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## OLR Bill Analysis

### SB 1262

#### ***AN ACT REDUCING THE SALES AND USE TAXES FOR CERTAIN GOODS USED IN NEW HOUSING CONSTRUCTION.***

#### **SUMMARY**

Existing law imposes a 6.35% sales and use tax, with some exceptions, on tangible personal property and select services purchased in the state or purchased outside the state for use in Connecticut. This bill decreases the sales and use tax rate to 3% for tangible personal property purchased to build a new residential development project with at least (1) 50 dwelling units of affordable housing (see below) or (2) 20% of its units comprised of affordable housing. It also makes a conforming change (§ 3).

Under the bill, the 3% rate does not apply to projects that qualify for an existing sales and use tax exemption for purchases used in the construction, rehabilitation, renovation, repair, maintenance, or operation of qualifying low- and moderate-income housing facilities. To qualify for this exemption, a nonprofit housing organization or housing authority must sponsor the construction and own and operate the facility (CGS § 12-412(29)).

Under existing law, “affordable housing” is that for which households earning no more than the federally determined area median income pay 30% or less of their annual income (CGS § 8-39a).

EFFECTIVE DATE: July 1, 2025, and applicable to sales occurring on or after this date.

#### **COMMITTEE ACTION**

Housing Committee

Joint Favorable

Yea 18 Nay 0 (02/20/2025)