

Testimony of Mark Pruner
Connecticut Licensed Real Estate Agent in support of SB 367
Finance Revenue and Bonding Committee Public Hearing
March 13, 2012

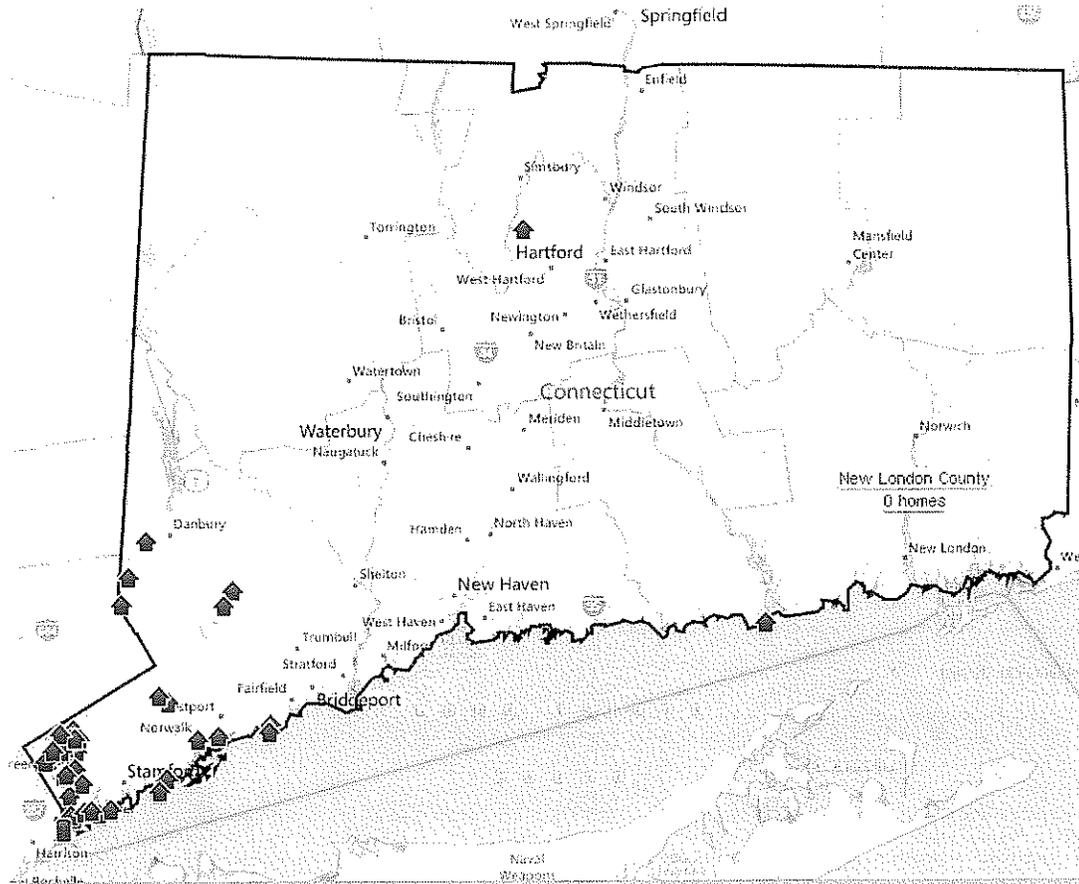
Good morning Senator Fonfara, Representative Widlitz, Senator Frantz, Representative Williams and members of the committee. Thank you for the opportunity to testify this morning in favor of **S.B. 367 - An Act Concerning the Gift and Estate Tax.**

I. Introduction

My name is Mark Pruner. For a little background on me I have lived in Greenwich, Connecticut for over 45 years. I have an economics degree from Dartmouth College and a law degree from SMU. I follow the real estate market closely, particularly in Greenwich, and am regularly quoted in publications such as the Wall Street Journal, New York Times, Forbes, the Greenwich Time, Bloomberg/Businessweek and other publications on the state of the Greenwich's real estate market.

