



General Assembly

Amendment

January Session, 2025

LCO No. 9562



Offered by:

SEN. HARDING, 30th Dist.
SEN. MARTIN, 31st Dist.
SEN. SAMPSON, 16th Dist.
SEN. CICARELLA, 34th Dist.
SEN. SOMERS, 18th Dist.
SEN. HWANG, 28th Dist.

SEN. BERTHEL, 32nd Dist.
SEN. FAZIO, 36th Dist.
SEN. GORDON, 35th Dist.
SEN. KISSEL, 7th Dist.
SEN. PERILLO J., 21st Dist.

To: Senate Bill No. **1444**

File No. 580

Cal. No. 324

(As Amended)

**"AN ACT CONCERNING THE CONVERSION OF COMMERCIAL
REAL PROPERTY FOR RESIDENTIAL USE."**

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. (NEW) (*Effective July 1, 2025, and applicable to taxable years*
4 *commencing on and after July 1, 2025*) (a) As used in this section:

5 (1) "Affordable housing" has the same meaning as provided in section
6 8-39a of the general statutes;

7 (2) "Commercial building" means a structure primarily designed or
8 used for nonresidential purposes, including, but not limited to, hotels,

9 retail space, office space or an industrial building;

10 (3) "Commissioner" means the Commissioner of Housing;

11 (4) "Conversion plan" means any construction plan and specifications
12 for the proposed conversion of a commercial building into a residential
13 development that contains sufficient detail to enable the commissioner
14 to evaluate compliance with the standards developed pursuant to
15 subsections (c) and (k) of this section;

16 (5) "Dwelling unit" has the same meaning as provided in section 47a-
17 1 of the general statutes;

18 (6) "Industrial building" means a structure that is used primarily for
19 industrial activity and that is generally not open to the public, including
20 but not limited to, warehouses, factories and storage facilities;

21 (7) "Nonprofit corporation" means a nonprofit corporation
22 incorporated pursuant to chapter 602 of the general statutes or any
23 predecessor statutes thereto, and having as one of its purposes the
24 construction, conversion, ownership or operation of housing;

25 (8) "Owner" means (A) any taxpayer filing a state of Connecticut tax
26 return who possesses title to a commercial building, or prospective title
27 in the form of a purchase agreement or option to purchase a commercial
28 building to be converted into a residential development, or (B) a
29 nonprofit corporation that possesses such title or prospective title;

30 (9) "Qualified conversion expenditures" means any costs incurred for
31 the physical construction involved in the conversion of a commercial
32 building into a residential development. "Qualified conversion
33 expenditures" does not include: (A) The owner's personal labor, (B) the
34 cost of site improvements, unless to provide building access to persons
35 with disabilities, (C) the cost of a new addition, except as may be
36 required to comply with any provision of the State Building Code, State
37 Fire Prevention Code or the State Fire Safety Code, (D) any cost
38 associated with the conversion of an outbuilding, unless such building

39 contains one or more dwelling units, and (E) any nonconstruction cost
40 such as architectural fees, legal fees and financing fees; and

41 (10) "Residential development" means a structure that contains one
42 or more dwelling units.

43 (b) Not later than January 1, 2026, the Commissioner of Housing shall
44 establish a program to administer a system of tax credit vouchers within
45 the resources, requirements and purposes of this section for owners
46 converting commercial buildings into residential developments or
47 taxpayers making contributions that are qualified conversion
48 expenditures. Any owner eligible to apply for a tax credit voucher
49 pursuant to this section shall be eligible for such voucher in an amount
50 equal to ten per cent of the total qualified conversion expenditure.

51 (c) Not later than January 1, 2026, the commissioner shall develop
52 standards for the approval of tax credit vouchers for the conversion of
53 commercial buildings into residential developments for which a tax
54 credit voucher is sought. Any such standards shall require that not less
55 than ten per cent of the dwelling units created in any such conversion
56 be affordable housing. The commissioner shall post such regulations on
57 the Department of Housing's Internet web site.

58 (d) Prior to beginning any conversion work on a commercial building
59 for which an owner will seek a tax credit voucher pursuant to this
60 section, such owner shall submit to the commissioner (1) a conversion
61 plan for a determination of whether such plan meets any standards
62 developed pursuant to subsections (c) and (k) of this section, (2) an
63 estimate of the qualified conversion expenditures made, and (3) any
64 other information prescribed by the commissioner. Not later than sixty
65 days after receipt of such plan, estimate and other information, the
66 commissioner shall determine whether such plan conforms to the
67 standards developed pursuant to subsections (c) and (k) of this section.

68 (e) If the commissioner certifies that the conversion plan conforms to
69 the standards developed pursuant to subsections (c) and (k) of this

70 section, the commissioner shall reserve for the benefit of the owner an
71 allocation for a tax credit equivalent to ten per cent of the projected
72 qualified conversion expenditures.

