



# House of Representatives

General Assembly

**File No. 509**

February Session, 2004

House Bill No. 5646

*House of Representatives, April 7, 2004*

The Committee on Finance, Revenue and Bonding reported through REP. STILLMAN of the 38th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

## **AN ACT CONCERNING REAL ESTATE CONVEYANCE TAX TREATMENT OF EMPLOYEE RELOCATIONS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (a) of section 12-498 of the general statutes is  
2 repealed and the following is substituted in lieu thereof (*Effective July*  
3 *1, 2004, and applicable to conveyances occurring on or after July 1, 2004*):

4 (a) The tax imposed by section 12-494, as amended, shall not apply  
5 to: (1) Deeds which this state is prohibited from taxing under the  
6 Constitution or laws of the United States; (2) deeds which secure a  
7 debt or other obligation; (3) deeds to which this state or any of its  
8 political subdivisions or its or their respective agencies is a party; (4)  
9 tax deeds; (5) deeds of release of property which is security for a debt  
10 or other obligation; (6) deeds of partition; (7) deeds made pursuant to  
11 mergers of corporations; (8) deeds made by a subsidiary corporation to  
12 its parent corporation for no consideration other than the cancellation  
13 or surrender of the subsidiary's stock; (9) deeds made pursuant to a

14 decree of the Superior Court under section 46b-81, 49-24 or 52-495; (10)  
 15 deeds, when the consideration for the interest or property conveyed is  
 16 less than two thousand dollars; (11) deeds between affiliated  
 17 corporations, provided both of such corporations are exempt from  
 18 taxation pursuant to paragraph (2), (3) or (25) of Section 501(c) of the  
 19 Internal Revenue Code of 1986, or any subsequent corresponding  
 20 internal revenue code of the United States, as from time to time  
 21 amended; (12) deeds made by a corporation which is exempt from  
 22 taxation pursuant to paragraph (3) of Section 501(c) of the Internal  
 23 Revenue Code of 1986, or any subsequent corresponding internal  
 24 revenue code of the United States, as from time to time amended, to  
 25 any corporation which is exempt from taxation pursuant to said  
 26 paragraph (3) of said Section 501(c); (13) deeds made to any nonprofit  
 27 organization which is organized for the purpose of holding  
 28 undeveloped land in trust for conservation or recreation purposes; (14)  
 29 deeds between spouses; (15) deeds of property for the Adriaen's  
 30 Landing site or the stadium facility site, for purposes of the overall  
 31 project, each as defined in section 32-651; (16) land transfers made on  
 32 or after July 1, 1998, to a water company, as defined in section 16-1,  
 33 provided the land is classified as class I or class II land, as defined in  
 34 section 25-37c, after such transfer; [and] (17) transfers or conveyances  
 35 to effectuate a mere change of identity or form of ownership or  
 36 organization, where there is no change in beneficial ownership; and  
 37 (18) conveyances of residential property which occur not later than six  
 38 months after the date on which the property was previously conveyed  
 39 to the transferor if the transferor is (A) an employer which acquired the  
 40 property from an employee pursuant to an employee relocation plan,  
 41 or (B) an entity in the business of purchasing and selling residential  
 42 property of employees who are being relocated pursuant to such a  
 43 plan.

This act shall take effect as follows:	
Section 1	<i>July 1, 2004, and applicable to conveyances occurring on or after July 1, 2004</i>

**FIN**      *Joint Favorable*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

**OFA Fiscal Note**

**State Impact:**

Agency Affected	Fund-Effect	FY 05 \$	FY 06 \$
Revenue Serv., Dept.	GF - Revenue Loss	\$1.1 to \$1.5 million	\$1.1 to \$1.5 million

Note: GF=General Fund

**Municipal Impact:**

Municipalities	Effect	FY 05 \$	FY 06 \$
All Municipalities	Revenue Loss	\$300,000 to \$350,000	\$300,000 to \$350,000

**Explanation**

The bill would consider real estate transactions executed under employee relocation plans as a single transaction for real estate tax purposes even though the transaction involves two deeds <sup>1</sup>. Therefore, the bill is anticipated to result in a loss of real estate conveyance tax revenue to the state and municipalities.

The state and municipal revenue loss indicated in the tables above assumes the following:

- a) There are approximately 120,000 real estate conveyance transactions per year. Of this amount approximately 750 to 1,000 (less than 1% of the total transactions) transactions involve employee relocations. It is anticipated that the bill will affect a majority (90%) of the transactions involving employee relocations. Absent a change in the law some transactions may still be executed using a one-deed process;

<sup>1</sup> Because of a federal tax court ruling many transactions involving employee relocations are now being executed using two deeds and therefore subject to real estate conveyance on each deed recorded. Prior to the court ruling most transactions were executed using one deed process.

- b) An average house price of \$350,000.

**OLR Bill Analysis**

HB 5646

**AN ACT CONCERNING REAL ESTATE CONVEYANCE TAX  
TREATMENT OF EMPLOYEE RELOCATIONS****SUMMARY:**

This bill exempts employer and relocation company resales of residential property acquired through employee relocation plans from the real estate conveyance tax. To be exempt, the resale must occur within six months after the date the relocated employee conveyed the property to his employer or the relocation company. The relocation company exemption applies to entities whose business is buying and selling employees' homes under employee relocation plans.

EFFECTIVE DATE: July 1, 2004 and applicable to conveyances on or after that date.

**BACKGROUND*****Real Estate Conveyance Tax***

The seller must pay the tax when he conveys the property deed to the buyer. Through June 30, 2004, the tax rate on residential property is 0.75% of the first \$800,000 of the sales proceeds and 1.25% of the proceeds over that amount. On July 1, 2004, the tax rates are scheduled to drop by a quarter point to 0.5% and 1%, respectively.

Through June 30, 2004, certain towns may impose an additional quarter-point tax, increasing the residential rates in those towns to 1.25% for the first \$800,000 and 1.75% of any additional proceeds. The authority for the extra tax in those towns is also scheduled to expire on July 1, 2004.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 44    Nay 0