II. The over \$10 million real estate market in Connecticut, buyers and the gift tax

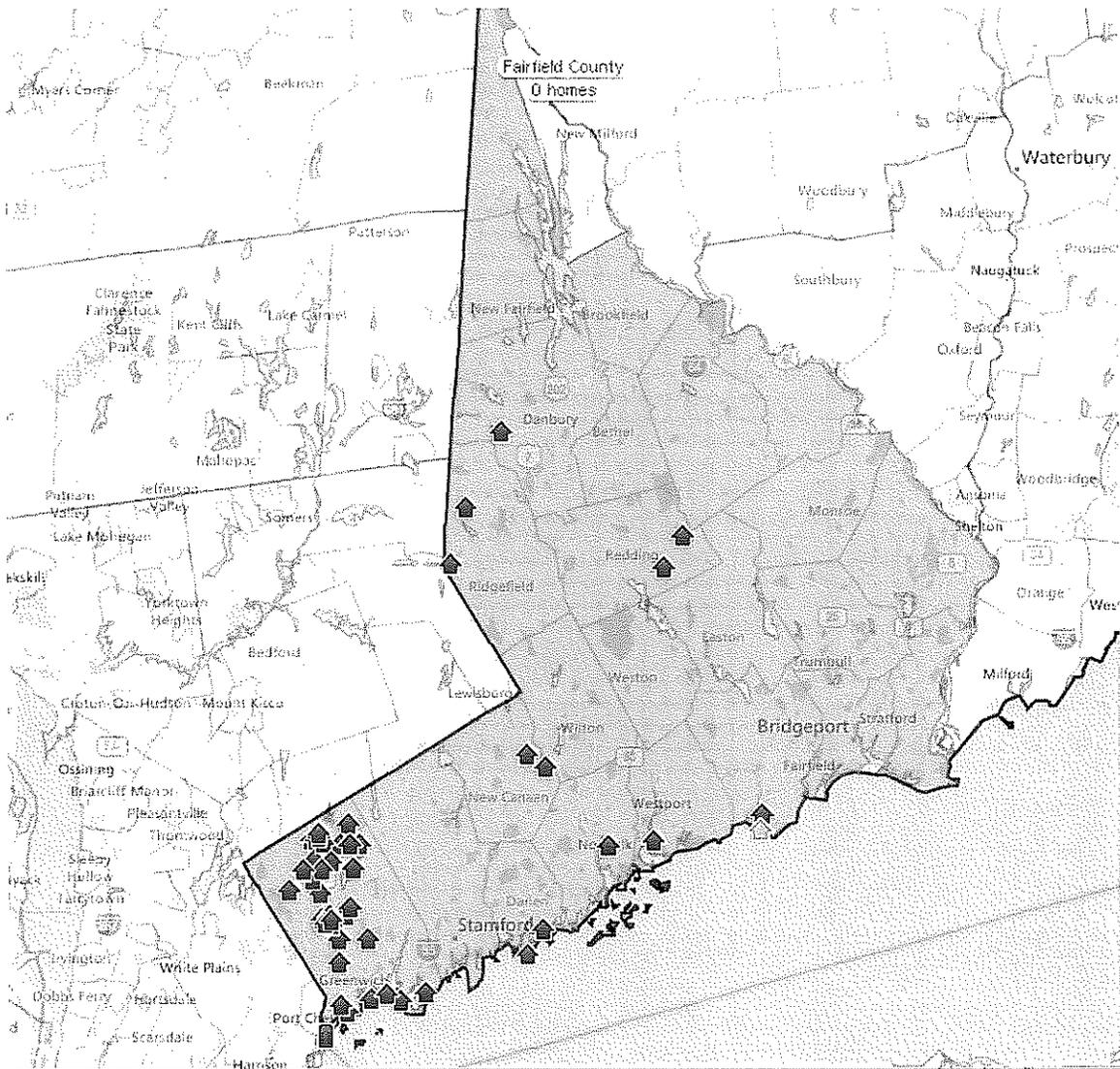
A. Connecticut has 52 homes on Zillow listed for over \$10 million. Both Avon and Old Saybrook each have one property listed over \$10 million.



B. The prospective homeowners for these listings are extraordinarily sensitive to the Connecticut tax regime. The high income/high net worth individuals that can afford these homes rarely make a decision to buy a \$10 million plus property in Connecticut without consulting with their tax advisers as to the effect that moving to Connecticut will have on their tax situation. When they do consult their advisers the differences from the federal tax regime are pointed out, particularly that Connecticut is one of only two states in the entire country that has a gift tax that is not coordinated with the federal tax.

