



House of Representatives

General Assembly

File No. 652

January Session, 2021

House Bill No. 6630

House of Representatives, May 10, 2021

The Committee on Finance, Revenue and Bonding reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

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

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-494 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective July 1, 2021*):

3 (a) There is imposed a tax on each deed, instrument or writing,
4 whereby any lands, tenements or other realty is granted, assigned,
5 transferred or otherwise conveyed to, or vested in, the purchaser, or any
6 other person by such purchaser's direction, when the consideration for
7 the interest or property conveyed equals or exceeds two thousand
8 dollars:

9 (1) Subject to the provisions of [subsection] subsections (b) and (c) of
10 this section, at the rate of three-quarters of one per cent of the
11 consideration for the interest in real property conveyed by such deed,
12 instrument or writing, the revenue from which shall be remitted by the
13 town clerk of the municipality in which such tax is paid, not later than

14 ten days following receipt thereof, to the Commissioner of Revenue
15 Services for deposit to the credit of the state General Fund; and

16 (2) At the rate of one-fourth of one per cent of the consideration for
17 the interest in real property conveyed by such deed, instrument or
18 writing, provided the amount imposed under this subdivision shall
19 become part of the general revenue of the municipality in accordance
20 with section 12-499.

21 (b) The rate of tax imposed under subdivision (1) of subsection (a) of
22 this section shall, in lieu of the rate under said subdivision (1), be
23 imposed on certain conveyances as follows:

24 (1) In the case of any conveyance of real property [~~which~~] that at the
25 time of such conveyance is used for any purpose other than residential
26 use, except unimproved land, the tax under said subdivision (1) shall be
27 imposed at the rate of one and one-quarter per cent of the consideration
28 for the interest in real property conveyed. For the purposes of this
29 subdivision, "unimproved land" includes land designated as farm,
30 forest or open space land;

31 (2) In the case of any conveyance in which the real property conveyed
32 is a residential estate, including a primary dwelling and any auxiliary
33 housing or structures, regardless of the number of deeds, instruments
34 or writings used to convey such residential real estate, for which the
35 consideration or aggregate consideration, as the case may be, in such
36 conveyance is eight hundred thousand dollars or more, the tax under
37 said subdivision (1) shall be imposed:

38 (A) At the rate of three-quarters of one per cent on that portion of
39 such consideration up to and including the amount of eight hundred
40 thousand dollars;

41 (B) Prior to July 1, 2020, at the rate of one and one-quarter per cent on
42 that portion of such consideration in excess of eight hundred thousand
43 dollars; and

44 (C) [On] Except as provided in subsection (c) of this section, on and

45 after July 1, 2020, (i) at the rate of one and one-quarter per cent on that
46 portion of such consideration in excess of eight hundred thousand
47 dollars up to and including the amount of two million five hundred
48 thousand dollars, and (ii) at the rate of two and one-quarter per cent on
49 that portion of such consideration in excess of two million five hundred
50 thousand dollars; and

51 (3) In the case of any conveyance in which real property on which
52 mortgage payments have been delinquent for not less than six months
53 is conveyed to a financial institution or its subsidiary that holds such a
54 delinquent mortgage on such property, the tax under said subdivision
55 (1) shall be imposed at the rate of three-quarters of one per cent of the
56 consideration for the interest in real property conveyed. [For the
57 purposes of subdivision (1) of this subsection, "unimproved land"
58 includes land designated as farm, forest or open space land.]

59 (c) (1) On and after July 1, 2021, in the case of any conveyance of real
60 property described under subdivision (2) of subsection (b) of this section
61 for which the consideration or aggregate consideration, as the case may
62 be, in such conveyance is eight hundred thousand dollars or more, and
63 such conveyance is a new home conveyed by (A) a new home
64 construction contractor with a current valid certificate, or (B) any
65 partnership, limited partnership, limited liability partnership, joint
66 venture, trust, limited liability company or association, that has as one
67 of its purposes the ownership of housing, the tax under subdivision (1)
68 of subsection (a) of this section shall be imposed:

69 (i) At the rate of three-quarters of one per cent on that portion of such
70 consideration up to and including the amount of eight hundred
71 thousand dollars; and

72 (ii) At the rate of one and one-quarter per cent on that portion of such
73 consideration in excess of eight hundred thousand dollars.

74 (2) As used in this subsection, "new home" and "new home
75 construction contractor" have the same meanings as provided in section
76 20-417a.

77 [(c)] (d) In addition to the tax imposed under subsection (a) of this
 78 section, any targeted investment community, as defined in section 32-
 79 222, or any municipality in which properties designated as
 80 manufacturing plants under section 32-75c are located, may, on or after
 81 March 15, 2003, impose an additional tax on each deed, instrument or
 82 writing, whereby any lands, tenements or other realty is granted,
 83 assigned, transferred or otherwise conveyed to, or vested in, the
 84 purchaser, or any other person by [his] the purchaser's direction, when
 85 the consideration for the interest or property conveyed equals or
 86 exceeds two thousand dollars, which additional tax shall be at a rate of
 87 up to one-fourth of one per cent of the consideration for the interest in
 88 real property conveyed by such deed, instrument or writing. The
 89 revenue from such additional tax shall become part of the general
 90 revenue of the municipality in accordance with section 12-499.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2021	12-494

FIN Joint Favorable

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Revenue Serv., Dept.	GF - Revenue Loss	3 million	3 million
Revenue Serv., Dept.	GF - Cost	10,000 - 20,000	None

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill, which 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, results in: 1) a General Fund revenue loss of approximately \$3 million annually beginning in FY 22, and 2) a one-time cost of between \$10,000 and \$20,000 to the Department of Revenue Services to implement tax form changes in FY 22 only.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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)