73 (f) Following the completion of the conversion of a commercial
74 building into a residential development, the owner shall notify the
75 commissioner that such conversion has been completed. The owner
76 shall provide the commissioner with documentation of any work
77 performed on the commercial building and shall certify the cost
78 incurred in converting such building into a residential development.
79 The commissioner shall review such conversion work and verify its
80 compliance with the conversion plan. Following such verification, the
81 commissioner shall issue a tax credit voucher to either the owner
82 converting the commercial building or to the taxpayer named by the
83 owner as contributing to the conversion. The tax credit voucher shall be
84 in an amount equivalent to the lesser of (1) the tax credit reserved upon
85 certification of the conversion plan pursuant to subsection (e) of this
86 section, or (2) ten per cent of the actual qualified conversion
87 expenditures. In order to obtain a credit against any state tax due that is
88 specified in subsection (h) of this section, the holder of the tax credit
89 voucher shall file the voucher with the holder's state tax return.

90 (g) The owner of a commercial building converted into a residential
91 development shall not be eligible for a tax credit voucher pursuant to
92 subsections (f) and (h) of this section, unless the owner incurs qualified
93 conversion expenditures exceeding fifteen thousand dollars.

94 (h) (1) The Commissioner of Revenue Services shall grant a credit
95 against the tax imposed pursuant to chapter 208a or 229 of the general
96 statutes, as applicable, in accordance with the following:

97 (A) (i) For a taxpayer described in subparagraph (A) of subdivision
98 (8) of subsection (a) of this section holding a tax credit voucher issued
99 on or after January 1, 2026, pursuant to subsections (b) to (g), inclusive,
100 of this section, against the tax imposed pursuant to chapter 229 of the
101 general statutes in the amount specified in the tax credit voucher.

102 (ii) If the amount of the tax credit voucher exceeds the taxpayer's
103 liability for the tax imposed pursuant to chapter 229 of the general
104 statutes, the Commissioner of Revenue Services shall treat such excess
105 as an overpayment and, except as provided in section 12-739 or 12-742
106 of the general statutes, shall refund the amount of such excess, without
107 interest, to the taxpayer; and

108 (B) (i) For an owner that is a nonprofit corporation holding a tax credit
109 voucher issued on or after January 1, 2026, under subsections (b) to (g),
110 inclusive, of this section, against the tax due pursuant to chapter 208a of
111 the general statutes in the amount specified in the tax credit voucher.

112 (ii) Any unused portion of such credit pursuant to this subparagraph
113 may be carried forward to any or all of the four income years following
114 the year in which the tax credit voucher is issued.

115 (2) The Commissioner of Housing shall provide a copy of the voucher
116 to the Commissioner of Revenue Services upon the request of the
117 Commissioner of Revenue Services.

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

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

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

131 Sec. 2. Subdivision (6) of subsection (l) of section 8-30g of the general

132 statutes is repealed and the following is substituted in lieu thereof
133 (*Effective October 1, 2025*):

134 (6) For the purposes of this subsection, housing unit-equivalent
135 points shall be determined by the commissioner as follows: (A) No
136 points shall be awarded for a unit unless its occupancy is restricted to
137 persons and families whose income is equal to or less than eighty per
138 cent of the median income, except that (i) unrestricted units in a set-
139 aside development shall be awarded one-quarter point each; and (ii)
140 dwelling units in middle housing developed as of right pursuant to
141 section 8-2s shall be awarded one-quarter point each. (B) Family units
142 restricted to persons and families whose income is equal to or less than
143 eighty per cent of the median income shall be awarded one point if an
144 ownership unit and one and one-half points if a rental unit. (C) Family
145 units restricted to persons and families whose income is equal to or less
146 than sixty per cent of the median income shall be awarded one and one-
147 half points if an ownership unit and two points if a rental unit. (D)
148 Family units restricted to persons and families whose income is equal to
149 or less than forty per cent of the median income shall be awarded two
150 points if an ownership unit and two and one-half points if a rental unit.
151 (E) Elderly units restricted to persons and families whose income is
152 equal to or less than eighty per cent of the median income shall be
153 awarded one-half point. (F) A set-aside development containing family
154 units [which] that are rental units shall be awarded additional points
155 equal to twenty-two per cent of the total points awarded to such
156 development, provided the application for such development was filed
157 with the commission prior to July 6, 1995. (G) A mobile manufactured
158 home in a resident-owned mobile manufactured home park shall be
159 awarded points as follows: One and one-half points when occupied by
160 persons and families with an income equal to or less than eighty per cent
161 of the median income; two points when occupied by persons and
162 families with an income equal to or less than sixty per cent of the median
163 income; and one-fourth point for the remaining units. (H) Dwelling
164 units that are not subject to any affordable deed restriction, as defined
165 in section 12-81bb, that are created as a result of the conversion of any

166 commercial building into a residential development shall be awarded
167 one-quarter point."

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>July 1, 2025, and applicable to taxable years commencing on and after July 1, 2025</i>	New section
Sec. 2	<i>October 1, 2025</i>	8-30g(l)(6)