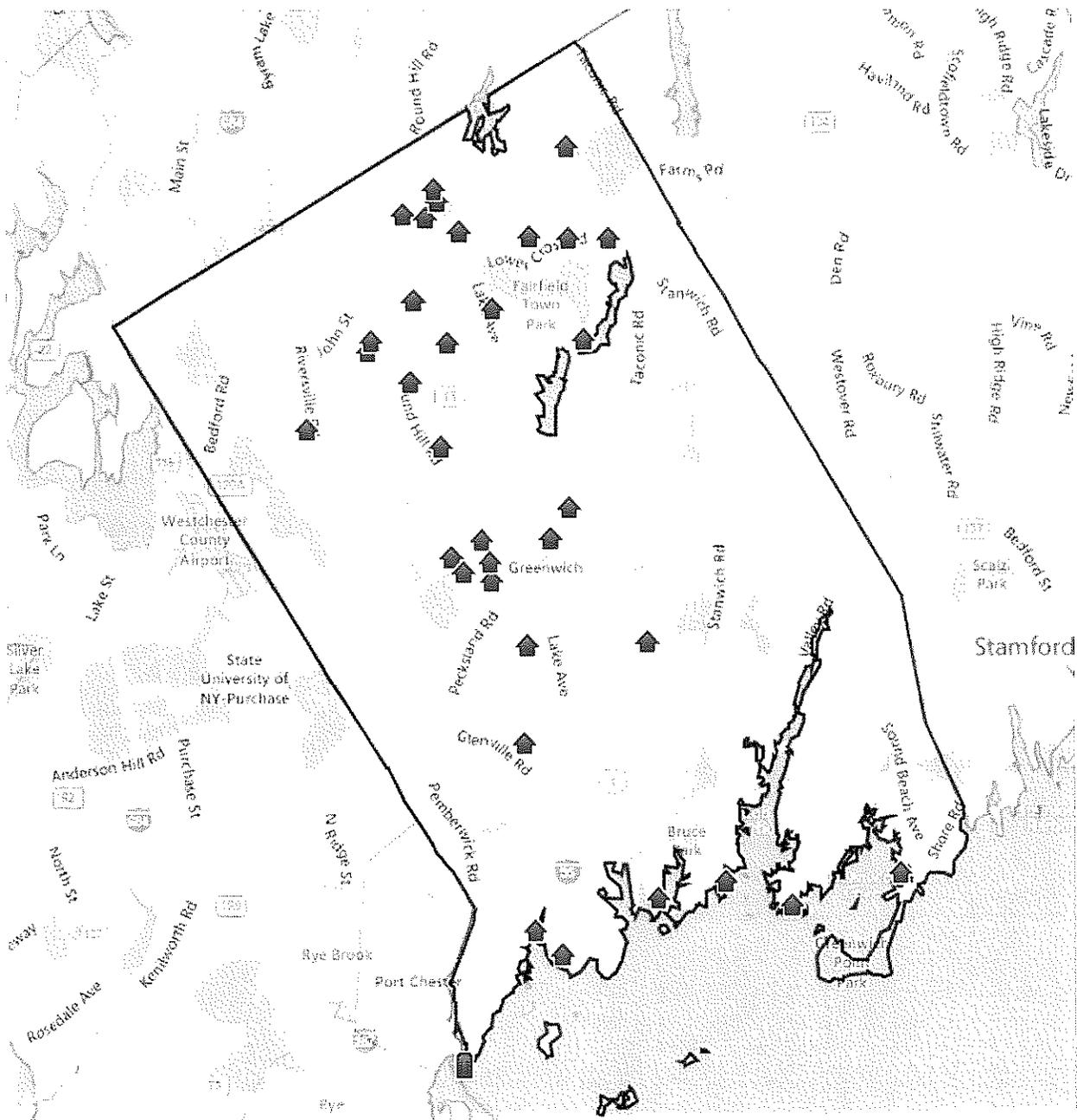
C. Fairfield County

Of the 52 total listings in Connecticut 50 of them are in Fairfield County. Zillow has homes listed for over \$10 million in Darien, Norwalk, Westport, Fairfield, Redding, and Ridgefield.



D. Greenwich, CT listings over \$10 million

At the present time, the Greenwich Multiple List Service has 42 properties in Greenwich listed for over \$10 million dollars. The highest property is listed for \$130 million. Six of these 42 properties are not on Internet at the owners' request, but the 36 that are listed on Zillow represent 70% of all Connecticut listings over \$10 million.



