



General Assembly

January Session, 2025

Raised Bill No. 1263

LCO No. 4182



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, 2025, and applicable to taxable years*
2 *commencing on and after July 1, 2025*) (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, hotels,
7 retail space or office space but does not include 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 expenditures" means any costs incurred for
29 the physical construction involved in the conversion of a commercial
30 building into a residential development. "Qualified conversion
31 expenditures" 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, 2026, 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, 2026, 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 regulations 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 to 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, 2026, 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, 2026, 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 to the Commissioner of Revenue Services upon the request of the
116 Commissioner of Revenue Services.

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

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

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

<p>This act shall take effect as follows and shall amend the following sections:</p>
--

Section 1	<i>July 1, 2025, and applicable to taxable years commencing on and after July 1, 2025</i>	New section
-----------	---	-------------

Statement of Purpose:

To provide certain tax credits for the conversion of commercial buildings into residential developments.

[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.]