
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)