
OLR Bill Analysis

sSB 866

AN ACT ESTABLISHING A REAL ESTATE BUYER'S TAX FOR THE PURPOSE OF FUNDING OPEN SPACE PURCHASES AND OTHER PROJECTS BY MUNICIPALITIES.

SUMMARY:

With certain exemptions, this bill authorizes a municipality to impose a conveyance tax on a buyer of real property, on or after July 1, 2011, of up to 1% on the amount of consideration paid in excess of \$150,000. The tax appears to be in addition to the existing state real estate conveyance tax of 0.5% or 1% depending on the total sales price and type of property and the municipal tax of 0.25% or 0.5% depending on the town where the property is located.

The bill imposes the new tax on the buyer, while the existing state and municipal taxes are paid by the sellers. Towns must keep the revenue from the tax in a separate account and use it only for certain specified purposes.

The bill exempts from the tax (1) conveyances to preserve open space, forest, or farm land and (2) any deeds, transfers, or conveyances that are exempt from the existing state and municipal taxes, such as deeds used to secure a debt.

EFFECTIVE DATE: Upon passage

USES FOR TAX REVENUE

The bill requires towns to use the revenue from the tax for any of the following:

1. buying, either by themselves or in cooperation with the state or federal government or a nonprofit organization (a) open space land, forest land, farm land or waterfront property or (b) development rights relating to such land or property;

2. brownfield remediation;
3. water treatment and storm sewers;
4. clean air projects;
5. energy conservation;
6. alternative transportation infrastructure;
7. historic preservation; or
8. green building retrofits.

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 applicable state and municipal rates are added together to get the total tax rate for a particular transaction.

In addition to the basic municipal tax rate of 0.25% until July 1, 2011 and 0.11% thereafter that applies in all towns, 18 specific towns have the option of levying an additional tax of up to 0.25%. The 18 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.

Legislative History

The Senate referred the bill (File 118) to the Environment Committee, which reported a substitute that removed provisions concerning wine festivals and added the real estate conveyance tax.

COMMITTEE ACTION

General Law Committee

Joint Favorable

Yea 16 Nay 0 (02/15/2011)

Environment Committee

Joint Favorable Substitute

Yea 13 Nay 10 (04/08/2011)