

OFFICE OF FISCAL ANALYSIS

Legislative Office Building, Room 5200
Hartford, CT 06106 ♦ (860) 240-0200
<http://www.cga.ct.gov/ofa>

HB-5977

AN ACT EXEMPTING THE SALE AND USE OF CERTAIN
TANGIBLE PERSONAL PROPERTY FOR MIXED-INCOME
DEVELOPMENTS FROM THE SALES AND USE TAXES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 26 \$	FY 27 \$
Department of Revenue Services	Various - Revenue Loss	2.25 million	3 million
Department of Revenue Services	GF - Cost	Up to 100,000	None
Department of Revenue Services	GF - Potential Cost	75,000	100,000
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	30,533	40,710

Note: Various=Various; GF=General Fund

Municipal Impact: None

Explanation

The bill results in an estimated \$2.25 million revenue loss in FY 26 and \$3 million revenue loss annually thereafter to the state by exempting certain tangible personal property for mixed-income development from the sales and use tax. By fund, the annualized revenue loss is anticipated to be \$2.5 million to the General Fund and \$250,000 each to the Special Transportation Fund and the Municipal

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.71% of payroll in FY 26.

Revenue Sharing Fund.²

This analysis assumes up to 300 new units of housing would qualify for this exemption under the bill with an average construction cost of \$160,000 per unit. The actual revenue loss is dependent upon the (1) cost of materials and (2) number of qualifying construction projects, both of which may fluctuate annually based on market conditions.

Department of Revenue Services Costs

The bill also results in a one-time General Fund cost of up to \$100,000 to the Department of Revenue Services (DRS) in FY 26 associated with programming updates to the CTax tax administration system and myconneCT online portal, as well as development of an exemption certificate.

To the extent the number of units that must be certified by the DRS commissioner is significant, there is a potential ongoing cost of \$105,533 (partial year) in FY 26 and \$140,710 in FY 27 for one auditor position (annualized cost of \$100,000 for salary and \$40,710 for fringe benefits).³

The Out Years

The annualized ongoing fiscal impacts identified above would continue into the future subject to inflation.

² By statute, 0.5 percentage points of the 6.35% rate (or 7.87% of collections) is deposited into the Special Transportation Fund and Municipal Revenue Sharing Fund each. The remaining 5.35 percentage points (or 84.25% of collections) is deposited into the General Fund.

³ To receive an exemption under the bill, the DRS commissioner must certify that all units are in a development in which, for at least 40 years after initial occupancy, at least 40% of the units are deed-restricted so they must be sold or rented (1) at or below a cost equal to no more than 30% of the annual household income of those earning no more than 80% of the applicable median income and (2) to households below certain income thresholds.