



CONNECTICUT ASSOCIATION OF
REALTORS® INC.

Statement On

**S.B. No 1007: An Act Concerning The Governor's Recommendations
On Revenue**

SUBMITTED TO THE FINANCE, REVENUE AND BONDING COMMITTEE

MARCH 7, 2011

BY

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SUBJECT MATTER: Bills to Implement the Governor's Budget

*S.B. No. 1007 AN ACT CONCERNING THE GOVERNOR'S RECOMMENDATIONS ON REVENUE.

Good Day, my name is Gene Fercodini and I'm President of the Connecticut Association of REALTORS®. I am also a real estate agent with Fercodini Properties in Wolcott.

I want to begin by saying that we applaud Governor Malloy for proposing a budget that is transparent and forthright. His brutally honest acknowledgement of the fiscal challenges facing the State is the first step toward finding solutions.

Connecticut's 17,000 Realtors® fully appreciate the daunting task ahead for Governor Malloy and the Legislature. The Realtors® share in the belief that only through a responsible spending plan and the shared sacrifice of broad-based taxes will the state resolve its budget crisis. We have recently established budget principles that guide our position on the proposals before you today. They include the following:

1. Spending reductions are the first priority.
2. All stakeholders must share the pain of budget cuts to the extent that it is economically and socially responsible.
3. Limit bonding, recognizing per capita debt is extremely high and interest payments consume a large share of State spending.

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The Voice for Real Estate™ in Connecticut

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4. After reducing spending to achieve the most efficient performance of core government functions, use a broad-based approach in selecting new or expanded revenue sources.
5. There should be no new taxes on the real estate transaction, particularly when the Federal government relied upon the housing sector to lead an economic recovery with measures like the first time buyer's tax credit.

With these budget principles in mind, the Connecticut Association of Realtors® opposes two proposals in The Governor's budget that we believe would harm the state's economic recovery.

In keeping with our long-standing opposition to real estate conveyance taxes Realtors® oppose S.B. No. 1007 AN ACT CONCERNING THE GOVERNOR'S RECOMMENDATIONS ON REVENUE. This bill would make what were temporary increases in the municipal conveyance/home sales tax, permanent. The bill also includes the option for all towns to raise their local home sales tax by another .25%. The increases were originally approved in 2003 as a temporary measure to appease cities and towns that were losing state funding. While we understand the need for additional revenue, a tax based on the sale price and not on ability to pay is unfair.

Furthermore, with the ongoing slump in home sales, not only are conveyance tax revenues down, but expanding the tax could stifle home sales and delay Connecticut's economic recovery. With such volatility in the quantity and price of homes sold, it also seems fiscally irresponsible to expect towns to set budgets based on home sales tax revenues. Of the \$85 million of town tax increases in the Governor's proposal \$53 million is from the expanded real estate conveyance tax; that is more than half. And, according to the Office of Legislative Research report released in October, the State portion of the tax peaked at an income of \$201 million for fiscal year 2001 and dropped rapidly to \$82 million for fiscal year 2009.

Realtors® also oppose the elimination of the property tax credit. Connecticut's consumers need incentives and support to first buy, and then stay in homes. Eliminating the property tax credit would do just the opposite.

National Association of Realtor® studies have found that for every 1,000 homes purchased, 500 jobs are created. New home owners buy appliances and home décor, work with home improvement contractors and other retail and service providers. Housing can and should play an important role in the state's economic recovery, and we urge you to support the health of the housing industry and related businesses by leaving the property tax credit in place.

In closing, Realtors® respect that Governor Malloy has offered an honest approach to solving the state's problems and realize the cumbersome task you have ahead of you in reaching a final solution. Please



take our recommendations and the toll a failing housing sector could have to an already weak economy into consideration when making your decisions.

Thank you for your time.



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