



House of Representatives

General Assembly

File No. 609

February Session, 2008

Substitute House Bill No. 5885

House of Representatives, April 14, 2008

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 CONCERNING THE MUNICIPAL SHARE OF THE REAL ESTATE CONVEYANCE TAX.

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

1 Section 1. Subsection (a) of section 12-494 of the 2008 supplement to
2 the general statutes is repealed and the following is substituted in lieu
3 thereof (*Effective July 1, 2008*):

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, [2008]
18 2010, at the rate of eleven one-hundredths of one per cent of the
19 consideration for the interest in real property conveyed by such deed,
20 instrument or writing, provided the amount imposed under this
21 subdivision shall become part of the general revenue of the
22 municipality in accordance with section 12-499.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2008	12-494(a)

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: None

Municipal Impact:

Municipalities	Effect	FY 09 \$	FY 10 \$
All Municipalities	Revenue Gain	35.8 million	36.8 million

Explanation

Under current law the municipal real estate conveyance tax rates are scheduled to decrease from 0.25% to 0.11% beginning July 1, 2008. The bill extends the increase in the tax rate for an additional two years, until July 1, 2010. Therefore, municipalities will retain about \$35.8 million in FY 09 and \$36.8 million in FY 10 that they are expected to lose under current law.

The Out Years

Beginning in FY 11 the tax rate will be reduced from 0.25% to 0.11% which will result in a loss of revenue to municipalities.

OLR Bill Analysis**sHB 5885*****AN ACT CONCERNING THE MUNICIPAL SHARE OF THE REAL ESTATE CONVEYANCE TAX.*****SUMMARY:**

The bill extends the expiration date of the higher basic 0.25% municipal real estate conveyance tax rate for two years, until July 1, 2010. Under current law, the rate is scheduled to drop from 0.25% to 0.11% on July 1, 2008.

EFFECTIVE DATE: July 1, 2008

BACKGROUND***Real Estate Conveyance Tax***

With some exceptions, Connecticut law requires a person who sells real property for \$2,000 or more to pay a real estate conveyance tax when he or she conveys the property to the buyer. The tax has two parts: a state tax and a municipal tax. The state tax rate is either 0.5% or 1% of the sale price, depending on the type of property and how much it sells for, and the town tax rate is either 0.25% or up to a maximum of 0.5% depending on where the property is located. The applicable state and local rates are added together to get the total tax rate for a particular transaction. The seller pays the tax when he conveys the property (CGS § 12-494-504h).

The municipal tax rate is currently 0.25% for all towns plus additional tax of up to 0.25% for 18 eligible towns all of which have chosen to impose the higher rate. Those towns are: Bloomfield, Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven New London, Norwalk, Norwich, Southington, Stamford, Waterbury, and Windham.

Related Bill

sSB 274, File 157, reported by the Insurance and Real Estate Committee, reduces the state real estate conveyance tax from 0.5% to 0.36% on (1) residential dwellings sold for \$800,000 or less, (2) other types of residential property, (3) unimproved land, and (4) bank foreclosures for mortgage delinquencies. It also reduces the state tax from 1% to 0.84% for sales of nonresidential property other than unimproved land, while leaving unchanged the current 1% tax on any portion of a residential dwelling's sale price that exceeds \$800,000.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 29 Nay 21 (03/27/2008)