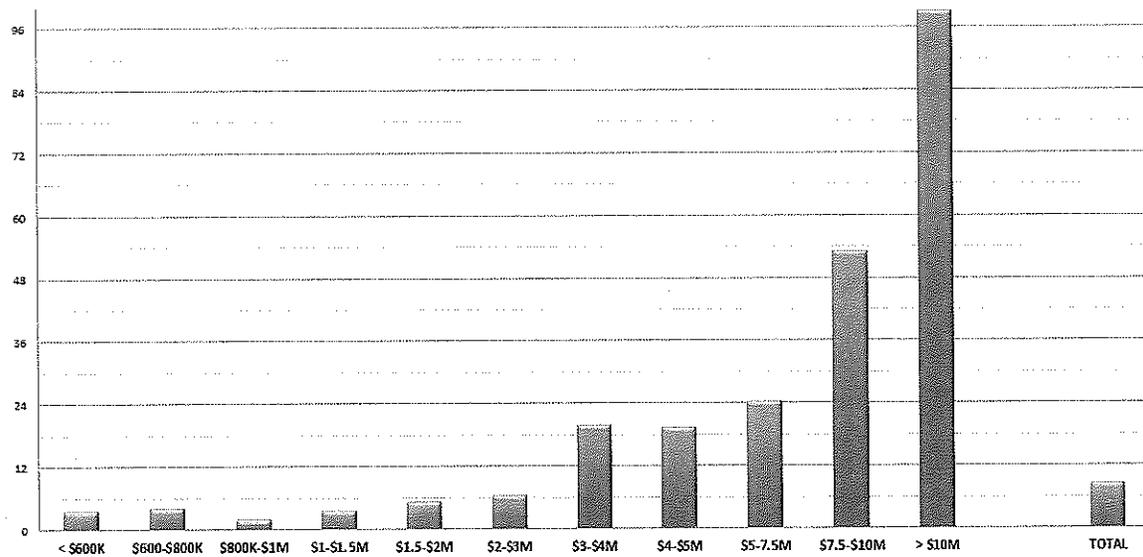
III. Sales Activity Drops Dramatically Over \$3 Million Where Gift and Estate Have Most Effect

The effect of Connecticut's gift tax is felt most acutely by those very high net worth individuals that can buy a \$10 million house but most homeowners with homes over \$3 million dollars are concerned about this tax. You can readily see by the difference in the lower end and the upper end of the Greenwich market. Below \$2 million we have a hot market in Greenwich with less than a 6 month supply of houses, above \$3 million sales slow dramatically. In these higher price ranges months of supply are measured in years not months.

This chart shows the sharp jump in months of supplies as prices move higher. In New York City these price ranges are much busier with record sales being announced regularly. Connecticut is not getting its share of high end buyers and a unique and punitive gift tax is not helping.

