by February 1 of the year after the rent was paid. If a renter moves before December 31, the owner or manager may (1) give the renter the certificate at the time of moving, (2) send it by mail to any known forwarding address, or (3) send it by email if the renter provided an email address. If an owner or manager does not provide a certificate, the eligible renter may submit an affidavit that includes the requisite information. DRS must develop a form for these affidavits and post it on its website.

Property owners and managers must keep a duplicate of each certificate (or an equivalent record of the information it included) for four years and make it available to the DRS commissioner upon request.

REPORT TO THE LEGISLATURE

The bill requires the DRS commissioner, annually starting with the 2028 tax year, to report to the Finance, Revenue and Bonding Committee on (1) the total amount of renter tax credits claimed for the prior tax year and (2) any other information the committee requests about the credit to help it evaluate whether any changes should be made to income thresholds or credit amounts. The latter must include only information that is de-identified and disclosable.

BACKGROUND

Related Bill

SB 1, § 5, favorably reported by the Finance, Revenue and Bonding Committee, creates a similar refundable income tax credit of up to \$1,000 for eligible renters who have federal AGI of \$100,000 or less for joint

filers or \$50,000 or less for other filers.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 35 Nay 19 (03/30/2026)