



**HOME BUILDERS & REMODELERS ASSOCIATION
OF CONNECTICUT, INC.**

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*Your Home
Is Our
Business*

March 14, 2014

To: Senator Cathy Osten, Co-Chairman
Representative Jason Rojas, Co-Chairman
Members of the Planning and Development Committee

From: Bill Ethier, CAE, Chief Executive Officer

Re: **Raised Bill 5510, An Act Providing a Limited Property Tax
Exemption for Homes Under Construction**

The HBRA of Connecticut is a professional trade association with about nine hundred (900) member firms statewide employing tens of thousands of CT's citizens. Our members, all small businesses, are residential and commercial builders, land developers, remodelers, general contractors, subcontractors, suppliers and those businesses and professionals that provide services to our diverse industry and to consumers. Our members build between 70% and 80% of all new homes and apartments in the state each year and are daily participants in CT's land use approval process.

We strongly support HB 5510 and offer a cleaner and simpler substitute that is subject to far less interpretation.

Similar to the existing tax exemption for the inventory held by other types of businesses (e.g., autos on an auto dealer's lot are not taxed until sold), our proposed substitute (see next page) would provide a very limited exemption from higher assessments for a home builder's inventory until 1) a certificate of occupancy is obtained, 2) the home is actually occupied, or 3) the home is transferred to a buyer, whichever occurs first.

We strongly believe this is an appropriate and reasonable balance between the unjustified and unfair tax burdens on home builders and the tax resource needs of municipalities.

Some Issues with Existing Language: The existing language "one year after the date" at line 24 prefaces three triggers for raising the assessed value of a home under construction or a newly constructed home (i.e., issuance of a building permit, issuance of a CO, or sale of the real estate). **However, there is no guarantee that one year after building permit issuance a home can be occupied or transferred.** It may not even be built within one year. Raising assessments one-year after a building permit also penalizes a home builder for producing a model home for the life of the project. Model homes are often integral to the marketing and sales process for the remainder of the community being built, and builders should not have to pay higher assessments on these unoccupied homes. And, a one-year time frame does not address those periods when this fair relief is needed most, i.e., prolonged housing recessions.

Moreover, the existing language that refers to sales (line 26) as one of the triggers for increasing an assessment does not work because a sale by itself is merely a contract and does not mean either that the home will transfer to a buyer or that someone moves in. Sales can fall apart or may have contingencies that cannot be met (e.g., the buyer cannot qualify for

financing, or cannot sell their existing home). The appropriate trigger for raising an assessment should be the actual transfer of a deed, which occurs at a closing.

Reasons to Support HB 5510 (and particularly our proposed substitute):

- **Higher tax assessments on homes under construction or even completed homes and model homes – prior to the issuance of a C.O. or the home's use by or transfer to a buyer – are big financial hits to a small business that has no income while holding this inventory.**
- **Higher assessments on this inventory are unnecessary and unfair because municipalities have minimal expenses for these homes. By definition under our proposed substitute, there are no people living in them to serve.**
- **The vast bulk of the financial resources municipalities derive from higher assessed values of projects under construction come from commercial construction. After a public hearing held on this issue in 2012, tax assessors we met with agreed with this.**
- **Our limited exemption for a very small category of 1-4 family homes solves not only an unjust tax burden but also a huge disincentive on home builders to start new construction, and**
- **Our substitute does not create any service demands on municipalities that would go unpaid – because the real estate is still taxed, just not at the higher assessed value until one of the triggers occurs.**

Our proposed substitute below would be cleaner and simpler for home builders, property owners and tax assessors, and we ask for your consideration of the following:

“Section 1. (NEW) (Effective upon passage): Notwithstanding any other provision of the general statutes, real property upon which the construction of any one-to-four family residential building has been completed or partially completed, shall be assessed exclusive of such construction until the residential building has (A) transferred to a buyer, (B) a certificate of occupancy has been issued for such building, or (C) such residential building is occupied as a residence, whichever occurs earlier, prorated for the assessment year in which the construction becomes liable for such payment.”

If the committee feels that a time limit of one-year after building permit issuance is necessary, that could be added as (D), a fourth trigger to our substitute, but we strongly urge you to not do so for the reasons given above under Some Issues with Existing Language.

Please provide this justified and fair relief to a still struggling home building industry and remove a huge disincentive to build housing in Connecticut.

Thank you for the opportunity to provide our view on this critically important legislation.