
OLR Bill Analysis

HB 5977

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

SUMMARY

This bill exempts from the sales and use tax purchases of tangible personal property for building, renovating, or operating dwelling units in qualifying mixed-income developments. Specifically, the exemption applies to the sale or purchase of tangible personal property (1) acquired for incorporation into these dwelling units or (2) used and consumed in developing, constructing, rehabilitating, renovating, repairing, or operating the units.

To receive the exemption, the Department of Revenue Services (DRS) commissioner must certify that the units are part of a qualifying mixed-income development. Under the bill, this is 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. Specifically,

1. at least 15% of the units must be deed restricted to households earning 60% or less of the median income and
2. the remainder of the income-restricted units must be deed restricted to households earning 80% or less of the median income.

Under the bill, median income is the lesser of the state median income or the applicable municipality's area median income, after adjusting for family size, as determined by the U.S. Department of Housing and Urban Development.

Purchasers may claim the exemption by giving the retailer a copy of the DRS certification for the mixed-income development and a DRS-prescribed certificate indicating that the tangible personal property will be used or consumed exclusively as described above.

EFFECTIVE DATE: October 1, 2025, and applicable to sales made on or after that date.

BACKGROUND

Existing Sales and Use Tax Exemption for Low- and Moderate-Income Housing Facilities

Existing law exempts from sales and use tax tangible personal property or services used in the development, construction, rehabilitation, renovation, repair, maintenance, or operation of eligible low- or moderate-income housing facilities. To qualify for the exemption, the housing facility must be sponsored and owned or operated by a nonprofit housing organization or housing authority. The exemption applies to (1) materials that will be physically incorporated into the construction project or supplies or equipment that will be used and consumed in the facility's operation after its construction and (2) renovation, repair, maintenance, janitorial, landscaping, or other services (CGS § 12-412(29)).

An exemption also applies to sales and purchases of services used or consumed in developing, constructing, renovating, or operating low- and moderate-income housing facilities when the facilities are owned or sponsored by a mutual housing association (generally, a Department of Housing-approved nonprofit that develops and operates housing projects for low- and moderate-income people who are members of the association and participate in its operation and management) (CGS § 12-412(29)(B)).

Related Bill

SB 1262 (File 71), favorably reported by the Housing Committee, decreases the sales and use tax rate, from 6.35% to 3%, for tangible personal property purchased to build a new residential development project with at least (1) 50 dwelling units of affordable housing or (2)

20% of its units comprised of affordable housing (i.e. housing for which households earning no more than the federally determined area median income pay 30% or less of their annual income).

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 42 Nay 10 (04/24/2025)