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## **OLR Bill Analysis**

### **HB 6630**

#### ***AN ACT CONCERNING THE RATE OF THE REAL ESTATE CONVEYANCE TAX ON CERTAIN CONVEYANCES.***

#### **SUMMARY**

This bill lowers the state real estate conveyance tax rate on new homes sold for more than \$2.5 million by certain new home construction contractors and housing ownership businesses.

Under current law, all sales of residential property are subject to the state real estate conveyance tax at the following marginal rates: (1) 0.75% on the first \$800,000 of the sales price, (2) 1.25% on any portion of the sales price that exceeds \$800,000 and is less than or equal to \$ 2.5 million, and (3) 2.25% on any portion of the sales price that exceeds \$2.5 million. Connecticut residents who paid the tax at the top marginal rate may claim a personal income tax credit based on the amount they paid in conveyance tax at that rate (see BACKGROUND).

The bill eliminates the top marginal rate (2.25%) for “new homes” sold by (1) state-registered “new home construction contractors” or (2) a partnership, limited partnership, limited liability partnership, joint venture, trust, limited liability company, or association that has housing ownership as one of its purposes. Thus, under the bill, these sales are subject to conveyance tax at the rate of (1) 0.75% for the first \$800,000 of the sales price and (2) 1.25% for any portion exceeding \$800,000.

The bill also makes several technical and conforming changes.

EFFECTIVE DATE: July 1, 2021

#### **NEW HOMES AND NEW HOME CONSTRUCTION CONTRACTORS**

The bill applies to sales by new home construction contractors registered as such with the Department of Consumer Protection who

contracted with a consumer to construct or sell a new home, or any portion of one, prior to occupancy. A “new home” is a newly constructed (1) single-family dwelling unit; (2) dwelling consisting of two or fewer units; or (3) unit, common element, or limited common element in a condominium or common interest community (CGS § 20-417a).

## **BACKGROUND**

### ***Property Tax Credit Against the Income Tax***

Beginning with the 2021 tax year, taxpayers who paid conveyance tax at the 2.25% rate may claim a property tax credit against their state income tax liability based on the amount they paid in conveyance tax at this rate. (By law, eligibility for the property tax credit is limited to state residents.)

Taxpayers may use the conveyance tax payment as the basis for the property tax credit for three years, beginning in the third tax year after the year in which the taxpayer paid the conveyance tax. The credit in each year cannot exceed 33.3% of the amount of conveyance tax the taxpayer paid at the 2.25% rate. If a taxpayer does not use the full credit in a given year because it exceeds what the taxpayer owes in income tax or paid in property tax, then the taxpayer may carry the unused portion forward for up to six successive tax years (CGS § 12-704c(d), as amended by PA 19-117, § 335).

## **COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 47      Nay 1      (04/22/2021)