



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

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*Your Home  
Is Our  
Business*

February 27, 2012

Honorable Dannel P. Malloy  
Governor, State of Connecticut  
State Capitol Building, Room 200  
Hartford, CT 06106

Re: Tax Assessments on Homes Under Construction

Dear Governor Malloy,

On behalf of the 1,000 small businesses that make up our organization, this is a plea for relief regarding tax assessments on homes under construction.

Gian-Carl Casa testified correctly before the Planning and Development Committee that section 2 of RB 5035 clarifies existing law about the authority of municipal tax assessors to raise tax valuations on buildings under construction. We know the clarification is necessary because of the trial court decision in Kasica v. Columbia. I testified on behalf of the HBA and in response to questioning stated, as did Gian-Carl, that most towns understood the law to be what RB 5035, sec. 2, will clarify.

However, it is exactly that understanding (and clarification) of current law that now presents severe financial stress on home builders only because of the deep housing recession we find ourselves in. Prior to the prolonged adverse housing environment, the current law has not been an issue because homes were built, sold and transferred well within a single year. But now, through no fault of their own, builders are experiencing long delays in transferring what is essentially their inventory to buyers. After contracts are signed and custom homes are built, buyers cannot close because they have either lost a job, cannot get through the very difficult mortgage process, or cannot sell their existing home in order to close on a new home. Builders are left holding onto their inventory yet face what are enormous tax bills to them for homes without any occupants.

The number of new housing permits is at the lowest level since permits were recorded. We are experiencing upwards of 40% unemployment in the residential building industry. I have been working with the housing industry for thirty years, both nationally and here, and the level of despair among builders is the worst I have ever seen. Please help us avoid these real, painful tax bills.

Our proposal is to carve out a limited exemption for 1-2 family home construction that we believe will have minimal financial impact on municipalities yet be huge for home builders. The tax assessors agreed with me after the public hearing was held in P&D that the bulk of lost tax revenues if the Kasica ruling was not reversed come from commercial properties under construction or without a certificate of occupancy.

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*"Leading Our Members to Professional Excellence."*

**Serving the Residential Development & Construction Industry Through Advocacy, Education & Networking.**

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Governor, would you be so kind as to review the attached new exemption we propose. While the Kasica case brought this issue to the forefront, we are essentially asking that a home builder's inventory be treated as tax exempt like many other business inventories. This would provide much needed relief to struggling home builders, with minimal impact on lost revenues to towns and cities. And, when the economy and housing do rebound, this exemption would not be an issue for builders or municipalities because, again, homes will be built, sold and transferred much more quickly.

Thank you for considering this plea on behalf of our industry. I am, of course, available to discuss this or any other issue related to housing matters at any time.

Sincerely,

William H. Ethier  
Chief Executive Officer

cc:

Gian-Carl Casa, OPM  
James DeSantos, Governor's Office

P&D Leaders:

Senator Steve Cassano  
Representative Linda Gentile  
Senator Len Fasano  
Representative Bill Aman

Finance, Revenue & Bonding Committee Leaders:

Senator Eileen Daily  
Representative Pat Widlitz  
Senator Andrew Roraback  
Representative Sean Williams

Jim Finley, CCM

Attachment

**Providing a tax exemption for the inventory held by new home builders**

**Similar to the tax exemption for the inventory held by other types of businesses, this proposal would amend the statutes to provide a tax exemption for a new home builder's inventory up to the point 1) a certificate of occupancy is obtained, 2) the home is occupied, or 3) the home transfers to a buyer, whichever occurs first.**

**It would be added as a new section of the statutes (e.g., 12-88b) and added to (not substitute for) the language of section 2 of HB 5035 (or HB 5158), which overturns the trial court decision in Kasica v. Columbia and clarifies existing law.**

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

- 1 Section 1. (NEW) (*Effective upon passage*): Real property belonging to a new home
- 2 construction contractor, upon which a one or two family home has been constructed, or
- 3 is being constructed, shall be deemed the new home construction contractor's inventory
- 4 and such real property shall be assessed exclusive of such construction until the home
- 5 has transferred to a buyer, a certificate of occupancy has been issued for such home, or
- 6 such home is occupied as a residence, whichever occurs first.