



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

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*Your Home
Is Our
Business*

**Finance Revenue & Bonding Committee
Public Hearing
Testimony
03/15/2019**

To: Chairmen Fonfara, Rojas, Ranking Members Witkos, Davis and distinguished Members of the Finance Revenue and Bonding Committee.

From: Jim Perras, CEO Home Builders & Remodelers Association of Connecticut

Re: **Testimony in Opposition to Senate Bill No. 877: An Act Concerning Revenue Items to Implement the Governor's Budget**

The Home Builders and Remodelers Association of Connecticut (HBRA-CT) is a professional trade association with over eight hundred business members statewide, employing tens of thousands of Connecticut residents. Our association of small businesses is comprised of residential and commercial builders, land developers, remodelers, general contractors, subcontractors, suppliers and those businesses and professionals that provide services to our diverse industry. We build between 70% to 80% of all new homes and apartments in Connecticut each year and engage in countless home remodeling projects.

Thank you, for the opportunity to provide testimony in opposition to Senate Bill 877. Specifically, the HBRA-CT finds the following provisions to be particularly onerous and asks they be rejected by the Finance Committee:

- Expansion of the sales tax to include services to buildings and dwellings including, but not limited to, maintenance, repair, renovation, exterior cleaning, chimney cleaning, driveway cleaning, duct cleaning, drain or gutter cleaning, refuse collection, snow plowing and all other such services.
- Expansion of the sales tax to also encompass estate and broker services, legal services, architectural services, engineering services, interior design services, waste management and remediation services and more.
- Lastly, the increase of existing conveyance tax on real property from 1.25% to 1.50% on the cost of a home in excess of \$800,000.00.

Expansion of the sales tax on services pertaining to home renovation and repair is bad public policy. It's been tried before, without much success. In the early 90's Connecticut taxed many of the very same remodeling services including; paving, painting, siding, roofing and landscaping. Those taxes did not yield anywhere near the intended revenues. Consequently, the underground contracting industry grew significantly, and those negative impacts continue to plague the Department of Consumer Protection and our industry at large.

Connecticut has a large underground home improvement market. Some estimates put this illegal cash market at greater than 40 percent. These offending contractors are not registered, nor are they likely to be adequately insured. Often, they are without a tax I.D. Especially noteworthy and troublesome is that by virtue of being unregistered, illegal contractors do not pay into the Home Improvement Guaranty Fund. Consequently, an unsuspecting homeowner that does business with an illegal contractor doesn't benefit from the guaranty fund's added protection, leaving homeowners without much for recourse if something goes awry.¹ At the end of the day, law abiding home improvement contractors that would comply with these new tax requirements would be undercut to an even greater extent than they are now, compelling even more underground home improvement activity and consequently, leaving more homeowners at risk.

The sales tax on residential renovations and repair, as devised, will never capture anything approaching the entire remodeling market, as unscrupulous will gain an even larger share of the remodeling market. Many unregistered contractors may even be inclined to collect the tax from a customer without the intention of ever passing it along to the state. In the end, remodelers who "play by the rules" will be further disadvantaged, while much needed repairs in older homes could be further delayed or ignored completely.

Taxing necessary home repairs will disproportionately impact the poor and elderly.

Connecticut competes with neighboring states for the distinction of having some of the oldest housing stock in the country. Much of that aging housing stock is found in our urban centers. Additional taxes could discourage homeowners in older neighborhoods from making much needed safety-related repairs. Inner-city landlords will be more inclined to delay renovations. Said delays could place the health and safety of their tenants at risk, endangering our most vulnerable populations. Renovation, Repair and Paint (RRP) lead disturbing activities could also be delayed and lead poisoning mitigation could be postponed or done by unqualified contractors working outside the lead safe work practices required by the EPA, further jeopardizing the health and safety of our vulnerable populations.

The value of housing in Connecticut has not recovered to the same degree as other states (this is particularly true in many of our urban centers) and if people put off renovations, repairs or replacement of necessary systems like heating, air conditioning, roofs, etc., then the value of housing will be further depressed. Ultimately, the governor's tax proposal is counter intuitive given his stated goals of urban renewal and revitalization.

A recent report by the Joint Center for Housing Studies of Harvard University titled, Improving American's Housing – 2019 finds, "Older homeowners tend to devote a larger share of their improvement dollars (51 percent) to replacing home components and systems – such as roofing, siding, windows, and plumbing – than younger homeowners (43 percent). In addition, older owners are increasingly focused on making their homes more accessible. Nearly 3 million homeowners – more that 72 percent of which were at least age 55 in 2017 – reported one or more projects that would improve accessibility for the elderly or disabled."² As stated earlier, if enacted, **SB 877 will disproportionately impact elderly homeowners.** The report

¹ <https://portal.ct.gov/DCP/Common-Elements/Consumer-Facts-and-Contacts/Home-Improvement-Guaranty-Fund>

² <https://www.jchs.harvard.edu/research-areas/reports/improving-americas-housing-2019>

goes on to conclude that, “Over the next decade, the strong preference of older homeowners to age in place and the increasing difficulty of building affordable housing will keep the damper on new construction. The remodeling industry will therefore continue to have a major role to play in meeting the nation’s housing needs.”.³ Connecticut should encourage those who endeavor to make accommodations to age in place. As in doing so, taxpayers save on unspent Medicaid dollars and housing affordability and accessibility issues are ameliorated by the maintaining of our aging housing stock.

Connecticut has some of the most economically and racially segregated housing in the country, due in part, to decades of housing affordability and accessibility issues in our more affluent communities. Since 2009, the residential construction industry has been producing residential units at only a fraction of the rate needed to maintain current housing numbers. Consequentially, ensuring Connecticut residents have access to affordable renovation and remodeling services is more important than ever in order to guarantee Connecticut has as much of its older housing stock in use to hold the line on housing affordability and accessibility. A well-maintained older housing stock is often the only affordable option for many working families to be able to live where they work. This is especially evident in the western part of our state where issues of affordability are most acute.

Alternatively, the Finance Committee along with Governor Lamont to join us in finding a new way forward in which state government incentivizes the remodeling and repair of existing homes — incentivizing the renovation of our senior’s homes so they can age in place will encourage a cost-effective alternative to nursing facilities and lessen the strain on the state’s Medicaid expenses ultimately saving tax payers millions. In addition, the state could better incentivize the renovation of aging homes with the goal of increasing energy efficiency, saving homeowners thousands of dollars a year while helping to relieve the strain on our energy infrastructure. Incentivizing home improvement will achieve sought after revenues via increased property values leading to increased municipal revenues, and increased revenues to the state based on income taxes and current sales taxes on materials.

Thank you, for the opportunity to submit **testimony in opposition to SB 877**.

³ <https://www.jchs.harvard.edu/research-areas/reports/improving-americas-housing-2019>