

OFFICE OF FISCAL ANALYSIS

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sSB-295

AN ACT CONCERNING TAX CREDITS FOR ENERGY-EFFICIENT HOMES.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 23 \$	FY 24 \$
Department of Revenue Services	GF - Revenue Loss	Up to 7 million	Up to 7 million
Policy & Mgmt., Off.	GF - Cost	84,000	168,000
State Comptroller - Fringe Benefits ¹	GF - Cost	34,000	68,000
Department of Revenue Services	GF - Cost	40,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which establishes a time-limited credit against the personal income tax for the purchase of a newly constructed energy-efficient home, results in: 1) a General Fund revenue loss of up to \$7 million annually from FY 23 through FY 26, 2) a one-time cost to the Department of Revenue Services of \$40,000 for updates to the online Taxpayer Service Center and CTax integrated tax administration system in FY 23 only, and 3) an ongoing cost to the Office of Policy and Management (OPM) of \$118,000 in FY 23 (partial year) and \$236,000 in FY 24 (full year).

The cost to OPM is to hire a Staff Attorney and an Office Assistant to

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 40.53% of payroll in FY 23.

issue and track certificates for program participants. The full cost of these two positions is \$236,000 (\$168,000 for salary and \$68,000 for fringe benefits). Due to the timing of personnel changes, it is anticipated that the annualized cost would first occur in FY 24; thus, costs in FY 23 reflect a January 1 start date.

The revenue estimate is based on 2020 data from Residential Energy Services Network (RESNET) indicating that the average Home Energy Rating System Index score in Connecticut was 51 based on a sample of 1,459 ratings.

The Out Years

The annualized ongoing fiscal impact identified above would continue through FY 26, with the cost impact subject to inflation. The annualized ongoing revenue loss could be lower to the extent that program participants become subject to the bill's claw back provisions.

Sources: Residential Energy Services Network 2019 & 2020 HERS Activity by State