



# House of Representatives

General Assembly

**File No. 671**

*January Session, 2007*

Substitute House Bill No. 5397

*House of Representatives, May 1, 2007*

The Committee on Finance, Revenue and Bonding reported through REP. STAPLES of the 96th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

***AN ACT DEFINING "UNIMPROVED LAND" FOR PURPOSES OF THE REAL ESTATE CONVEYANCE TAX AND CONCERNING PROPERTY TAX ABATEMENTS FOR CERTAIN DAMAGED DWELLINGS AND FOR SENIOR CITIZENS.***

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 Section 12-494 of the general statutes is repealed and the  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.

65 Sec. 2. (*Effective July 1, 2007, and applicable to assessment years*  
66 *commencing on or after October 1, 2007*) Any municipality may, upon  
67 approval by its legislative body, abate the property taxes due for any  
68 tax year or the interest on delinquent taxes with respect to any  
69 dwelling unit located in the municipality that was repaired because of  
70 damage due to the siting of such dwelling unit in the immediate  
71 vicinity of the West River.

72 Sec. 3. (NEW) (*Effective July 1, 2007, and applicable to assessment years*  
73 *commencing on or after October 1, 2007*) (a) The legislative body of any  
74 municipality may establish, by ordinance, a program to provide  
75 property tax relief to persons sixty-five years of age and older who  
76 volunteer their services to the municipality.

77 (b) Any property tax relief under this section for any taxpayer shall  
78 not exceed seven hundred fifty dollars in any assessment year. The  
79 amount of such relief shall be determined based on the number of

80 hours volunteered multiplied by the state minimum fair wage, as  
81 defined in subsection (j) of section 31-58 of the general statutes.

82 (c) The amount of the property tax relief shall be applied to the taxes  
83 due to the municipality and shall not be paid to the taxpayer.

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
Sec. 2	<i>July 1, 2007, and applicable to assessment years commencing on or after October 1, 2007</i>	New section
Sec. 3	<i>July 1, 2007, and applicable to assessment years commencing on or after October 1, 2007</i>	New section

**FIN**      *Joint Favorable Subst.*

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 Loss	See Below	See Below

Note: GF=General Fund

#### **Municipal Impact:**

Municipalities	Effect	FY 08 \$	FY 09 \$
All Municipalities	Revenue Impact	See Below	See Below
New Haven	Revenue Loss	Potential	Potential
West Haven	Revenue Loss	Potential	Potential

### **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 rate<sup>1</sup> 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 bill allows a municipality to establish a program to abate

<sup>1</sup> 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%.

property taxes due for a taxpayer age 65 or older who performs volunteer services for the town. Municipalities electing to establish a program will experience a revenue loss that may necessitate an increase to their mill rate or a modification to their budget to offset the loss.

The bill allows New Haven and West Haven to abate property taxes and interest, if applicable, due on property that was damaged and subsequently repaired located near the West River. If these towns approve an abatement plan then they will experience a loss of revenue, which may necessitate an increase to their mill rate or a modification to their budget to offset the loss.

### ***The Out Years***

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

**OLR Bill Analysis****sHB 5397*****AN ACT DEFINING "UNIMPROVED LAND" FOR PURPOSES OF THE REAL ESTATE CONVEYANCE TAX AND CONCERNING PROPERTY TAX ABATEMENTS FOR CERTAIN DAMAGED DWELLINGS AND FOR SENIOR CITIZENS.*****SUMMARY:**

This bill allows a municipality's legislative body to establish, by ordinance, a program to provide property tax relief to people age 65 and older who volunteer their services to the municipality. The relief cannot exceed \$750 in any assessment year. The amount of the relief must be determined based on the number of hours volunteered multiplied by the state minimum wage (currently \$7.65 per hour). The relief must be applied to the taxes due, and not be paid to the taxpayer.

The bill allows New Haven and West Haven (the municipalities abutting the West River), to abate the property taxes due for any tax year, or the interest on delinquent taxes, for any dwelling unit that was repaired because of damage resulting from its siting in the immediate vicinity of the West River. A property tax abatement must be approved by the town's legislative body.

The bill defines "unimproved land" for purposes of the real estate conveyance tax 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. By law, conveyances of unimproved land are generally subject to a lower conveyance tax rate than other types of property.

EFFECTIVE DATE: July 1, 2007 and, for the property tax provisions, applicable to assessment years commencing on or after October 1, 2007 and, for the definition of unimproved land, applicable to conveyances

occurring on and after July 1, 2007.

**BACKGROUND**

***Legislative History***

The House referred the bill (File 218) to the Finance, Revenue and Bonding Committee, which favorably reported out a substitute that adds provisions to enable municipalities to (1) abate property taxes and interest due on property located near the West River that was damaged and subsequently repaired and (2) establish a program to provide property tax relief for elderly homeowners.

***Related Bills***

HB 6914 (File 423) and sHB 5713 (File 411), which the Planning and Development Committee reported favorably, contain a similar definition of unimproved land for real estate conveyance tax purposes.

SB 751, which the Aging and Finance, Revenue and Bonding committees reported favorably, contains a similar tax relief program for municipal volunteers age 65 or older.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable  
Yea 19 Nay 0 (03/13/2007)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute  
Yea 53 Nay 0 (04/17/2007)