

## **OLR Backgrounder: Real Estate Conveyance Tax**

By: Rute Pinho, Principal Analyst  
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### **Issue**

Explain Connecticut's real estate conveyance tax and how it compares to real estate conveyance taxes in the Northeast.

### **Summary**

State law generally requires a person who sells real property for at least \$2,000 to pay a tax on the property's conveyance. The tax has a state and municipal component and ranges from 1% to 1.75% of the sales price, depending on the type of property and the municipality in which the property is located. The seller must pay the tax before the deed can be recorded.

Connecticut also imposes a 1.11% controlling interest transfer tax on real estate transferred through the sale or transfer of a business entity that owns an interest in Connecticut real property with a value of at least \$2,000. The tax is designed to apply to real estate transfers that are not subject to the conveyance tax because there is no change in the property's deed.

The real estate conveyance tax rates for the Northeast states vary significantly across states, and in some cases, across jurisdictions within the states.

# Connecticut's Real Estate Conveyance Tax

The real estate conveyance 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 property conveyance. The combined rate is applied to the property's sales price. The seller pays the tax when he or she conveys the property. Municipal town clerks collect the tax and remit the state share to the state Department of Revenue Services (DRS) (CGS §§ 12-494 et seq.).

## State Tax

The state tax is 0.75% of (1) the first \$800,000 of the sale price of a residential dwelling (i.e., single family home or condominiums); (2) the full sales price of residential property other than residential dwellings (e.g., apartment buildings) and unimproved land (including farm, forest, and open space land); and (3) the amount of unpaid mortgage and interest on a property conveyed to a financial institution by a delinquent mortgagor.

A 1.25% rate applies to (1) sales of nonresidential property other than unimproved land and (2) any portion of the sales price of a residential dwelling that exceeds \$800,000. Table 1 lists the state tax rates by property type.

**Table 1: State Conveyance Tax Rates by Property Type**

Property Type	State Rate
Unimproved land	0.75%
Residential dwelling (portion ≤ \$800,000)	
Other residential property	
Property conveyed by a delinquent mortgagor	
Nonresidential property (other than unimproved land)	1.25%
Residential dwelling (portion > \$800,000)	

## Municipal Tax

The municipal tax can range from 0.25% to 0.5%, depending on the municipality in which the property is located. The base rate is 0.25% for all municipalities, plus an additional tax of up to 0.25% in 19 eligible municipalities that choose to impose the increased rate. Table 2 lists these 19 municipalities, which comprise the 18 "targeted investment communities" and a municipality with a manufacturing plant that qualifies for enterprise zone benefits (i.e., Bloomfield).

**Table 2: Local Option Conveyance Tax**

Eligible Municipalities	
Bloomfield	New Haven
Bridgeport	New London
Bristol	Norwalk
East Hartford	Norwich
Groton	Southington
Hamden	Stamford
Hartford	Thomaston
Meriden	Waterbury
Middletown	Windham
New Britain	

With the exception of Stamford, all of the eligible municipalities impose the maximum 0.25% additional conveyance tax. Stamford imposes an additional tax of (1) 0.25% on properties sold for more than \$1 million and (2) 0.15% on all other properties (Collins, Catherine F. ["Real Estate Conveyance Tax and Controlling Interest Transfer Tax: A Report Prepared for the Connecticut Tax Panel."](#) November 17, 2015).

## ***Exemptions***

The law exempts various types of transactions from the state and local tax, including the following transfers:

1. transfers between spouses;
2. conveyances pursuant to certain court decrees, including as a result of (a) an annulment, dissolved marriage, or legal separation or (b) foreclosure by sale;
3. transfers of property to any nonprofit organization organized to hold undeveloped land in trust for conservation or recreation purposes;
4. deeds made pursuant to corporate mergers; and
5. transfers of a principal residence where the gross purchase price is less than the total amount the seller owes on the property for mortgages and tax liens (i.e., “short sales”) (CGS § 12-498).

A full list of conveyance tax exemptions is available in DRS’s conveyance tax return [instructions](#).

## ***Revenue***

The state collected approximately \$186.6 million in state conveyance tax revenue in FY 16, up from \$176.9 million in FY 15 and \$172.2 million in FY 14 (DRS [FY 16 Annual Report](#), pg. 62).

Municipalities collected \$52.4 million in municipal conveyance tax revenue in FY 16 (according to the Office of Fiscal Analysis).

## **Controlling Interest Transfer Tax**

The controlling interest transfer tax is designed to apply to transfers of real property that are not covered by the real estate conveyance tax. It applies when Connecticut real estate valued at \$2,000 or more is transferred through the sale or transfer of a controlling interest (i.e., more than 50%) of the business entity (e.g., corporation, partnership, association, or trust) that owns the property. Because such transfers are due to the transfer of interests in the property, rather than the transfer of a deed, the conveyance tax does not apply to them. The tax rate is 1.11% of the property’s “present true and actual value”; the state remits 0.11% to the municipality in which the property is located and keeps the remaining 1% (CGS § 12-638a et seq.).

In FY 16, the state collected approximately \$13.9 million from the tax, up from \$9.1 million in FY 15 and \$8.3 million in FY 14 (DRS [FY 16 Annual Report](#), pg. 17).

## Conveyance Taxes in Surrounding States

As Table 3 shows, the generally applicable real estate conveyance tax rates for the Northeast states vary significantly from state to state and, in some cases, within each of the states.

Connecticut's combined state and local rates (1% to 1.75%) exceed the maximum rates in Maine, Massachusetts, and Rhode Island (with two exceptions), but are generally in line with rates in New Hampshire and Vermont. The combined rates in Delaware, New Jersey, New York, and Pennsylvania generally exceed Connecticut's.

**Table 3: Real Estate Conveyance Tax Rates in the Northeast**

State	State Tax Rate	Local Tax Rate	Total Tax Rate
Connecticut	0.75% or 1.25%, depending on property type	0.25%; up to 0.5% in 19 municipalities	1% to 1.75%
Delaware	2% (1.5% if local government assesses a local tax of 1.5%)	Up to 1.5%	2% to 3%
Maine	0.44% (equally split between the buyer and seller)	None	0.44%
Massachusetts	0.456%	0.648% (state and local combined rate) in Barnstable County	0.456% to 0.648%
New Hampshire	1.5% (0.75% imposed on both buyer and seller)	None	1.5%
New Jersey	0.25% base rate, plus additional fees ranging from 0.05% to 0.43% each  Additional 1% tax applies to buyers on transfers over \$1 million	0.1%	0.25% to approx. 2.21%
New York	0.4%; 1.4% of total sales price for residential sales exceeding \$1 million  Additional mortgage recording tax also applies	0.1% to 2.625%	0.4% to 3.025%
Pennsylvania	1% (split between the buyer and seller)	Up to 1% in municipalities and school districts (combined)  No limit for home rule jurisdictions	1% to 5% (in select jurisdictions)
Rhode Island	0.46%	None	0.46%
Vermont	Ranges from 0.50% to 1.45%, depending on property type (includes 0.2% Clean Water Surcharge)	None	0.50% to 1.45%

Sources: Collins, Catherine F. "[Real Estate Conveyance Tax and Controlling Interest Transfer Tax: A Report Prepared for the Connecticut Tax Panel.](#)" November 17, 2015; [Real Estate Transfer Taxes](#), National Conference of State Legislatures, State and local tax department websites.

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