

Connecticut's Property Tax Credit Against the State Income Tax

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Issue

Explain the property tax credit against the Connecticut state income tax and summarize its history.

This report updates OLR reports [2017-R-0106](#) and [2011-R-0320](#).

Summary

State law authorizes a credit of up to \$200 against the state income tax for property tax payments Connecticut residents made on eligible property during the tax year. The credit amount depends on the amount of property tax due and paid and the taxpayer's income. The percent of property tax paid that can be taken as a credit declines as income increases, until it completely phases out.

The legislature has changed the property tax credit many times over the last 24 years. It was first enacted in 1994 for property taxes paid on privately owned motor vehicles and scheduled to be phased in over five tax years from 1997 to 2001. Before the credit could take effect, the legislature changed it in 1995 to a credit of up to \$100 for property taxes paid on a primary residence or motor vehicle. The legislature subsequently redesigned the credit in 1997 to increase the maximum credit amount and require a phase out for higher income taxpayers. Since then, the legislature has increased or decreased the maximum credit eight times, from a high of \$500 to a low of \$200. It has also decreased the income levels at which the credit begins to phase out and, most recently, temporarily limited eligibility for the credit to seniors and taxpayers with dependents.

Property Tax Credit

Connecticut residents who made qualifying property tax payments on eligible property during the tax year can claim a tax credit against their Connecticut income tax liability for that year. For the 2017 and 2018 tax years, eligibility for the credit is limited only to residents who (1) are age 65 or older before the end of the tax year or (2) validly claim at least one dependent on their federal income tax return for that year. The maximum credit amount is \$200 per tax return.

The credit is for property taxes a taxpayer paid to a Connecticut political subdivision (e.g., city, town, or fire district) on a primary residence, privately owned or leased motor vehicle, or both. The credit amount depends on the amount of property tax due and paid and the taxpayer's Connecticut adjusted gross income (CT AGI). The percent of property tax paid that can be taken as a credit declines as CT AGI increases, until it completely phases out. The credit cannot exceed the amount of qualifying property taxes the taxpayer paid or the taxpayer's income tax liability ([CGS § 12-704c](#)).

Table 1 shows the maximum credit amount for each filing status by CT AGI.

Table 1: Property Tax Credit Amounts by CT AGI for 2017 Tax Year

Single			Married Filing Jointly		
CT AGI		Max. Credit Amount	CT AGI		Max. Credit Amount
More Than	Less Than or Equal To		More Than	Less Than or Equal To	
\$0	\$49,500	\$200	\$0	\$70,500	\$200
49,500	59,500	170	70,500	80,500	170
59,500	69,500	140	80,500	90,500	140
69,500	79,500	110	90,500	100,500	110
79,500	89,500	80	100,500	110,500	80
89,500	99,500	50	110,500	120,500	50
99,500	109,500	20	120,500	130,500	20
109,500	and up	0	130,500	and up	0
Married Filing Separately			Head of Household		
CT AGI		Max. Credit Amount	CT AGI		Max. Credit Amount
More Than	Less Than or Equal To		More Than	Less Than or Equal To	
\$0	\$35,250	\$200	\$0	\$54,500	\$200
35,250	40,250	170	54,500	64,500	170
40,250	45,250	140	64,500	74,500	140
45,250	50,250	110	74,500	84,500	110
50,250	55,250	80	84,500	94,500	80
55,250	60,250	50	94,500	104,500	50
60,250	65,250	20	104,500	114,500	20
65,250	and up	0	114,500	and up	0

Source: Office of Legislative Research calculations based on Department of Revenue Services' [Property Tax Credit Table](#)

Legislative History of the Credit

The legislature first enacted a property tax credit in 1994, three years after enacting the state income tax, and scheduled it to phase in over five tax years from 1997 to 2001. It was originally designed to offset only property taxes on privately owned motor vehicles.

Before the original credit could take effect, the legislature enacted a new credit in 1995 of up to \$100 for property taxes paid on a primary residence or motor vehicle. The legislature redesigned the credit again in 1997 to its current structure, that is, one in which the credit phases out for higher income taxpayers. Since then, the legislature has increased or decreased the maximum credit eight times, from a high of \$500 to a low of \$200. It has also decreased the income levels at which the credit begins to phase out and, most recently, limited eligibility for the credit to seniors (age 65 or older) and taxpayers with dependents.

Table 2 summarizes the major legislative changes in the property tax credit since its inception.