GreenwichStreets.com - Real Estate - Months of Supply
Jan. - Nov. 2013

■ Current Months of Supply

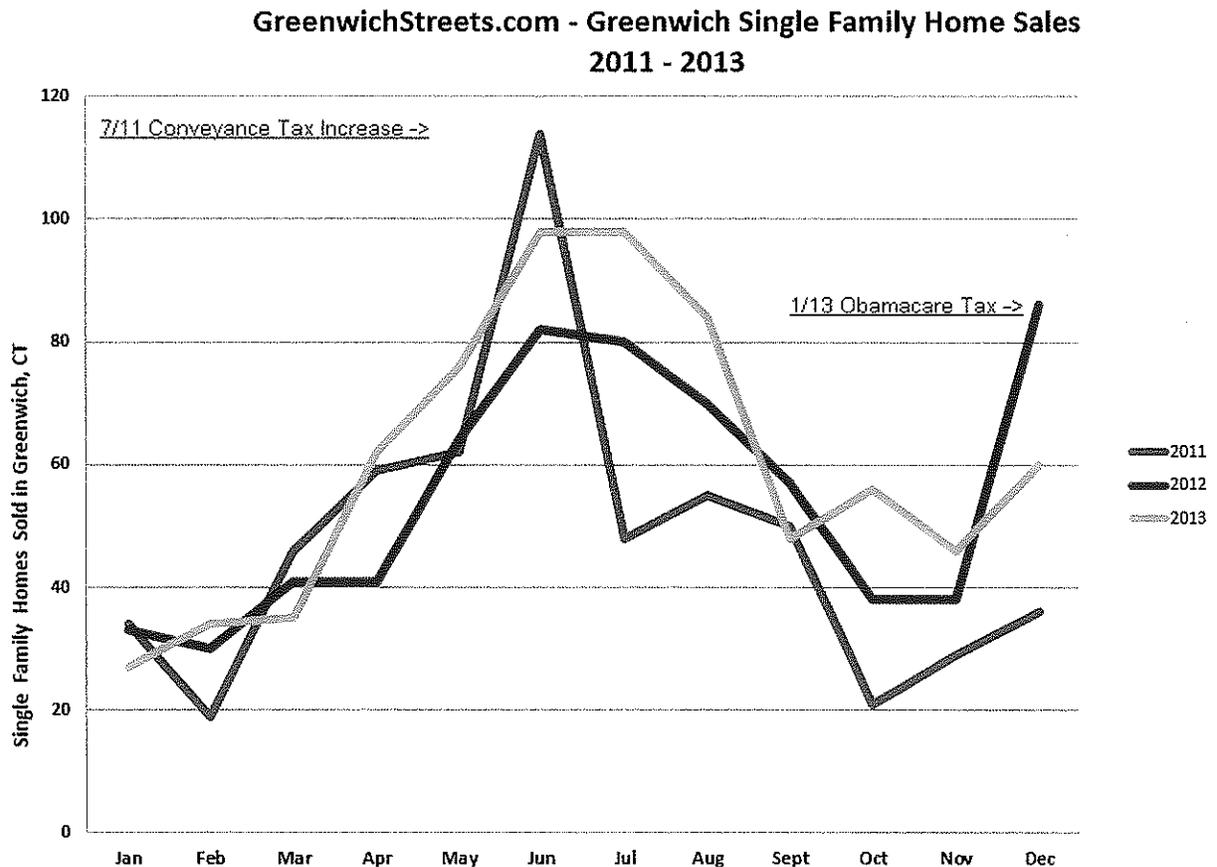


IV. Sales in Greenwich Change Dramatically with Even Slight Changes in Taxes

In the past three years there have been two major spikes in sales as sellers have rushed to avoid higher taxes.

- A. In June 2011 Greenwich recorded the most sales ever in one month as sellers closed early to avoid a 0.25% conveyance tax increase passed by the Connecticut Legislature effective July 1, 2011.
- B. In December 2012 Greenwich had the highest sales ever in the month of December as sellers tried to avoid the 3.8% Obamacare investment tax on sales after January 1, 2013. Sales normally peak in June of each year, but sales that December were the highest for the entire year as sellers scrambled to close before year end.
- C. Legislative uncertainty has the opposite effect resulting in decreased sales. Sales in Greenwich nosedived in September 2013 as the US Congress let the federal government shutdown. Some deals were cancelled, but most were shifted into the fourth quarter and resulting in impressive sales in the last quarter of last year.

Clearly even small changes in taxes or fear of legislative action have a major impacts on real estate sales.



V. Why Connecticut Needs S.B. 367, Cuomo & deBlasio

- A. The Hedge Fund Capital of the World? – Connecticut was known as the hedge fund capital of the world prior to the Great Recession. Billions of dollars of investments from around the world were managed out of Connecticut offices. It is arguably Connecticut's largest industry and one of its biggest taxpayers. Today, Connecticut has lost momentum. Many of the hottest new funds are being set up in New York City or even Miami which is actively campaigning for more funds to move there.

Passage of S.B. 367 and coordinating the estate and gift taxes with federal tax law would put Connecticut right back on top. Connecticut has lots of natural advantages we just need a statement that our governments wants to see the investment management industry expand in Connecticut.

- B. Mayor deBlasio - A curious thing happened in Greenwich real estate in 2013. In the first seven months of the year only 3 houses went to contract for over \$10 million dollars. All of a sudden starting in August, 8 houses went to contract over \$10 million. The change was Mayor deBlasio becoming the leading candidate for mayor on a platform that promised higher taxes on those earning over \$500,000.

This was the push that people who had been looking in Connecticut but not buying needed to get them to sign contracts for high-end homes. Unfortunately for Connecticut, the "deBlasio effect" as it was called petered out as people took a wait a see approach. Since the end of October only one other Greenwich home listed for over \$10 million went to an executed contract. A dramatic gesture such as coordinating the Connecticut estate and gift tax with the federal gift and estate tax would dramatically increase investment in Connecticut.

- C. Governor Cuomo – Governor Cuomo has proposed coordinating New York State estate law with the federal gift and estate tax laws. If he were to get this bill passed Connecticut would be at a serious disadvantage in competing for high net worth individual.

At the present time Connecticut's \$2 million unified gift and estate tax exemption is double New York's \$1 million dollar. Beating New York to the punch would result in a large number of high net worth people moving to Connecticut. Whatever revenues are lost in a coordinated tax would most likely be made up by income and sales taxes and the goods and services purchased.

The time is now to make Connecticut a leader again, and fill its empty office buildings with good paying jobs that generate the taxes that Connecticut needs to fund the programs for all of its citizens.