

#Finance, Revenue and Bonding Committee JOINT FAVORABLE REPORT

Bill No.: HB-6630

AN ACT CONCERNING THE RATE OF THE REAL ESTATE CONVEYANCE

Title: TAX ON CERTAIN CONVEYANCES.

Vote Date: 4/22/2021

Vote Action: Joint Favorable

PH Date: 3/17/2021

File No.:

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SPONSORS OF BILL:

Finance, Revenue & Bonding Committee

REASONS FOR BILL:

The purpose of the bill is to reduce the real estate conveyance tax on certain new construction homes. The bill would reduce the real estate conveyance tax to a 1.25% rate for the entire portion of the sales price of new homes that exceeds \$800,000 eliminating the current 2.25% rate on homes that exceed \$2.5 million.

On July 1, 2020, Connecticut increased the conveyance tax rate applied to sellers of real property from 1.25% to 2.25% on the portion of the sale that exceeds \$2.5 million in accordance with PA 19-117. Under this law a seller who stays in Connecticut for three years after the sale of a home can begin to recoup the difference via a tax credit equal to 1/3 of the conveyance tax paid over a span of three years. In order, to recoup the entire difference the seller would have to remain in Connecticut for a total of six years after the sale of the home.

RESPONSE FROM ADMINISTRATION/AGENCY:

Melissa McCaw, Secretary of the State of Connecticut-Office Policy and Management – Opposed

Secretary McCaw testified in opposition of the bill due to the revenue loss to the State of Connecticut's General Fund. The Secretary stressed that at a time when the state is already facing budgetary shortfalls it needs to be able to fully access federal revenues allocated to the state under the recently passed American Rescue Plan Act of 2021. The federal act specifies that the state must not pass any law that would directly or indirectly reduce net tax revenues. Additionally, this bill would provide tax cuts to only a few specific taxpayers while

requiring the state to either reduce current spending or increase other tax rates to offset those cuts.

NATURE AND SOURCES OF SUPPORT:

Connecticut REALTORS

The Connecticut REALTORS testified in support of the bill in the hopes of retaining the wealthier residents in the state. They testified that their members are watching wealth move out of Connecticut, often due to significant concerns about the financial impact of the state's tax policies. They testified that the additional conveyance tax would be a step in the right direction, encouraging the wealthy to move to or stay in Connecticut. Additionally, repealing the tax would make Connecticut more competitive in attracting wealth to move to Connecticut, allowing the state to later realize the income taxes of wealthy individuals who can relocate anywhere. Connecticut should strive to appeal to these individuals to settle in our state and grow our economy.

Anthony B. DeRosa, Managing Member of DeRosa Builders LLC

Mr. DeRosa's testimony represents more than a dozen realtors and developers in Fairfield County. They feel that the legislature should want to encourage builders to build the type of homes synonymous with the great estates in CT and not push other builders to ultimately build in Westchester or Massachusetts so that they can get around the additional conveyance taxes. They urge the passage of HB 6630 to correct this oversight and promote new developments and attract more buyers to the State of CT.

James Narduzzo, Vice President of BENDER

Mr. Narduzzo testified that the current conveyance tax places an extra burden on new construction. With the rising cost of materials along with additional taxes and extra fees it is very challenging in the sales and building of new homes in CT.

Jim Perras, CEO of the Home Builders & Remodelers Association of Connecticut, Inc.

Mr. Perras testified that by repealing the current tax conveyance rate it will free up more capital, giving small business builders greater ease to flow from one project to another and will help them to better keep up with rising demand. This would make Connecticut more competitive with surrounding states that are also vying for wealthier transplants fleeing New York and elsewhere for suburbia. Recent data has shown that many of those leaving the city are highly mobile professionals and small to mid-sized business owners who are bringing significant economic activity with them. Connecticut should do everything it can to attract these individuals to help reverse the trend of outward migration and grow our economy.

Gregory Ugalde, President and CEO of T&M Building Co, Inc.

Mr. Ugalde testified that the focus of the legislature should be the affordability of housing in Connecticut and that the current legislation was enacted to discourage the wealthier residents from moving out of the state. He states that every effort to build housing that people can afford to purchase and homes that allow them to live safely is imperative. The legislature should do everything it can to encourage new construction when existing inventory and production are not meeting the demand, thereby driving up the cost of housing.

NATURE AND SOURCES OF OPPOSITION:

None expressed

Reported by: Dawn Silveira

Date: 5/5/21