Table 2: Legislative Changes in the Property Tax Credit 1994-2018

Year Enacted (Public Act)	Description
<p>1994</p> <p>(PA 94-4, May Special Session, § 79)</p>	<p>Establishes a credit for property taxes paid on privately owned motor vehicles. Credit phase-in starts January 1, 1997 (repealed in 1997 before it took effect)</p> <p>Credit starts at 20% of property taxes paid in the 1997 tax year and increases in increments of 20% annually and reaches 100% of motor vehicle property taxes paid starting with 2001 tax year</p> <p>Credit Limits:</p> <ul style="list-style-type: none"> • Vehicle with net assessment of \$15,000 or less, 100% of property taxes paid • Vehicle with assessment between \$15,000 and \$25,000, 100% of all taxes paid on first \$15,000 and 50% of taxes paid on amount over \$15,000 • Vehicle with assessment greater than \$25,000, same credit as shown above for the first \$25,000 and no credit allowed on any part of a vehicle's value over \$25,000
<p>1995</p> <p>(PA 95-160, § 31)</p>	<p>Establishes a credit of up to \$100 for property taxes paid on a primary Connecticut residence or privately owned motor vehicle</p> <p>Applicable to property taxes paid starting with the 1995 assessment year and to income tax returns starting with the 1996 tax year</p>

Table 2 (continued)

Year Enacted (Public Act)	Description
<p>1997</p> <p>(PA 97-309, §§ 7 & 22, as amended by PA 97-322, § 4)</p>	<p>Increases the maximum credit from \$100 to \$215 for the 1997 tax year and to \$285 starting with the 1998 tax year</p> <p>Phases out credit amounts above \$100 by 10% for every \$10,000 in income above stated thresholds:</p> <ul style="list-style-type: none"> • \$52,500 for single filers • \$78,500 for heads of household • \$100,500 for joint filers <p>For those married and filing separately, credit amounts above \$100 are phased out by 10% for every \$5,000 over the threshold of \$50,250</p> <p>Extends the credit to vehicles leased for more than one year</p>
<p>1998</p> <p>(PA 98-110, § 1)</p>	<p>Increases the maximum credit from \$285 to \$350 starting with the 1998 tax year</p>
<p>1999</p> <p>(PA 99-173, §§ 2 & 7)</p>	<p>Increases the maximum credit from \$350 to (1) \$425 for the 1999 tax year and (2) \$500 starting with the 2000 tax year</p> <p>Gradually raises the income threshold above which single filers must reduce the credit amount to \$64,500 in 2007</p>
<p>2002</p> <p>(PA 02-1, May 9 Special Session, § 80)</p>	<p>Delays, by two years, the scheduled increases in income thresholds for single filers</p>
<p>2003</p> <p>(PA 03-1, June 30 Special Session, § 101)</p>	<p>Reduces the maximum credit from \$500 to \$350 starting with the 2003 tax year</p> <p>Eliminates the \$100 minimum property tax credit</p> <p>Extends, by one year, the schedule for increasing the income thresholds for single filers</p>
<p>2004</p> <p>(PA 04-216, § 52)</p>	<p>Increases the maximum credit from \$350 to \$500 starting with the 2005 tax year</p>
<p>2005</p> <p>(PA 05-251, §§ 76 & 77)</p>	<p>Reduces the maximum credit from \$500 to \$350 for the 2005 tax year and increases it to \$400 starting with the 2006 tax year</p> <p>Delays, by two years, the scheduled increases in income thresholds for single filers</p>
<p>2006</p> <p>(PA 06-186, § 79)</p>	<p>Increases the maximum credit from \$400 to \$500 starting with the 2006 tax year</p>

Table 2 (continued)

Year Enacted (Public Act)	Description
2009 (PA 09-3, June Special Session, § 124)	Delays, by three years, the scheduled increases in income thresholds for single filers
2011 (PA 11-6, § 111)	Reduces the maximum credit from \$500 to \$300 starting with the 2011 tax year Phases out the maximum credit by 15%, rather than 10%, for every \$10,000 in income over the stated thresholds (every \$5,000 for married people filing separately) Eliminates the scheduled increase in the income threshold for single filers for 2012; retains the scheduled increases for subsequent years
2015 (PA 15-244, § 70)	Reduces the maximum credit from \$300 to \$200 starting with the 2016 tax year Lowers the income levels at which the credit begins to phase out beginning with the 2015 tax year from: <ul style="list-style-type: none"> • \$62,500 to \$47,500 for single filers (from \$64,500 to \$49,500 beginning in 2016) • \$50,250 to \$35,250 for married filing separately • \$78,500 to \$54,500 for heads of household • \$100,500 to \$70,500 for joint filers
2017 (PA 17-2, JSS, § 644)	For the 2017 and 2018 tax years, limits eligibility for the credit to people who (1) are age 65 or older before the end of the tax year or (2) validly claim at least one dependent on their federal income tax return for that year

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