

## Finance, Revenue and Bonding Committee Testimony

March 16 • 2026

*H.B. 5114: An Act Establishing a Refundable Credit Against the Personal Income Tax for a Portion of Annual Rent Payments Made by a Taxpayer for a Primary Residence in the State.*

Chairpersons Fonfara and Horn, Ranking Members Fazio and Polletta, and distinguished members of Finance, Revenue and Bonding Committee,

My name is Sana Shah, and I am the Director of Policy and Advocacy at the Connecticut Project Action Fund.

We urge the committee to support **H.B. 5114: An Act Establishing a Refundable Credit Against the Personal Income Tax for a Portion of Annual Rent Payments Made by a Taxpayer for a Primary Residence in the State**, which establishes a refundable renter's tax credit beginning in tax year 2027 for Connecticut residents who rent their primary residence in the state.

We've got to make it more affordable for working class people to live here. Yet right now, housing is so expensive that even hard-working people struggle to afford rent in Connecticut. Half of Connecticut renters are considered "cost-burdened." This bill begins to offer working class renters some relief. Moreover, renters and homeowners alike want this bill to pass: more than two in three likely 2026 voters in Connecticut (68%) support establishing a renter's tax credit for people with a household income below \$75,000 per year, including 84% of Democrats, 61% of unaffiliated voters, 52% of Republicans, and majorities of renters (84%) and homeowners (60%). Under the bill, eligible working class renters would qualify for some tax relief for their housing costs, something most renters currently don't have. Renters with incomes up to \$75,000 for single filers and \$150,000 for married couples filing jointly could receive a credit equal to 20% of the annual rent they paid minus 4% of their income, capped at \$2,500 per year. Because the credit is refundable, renters would receive the full benefit even if it exceeds their tax liability. The bill also directs the Department of Revenue Services to report annually on the use of the credit to help lawmakers evaluate whether adjustments to the income thresholds or credit amount are needed.

### **Renters Face a Growing Affordability Crisis**

About 34 percent of households in Connecticut rent. Renters tend to be younger and have lower incomes than homeowners, and according to our polling are far more concerned about

their future ability to afford their housing costs. While renters are concentrated in urban areas, renters live in every part of the state — every planning region has more than 10,000 renter households.

In recent years, the cost of rent in Connecticut has continued to rise, even as average rents have fallen nationally. As of 2024, the income needed to afford a one- or two-bedroom apartment in Connecticut increased by 8 percent, while the average hourly wage of renters rose by just one cent. Connecticut now ranks in the top quarter of states for most expensive median rent.

This affordability crisis falls hardest on low-income households. Most lower-income families rent, and housing costs consume a large share of their income. People are considered cost-burdened if they spend more than 30 percent of their income on rent, and severely cost-burdened if they spend more than half. In Connecticut, half of all renters are cost-burdened, and more than a quarter of them are severely cost-burdened. That amounts to roughly 230,000 renter households struggling to keep up with housing costs. Rent affordability is also a statewide issue: at least 38 percent of renters in every region are cost-burdened.

### **A Renter's Tax Credit Brings Fairness to the Tax System**

For decades, the tax system has helped offset housing costs for homeowners through policies such as property tax credits and the mortgage interest deduction. While the Connecticut Project Action Fund supports increasing property tax relief more broadly, these policies largely exclude renters.

Other states are beginning to address this gap. Nearly half of states now offer some form of tax relief for renters, but many of these programs are limited to seniors or provide only small credits. Several states—including Maine, Michigan, Minnesota, Vermont, Washington D.C., and Wisconsin—have adopted broader renter tax credits available to most lower-income households.

In 2024, Minnesota set a new national benchmark by creating one of the most meaningful and accessible renter's tax credits in the country. H.B. 5114 follows a similar model and would provide relief to an estimated 315,000 renter households in Connecticut.

