PARTNERSHIP FOR STRONG COMMUNITIES

Partnership for Strong Communities promotes equitable change in Connecticut housing policy by coordinating advocacy, advancing research, and uniting diverse partners

TESTIMONY BEFORE THE FINANCE, REVENUE, AND BONDING COMMITTEE
PUBLIC HEARING AGENDA
PARTNERSHIP FOR STRONG COMMUNITIES
MONDAY, APRIL 14, 2025

Senator Fonfara, Representative Horn, Senator Fazio, Representative Polletta, and distinguished members of the Finance, Revenue, and Bonding Committee, thank you for the opportunity to submit testimony on HB 7269, "An Act Establishing a Personal Income Tax Deduction for a Portion of the Rent Paid by Certain Taxpayers for a Primary Residence in the State." I am Alysha Gardner, Senior Policy Analyst with the Partnership for Strong Communities. We are a statewide nonprofit research, policy and advocacy organization dedicated to ensuring everyone in Connecticut has a safe, stable home that is affordable to them in an equitable community of their choice.

We respectfully request that the committee support HB 7269 AN ACT ESTABLISHING A PERSONAL INCOME TAX DEDUCTION FOR A PORTION OF THE RENT PAID BY CERTAIN TAXPAYERS FOR A PRIMARY RESIDENCE IN THE STATE.

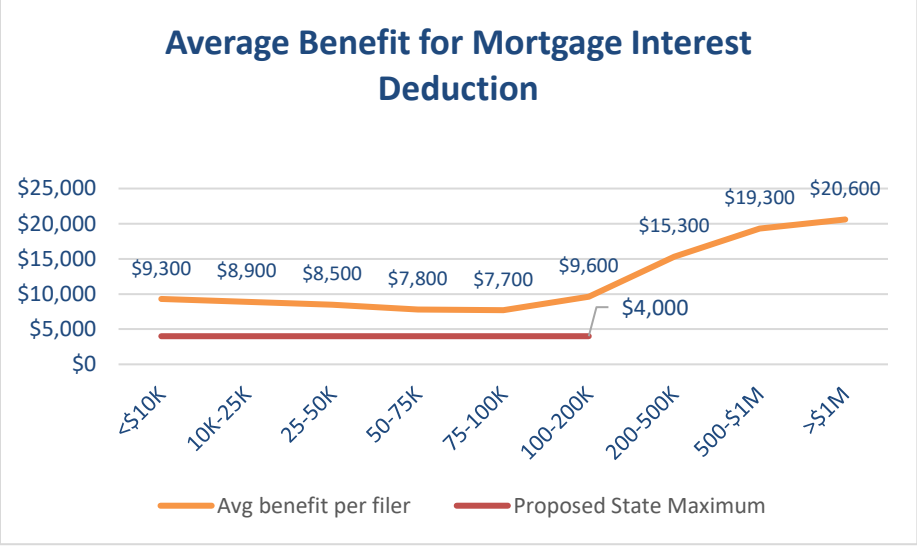
HB 7269 allows low- and middle-income Connecticut residents who rent their home to reduce their taxable income by up to $4000 each year. This proposal would mark a groundbreaking shift in tax policy by providing state tax relief to renters that has long been only offered to homeowners. Given rapidly rising rental costs, we support policy changes that (1) provide material relief to families who rent their homes and (2) recognize the importance of protecting access to stable homes, whether the homes are rented or owned.

One in every three households in Connecticut rents their home; in 2025, this equates to half a million households. Table 1 highlights the broad demographic characteristics of Connecticut renters compared to Connecticut homeowners. **Renters face significantly higher cost burdens**, with half of all households paying over 30% of their income to rent and **one in every four households paying over 50% of their income to rent**. On average, renters have a lower household income, less education (and therefore fewer economic mobility opportunities), and a greater likelihood of falling below the federal poverty line. **As a direct result of recent historic redlining and racial covenants, renters are more likely to be black, Hispanic, or a member of a minority race.** While homeowners are more likely to be older, still one in every five renters is over the age of 65.

Table 1. Demographic Characteristics of Renter and Homeowner Connecticut Households[1]

	Renters	Homeowners
Percent cost-burdened *(spending over 30% income on housing)*	50%	27%
Percent severely cost-burdened *(spending over 50% income on housing)*	27%	11%
Median housing cost	$1,500	$1,800
Median household income	$51K	$119K
Percent of households with bachelor's degree or higher	32%	52%
Percent of households below poverty level	20%	3%
Percent White households	49%	77%
Percent Black households	18%	7%
Percent Hispanic households	26%	9%
Percent households 65+	21%	33%

Figure 1. Average Personal Income Deduction Amount per Connecticut Filer for Federal Mortgage Interest Deduction, by Income Band[2]



[1] Housing Data Profiles, Partnership for Strong Communities; 2023 American Community Survey, 1-year estimates, Tables S2502, S2503, B17019, B25007, B25119, B25070, and B25091.

[2] Internal Review Service, SOI Tax Stats – Historic Table 2, Tax year 2022, Connecticut. Author calculations.

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State and federal tax codes systematically privilege those who own their home compared to those who rent their home. At the federal level, one of the largest categories of tax incidence (or tax entitlement) is the mortgage interest deduction, which allows homeowners to deduct the full amount of the interest portion of their monthly mortgage payments from their taxable income. Homeowners may deduct the full amount, up to mortgages of $750,000, with no dollar cap for both first and second homes. **The average federal mortgage interest deduction taken by Connecticut residents in 2022 was $11,650;** this amount sharply increases as you go further up the income scale, making it a highly regressive tax. **HB 7269's proposed benefit to renters, capped at $4,000 and phased out in 2032, still falls far below the deduction provided to homeowners.** Additionally, Connecticut homeowners benefit from this deduction on their state taxes, as their state taxable income is directly linked to their federal taxable income. By its nature, this massive tax entitlement program is not available to families who rent their home.

State legislation can also be biased towards leveraging tax policy on behalf of homeowners. During the 2025 State Legislative Session alone, **over 25 individual bills were raised to expand property tax exemptions** for various targeted groups – homeowners who are seniors, disabled, veterans and their families, those on fixed income, and first-time homebuyers. We do not dispute the need for protections against rising housing costs for these individuals; however, we know that there are those who rent their home who are seniors, disabled, veterans, and those on fixed incomes who are also facing increased housing costs.

We assert that those who rent their home are worthy of equal consideration and protection under Connecticut's tax system. HB 7269 provides a crucial policy gap to alleviate the state's tax burden on renters as well as homeowners, providing a counterbalance to the federal mortgage interest deduction. Given the disproportionate financial impact of the state's housing crisis on renters, it is incumbent on our leadership to think of creative policies to provide relief to those outside of traditional tax system safeguards. We applaud the Finance, Revenue, and Bonding Committee for stepping forward to propose policies that meet the needs of the current housing reality by creating a tax deduction applicable for those who rent their homes.

Thank you for your consideration,

Alysha Gardner
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