



House of Representatives

General Assembly

File No. 218

January Session, 2007

House Bill No. 5397

House of Representatives, April 2, 2007

The Committee on Insurance and Real Estate reported through REP. O'CONNOR of the 35th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT DEFINING "UNIMPROVED LAND" FOR PURPOSES OF THE REAL ESTATE CONVEYANCE TAX.

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

1 Section 1. Section 12-494 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2007, and*
3 *applicable to conveyances occurring on and after July 1, 2007*):

4 (a) There is imposed a tax on each deed, instrument or writing,
5 whereby any lands, tenements or other realty is granted, assigned,
6 transferred or otherwise conveyed to, or vested in, the purchaser, or
7 any other person by his direction, when the consideration for the
8 interest or property conveyed equals or exceeds two thousand dollars,
9 (1) subject to the provisions of subsection (b) of this section, at the rate
10 of five-tenths of one per cent of the consideration for the interest in real
11 property conveyed by such deed, instrument or writing, the revenue
12 from which shall be remitted by the town clerk of the municipality in
13 which such tax is paid, not later than ten days following receipt
14 thereof, to the Commissioner of Revenue Services for deposit to the

15 credit of the state General Fund, and (2) at the rate of one-fourth of one
16 per cent of the consideration for the interest in real property conveyed
17 by such deed, instrument or writing, and on and after July 1, 2007, at
18 the rate of eleven one-hundredths of one per cent of the consideration
19 for the interest in real property conveyed by such deed, instrument or
20 writing, provided the amount imposed under this subdivision shall
21 become part of the general revenue of the municipality in accordance
22 with section 12-499.

23 (b) The rate of tax imposed under subdivision (1) of subsection (a) of
24 this section shall, in lieu of the rate under said subdivision (1), be
25 imposed on certain conveyances as follows: (1) In the case of any
26 conveyance of real property which at the time of such conveyance is
27 used for any purpose other than residential use, except unimproved
28 land, the tax under said subdivision (1) shall be imposed at the rate of
29 one per cent of the consideration for the interest in real property
30 conveyed; (2) in the case of any conveyance in which the real property
31 conveyed is a residential estate, including a primary dwelling and any
32 auxiliary housing or structures, regardless of the number of deeds,
33 instruments or writings used to convey such residential real estate, for
34 which the consideration or aggregate consideration, as the case may
35 be, in such conveyance is eight hundred thousand dollars or more, the
36 tax under said subdivision (1) shall be imposed (A) at the rate of one-
37 half of one per cent on that portion of such consideration up to and
38 including the amount of eight hundred thousand dollars, and (B) at the
39 rate of one per cent on that portion of such consideration in excess of
40 eight hundred thousand dollars; and (3) in the case of any conveyance
41 in which real property on which mortgage payments have been
42 delinquent for not less than six months is conveyed to a financial
43 institution or its subsidiary which holds such a delinquent mortgage
44 on such property, the tax under said subdivision (1) shall be imposed
45 at the rate of one-half of one per cent of the consideration for the
46 interest in real property conveyed.

47 (c) In addition to the tax imposed under subsection (a) of this
48 section, any targeted investment community, as defined in section 32-

49 222, or any municipality in which properties designated as
 50 manufacturing plants under section 32-75c are located, may, on or after
 51 March 15, 2003, impose an additional tax on each deed, instrument or
 52 writing, whereby any lands, tenements or other realty is granted,
 53 assigned, transferred or otherwise conveyed to, or vested in, the
 54 purchaser, or any other person by his direction, when the
 55 consideration for the interest or property conveyed equals or exceeds
 56 two thousand dollars, which additional tax shall be at a rate of up to
 57 one-fourth of one per cent of the consideration for the interest in real
 58 property conveyed by such deed, instrument or writing. The revenue
 59 from such additional tax shall become part of the general revenue of
 60 the municipality in accordance with section 12-499.

61 (d) For purposes of this section, "unimproved land" means land that
 62 has never been improved or land that was once improved but has not
 63 contained an intact structure for ten years prior to conveyance of such
 64 land.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007, and applicable to conveyances occurring on and after July 1, 2007</i>	12-494

INS *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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Revenue Services	GF - Revenue Impact	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill defines “unimproved land” for the purposes of the real estate conveyance tax as (1) land that has never been improved or (2) land that was once improved but has not had an intact structure located on it for 10 years before the conveyance.

The previous statutory provisions for this tax did not include a definition of unimproved land. This bill appears to provide a broad interpretation of properties that may be taxed at the rate¹ for unimproved land because it includes land that was once improved as well as land that was never improved. This will result in a General Fund revenue loss to the degree that it increases the number of properties eligible to be taxed at the lower rate. However, the amount of the loss cannot be determined because the number and value of conveyances that will be affected is not known.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

¹ The Real Estate Conveyance Tax rate on unimproved land is 0.5% of the purchase price and the rate nonresidential property other than unimproved land is 1.0%.

OLR Bill Analysis

HB 5397

AN ACT DEFINING “UNIMPROVED LAND” FOR PURPOSES OF THE REAL ESTATE CONVEYANCE TAX.

SUMMARY:

This bill defines, for purposes of the real estate conveyance tax, “unimproved land” as land that (1) has never been improved or (2) was once improved but has not had an intact structure for 10 years before its conveyance.

EFFECTIVE DATE: July 1, 2007, and applicable to conveyances occurring on and after July 1, 2007.

BACKGROUND

Related Bill

HB 5054, which the Insurance and Real Estate Committee reported favorably to the Finance, Revenue and Bonding Committee, reduces the state conveyance tax from 0.5% to 0.36% and makes permanent the 0.25% municipal conveyance tax.

COMMITTEE ACTION

Insurance and Real Estate Committee

Joint Favorable

Yea 19 Nay 0 (03/13/2007)