

# Home Builders & Remodelers Association of Connecticut, Inc.

## Please SUPPORT SB 1036

### AAC the Assessment of Municipal Taxes on Certain Residential Dwellings

(Passed P&D 21 – 0)

**Why this bill?** New home construction produces jobs, sales and income taxes and adds to local grand lists (see Economic Impact in CT on reverse). BUT, new building permits are still struggling to recover (see chart on reverse). High tax assessments on homes under construction are a huge disincentive to builders to start construction. SB 1036 removes this disincentive. It helps to lower the cost of new housing, especially in a slow housing market.

SB 1036 establishes an exemption from higher property tax assessments for only 1-4 family homes under construction until the earliest of 3 triggers: 1) issuance of a certificate of occupancy, 2) the home is occupied as a residence, or 3) a deed is transferred to the first buyer.

1. SB 1036 will have **minimal revenue impact on municipalities** because most of the “under-construction” assessment revenue municipalities receive are from large residential and commercial construction projects (the bill applies to only 1-4 family homes);
2. SB 1036 will have **positive local grand list growth**. It’s an incentive for home construction starts (adding to grand list growth) because builders won’t have to pay this inventory tax.;
3. SB 1036 **ties the collection of higher taxes to municipal services actually provided to people living in homes** (i.e., nobody is living in these homes under the bill). The value of the underlying property as an approved building lot will continue to be taxed.;
4. SB 1036 **removes a punishing tax on home builders** that is particularly harsh in a down housing market. Higher assessments of homes under construction are a severe burden on residential builders who face substantially decreased absorption rates for selling homes and must carry completed yet unsold homes (i.e., a home builder’s inventory) for extended periods in CT’s depressed housing market. These higher taxes hurt builders, all small businesses who have no income until a home sale closes and transfers to a buyer.;
5. **Current law, adopted in 2012, was a mistake** (see lines 16-19 of SB 1036). SB 1036 **removes this perverse disincentive to undertake new home projects**, especially in a down housing market when we should most want to encourage new home construction.;
6. SB 1036 **continues a town’s ability to capture retroactively the value of a new home** back to the date of the earliest of the 3 triggers (see existing law in lines 4-15 of SB 1036, not touched by the bill, and CGS Sec 12-53a(b) and (c), other tax provisions not amended by the bill).

**Please support SB 1036 and create this limited exemption for 1-4 family homes to jump start home construction and add grand list growth and tax revenues to both state and local government.**

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HBRAC T’s Vision: “Building CT’s Economy, Communities & Better Lives One Home at a Time.”

HBRAC T’s Mission: “Using Effective Advocacy & New Knowledge to Solve our Member’s Problems.”

## Home Building's Economic Impact in Connecticut!

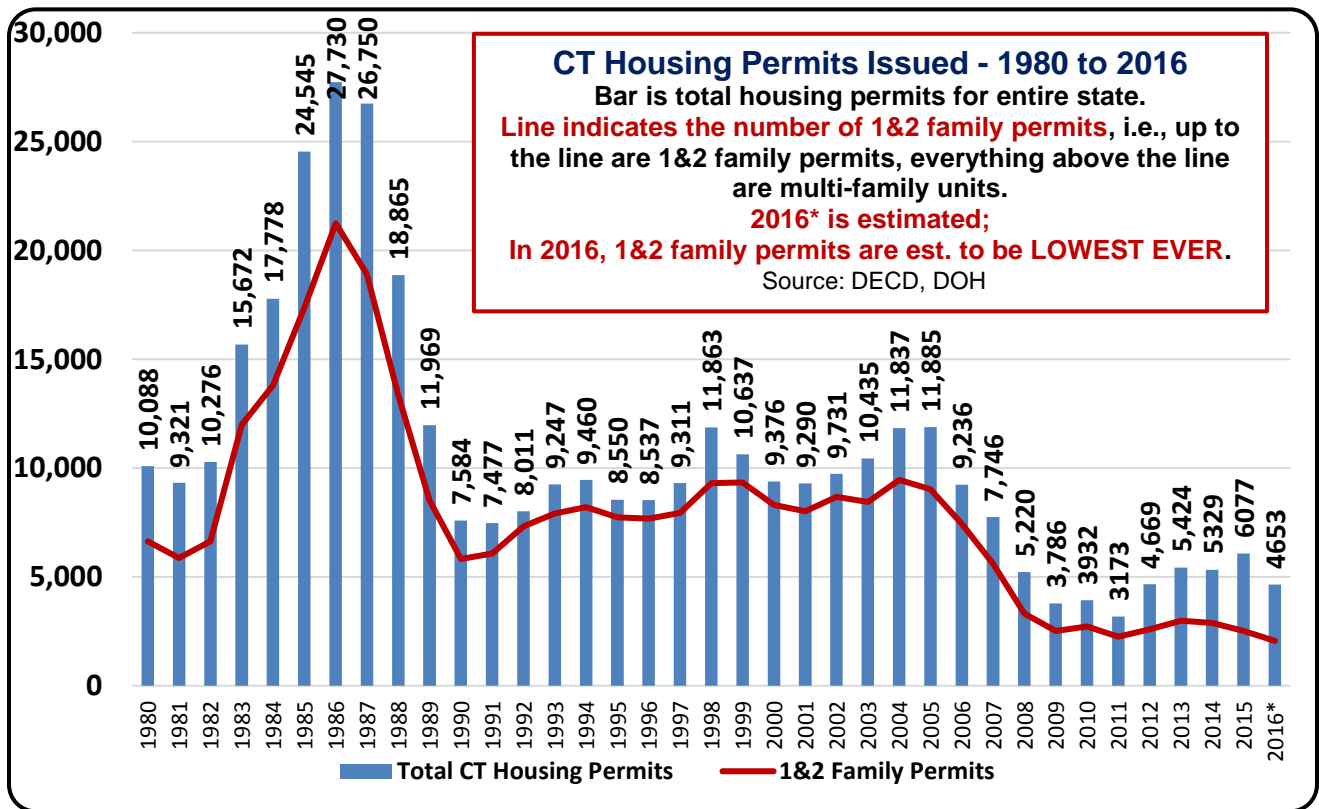
### Every 100 New Single Family Homes Create:

- 334 new jobs, \$29.5 million in wages, and
- \$4.7 million in Taxes, Fees & Charges paid to State & Local Government in the 1<sup>st</sup> Year Alone!\*

Construction of 9,500 homes in a year – normal levels - would produce:

- 31,730 new jobs annually, \$2.8 billion in wages annually, and
- \$447 million in taxes, fees & charges annually.

## History of New Home Permits in CT (1980-2016)



\* 100 multi-family units create 165 jobs, \$14.5 million in wages and \$2.4 million in taxes & fees in the 1<sup>st</sup> year alone. In the 2<sup>nd</sup> year and subsequent years, on average each 100 housing units (both SF and MF) create another 52 jobs, producing annually \$4.3 million in wages and \$1.4 million in taxes & fees for state & local government, due to occupant's economic activity.

For more on how homes more than pay for themselves, go to [www.hbact.org/HomesDoPay](http://www.hbact.org/HomesDoPay).

Economic impact data reported in "The Economic Impact of Home Building in Connecticut: Income, Jobs, and Taxes Generated" (NAHB Housing Policy Department, March 2012). Study cited extensively by CT DECD (see The Connecticut Economic Digest, Vol. 17 No. 7 July 2012). Housing permit data in chart reported by DECD and DOH.