### **How the Credit Works**

Most renter tax credits are designed around a simple principle: when tenants pay rent, a portion of that rent—often around 20 percent—represents the property taxes paid by the property owner. Renter tax credits help offset that portion of rent, mirroring the property-tax relief that homeowners receive.

The formula in H.B. 5114 is similar to those used in other states and is designed so that households with lower incomes and those most burdened by rent receive the largest benefit. The structure also allows residents living in higher-cost areas or larger households paying higher rents to receive additional support.

Making the credit fully refundable is especially important. Refundability ensures that the households most burdened by housing costs—including very low-income residents who may owe little in state income taxes—can still receive the full benefit.

### **Why a Tax Credit Is Needed Even With Housing Vouchers**

A renter's tax credit is also important because housing vouchers reach only a small share of the households that qualify for assistance. The National Low Income Housing Coalition estimates that roughly 226,000 renter households in Connecticut have incomes below 50 percent of Area Median Income, which is the typical eligibility threshold for housing vouchers. Yet only about 40,500 households currently receive assistance through the federal Housing Choice Voucher program or the state Rental Assistance Program. That means only about 18 percent of eligible renters receive housing assistance, leaving approximately 185,000 eligible households without support.

Voucher waitlists highlight the scale of unmet demand. According to the State Department of Housing, when Connecticut last opened its statewide voucher waitlist in 2007, roughly 48,000 households applied, but only about 12,000 were placed on waiting lists. In many communities, waitlists remain closed for years because demand far exceeds available funding.

Because of these limits, a renter's tax credit serves a complementary purpose. While vouchers focus on the lowest-income households and are constrained by funding and waitlists, a renter's tax credit can reach a much broader group of households struggling with housing costs. Delivered through the tax system, it provides relief without waiting lists and can help residents who may never receive voucher assistance.

The renter's tax credit, like other refundable credits, also puts money back in hard-working people's pockets, which they can then put back into our local economies. Vouchers are a critical support for some working class households, and renter's tax credits can have a wider distribution throughout our communities and the people who serve them.

### **Renter's Tax Credit Provisions Protect from Rising Rent**

Research on housing assistance generally finds that housing subsidies reduce housing cost burden for recipient households while having only modest effects on market rents. Renter tax credits function differently from direct housing subsidies. As research published in the Georgetown Law Journal explains, renter tax credits operate more like income support delivered through the tax system. Because the credit is claimed when filing taxes and widely distributed among renters, it is less directly connected to the rental transaction, making it difficult for landlords to adjust rents in response.

Policy simulations also show that renter tax credits primarily reduce rent burdens rather than increase rents. Research from the Institute for Research on Poverty at the University of Wisconsin finds that renter tax credits significantly reduce the share of households paying unaffordable portions of their income on rent, improving housing stability.

More broadly, housing economists consistently find that long-term rent levels are driven primarily by housing supply constraints, while modest demand-side policies like renter tax credits generally have limited effects on market rents. In other words, rents rise primarily because there are not enough housing units — and research shows that tax relief benefits renters.

## Conclusion

Connecticut is facing a growing housing affordability crisis, and renters—particularly low- and moderate-income households—are bearing the brunt of it. A refundable renter’s tax credit is a practical, evidence-based policy that helps close a longstanding gap in our tax system, provides relief to households struggling with rising housing costs, and complements existing housing assistance programs that reach only a fraction of eligible households.

H.B. 5114 would bring Connecticut in line with leading states that have recognized the importance of providing tax relief to renters, not just homeowners. By helping 315,000 households manage the rising cost of housing, this bill would address the housing affordability crisis in our state and make our communities more stable. For these reasons, we respectfully urge the committee to support **H.B. 5114: An Act Establishing a Refundable Credit Against the Personal Income Tax for a Portion of Annual Rent Payments Made by a Taxpayer for a Primary Residence in the State.**

Thank you for your time and consideration.

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The Connecticut Project Action Fund