

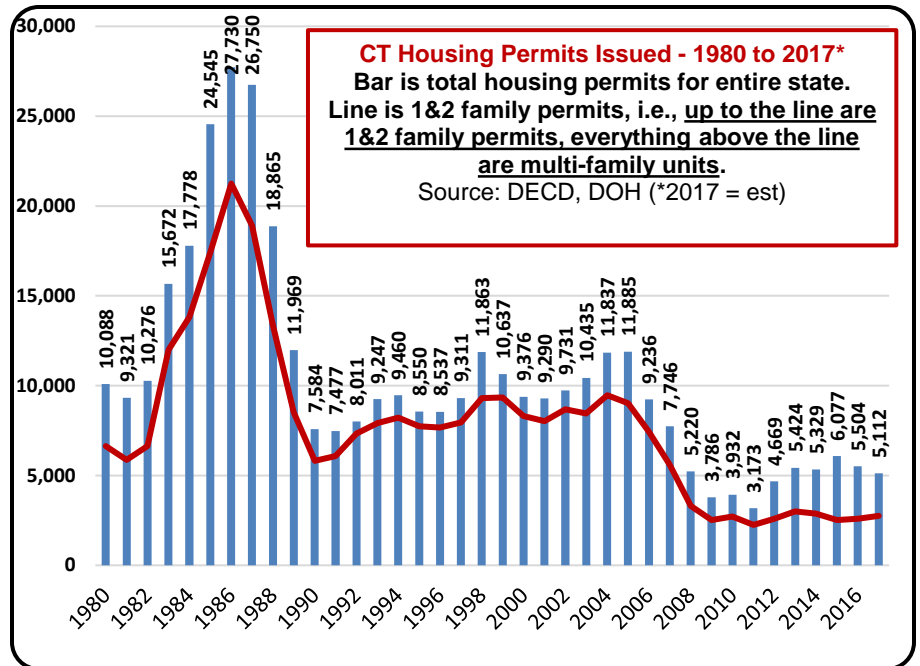
Home Builders & Remodelers Association of Connecticut, Inc.

Please SUPPORT SB 274 to Prevent Increased Assessments on Homes Under Construction – Help Grow Municipal Grand Lists by Jump Starting Home Construction

The bill passed P&D 22-0. It establishes an exemption from higher property tax assessments for only 1-4 family homes under construction until the earliest of 4 triggers:

- 1) issuance of a certificate of occupancy, 2) the home is occupied as a residence,
- 3) a deed is transferred to the first buyer, or 4) as an outside time limit, two years after issuance of the last building permit for the home – Re this 4th trigger, see * on reverse.

Why this bill? High tax assessments on homes under construction are a huge disincentive to builders to start construction. SB 274 removes this disincentive. It recognizes that new home construction produces jobs, sales and income taxes and adds to local grand lists, and that new home building is struggling to recover.



1. **The Fiscal Note is Incorrect!** It will have positive local grand list growth. SB 274 creates an **incentive for more home construction starts** – more of which will sell in the same tax year, i.e., homes that would not otherwise be built. This will add to grand list growth. Most of the “under-construction” assessment revenue municipalities receive are from large residential and commercial construction projects (not affected by SB 274).;
2. **Current law, adopted in 2012, was a policy mistake** (see lines 16-20 of SB 274). The bill **removes this perverse disincentive to undertake new home projects**.;
3. **It continues a town’s ability to capture retroactively the value of a new home** back to the date of the earliest of the 4 triggers.
4. **The collection of higher taxes is tied to municipal services 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.; and
5. **It removes a punishing tax on home builders** that is particularly harsh in a down housing market. These higher taxes hurt builders – all small businesses who have no income until a home sale closes and transfers to a buyer.

Please support SB 274, AAC the Assessment of Municipal Taxes on Certain Residential Property.

Response to Claims by Tax Assessors

- Assessors state that our property tax is an “ad valorem” tax, meaning you assess property at the value that exists at the time of assessment. While true as a basic concept, under existing CT law, there are over 70 exemptions and/or credits to property tax assessments. Thus, the “ad valorem” nature is often changed by exemptions and credits. Our proposal does add one more. **A new exemption is not confusing or unworkable.**
- The language of existing law, not touched by the new exemption, requires assessments be prorated in a tax year depending on when a new home is subject to the tax under the bill, i.e., the earlier of issuance of a C.O., occupancy, deed transfer, or 2yrs after issuance of last building permit. **So, tax assessors are already required to prorate assessments under existing law – this is not confusing or unworkable.**
- Assessors claim somebody could purchase a home and live tax free for a year. **That’s impossible under the bill’s language.** The home is subject to a higher tax when a C.O. is issued, or it’s actually occupied as a residence, or when a deed transfers to a buyer, or 2 yrs after the last building permit, whichever occurs first. And, since the law requires the tax to be prorated, all new homeowners are required to pay full property tax from day 1.
- Assessors claim that this new exemption is unfair to existing homeowners, and particularly to elderly homeowners, who may need to sell their homes but will be at a disadvantage because new home builders can discount their prices when they no longer have to pay a higher tax for homes under construction. **This argument ignores the fact that new homes have significantly higher cost drivers that puts them at a huge competitive disadvantage as against existing homes.** The assessor’s argument also seems confused as it suggests sales price is driven by costs – but in reality, a builder’s sales price is driven by the buying market, not by the builder’s costs.
- Assessors and towns and cities argue this exemption will be a huge financial hit to municipalities. **To the contrary, by removing the current disincentive to start construction on homes, more homes will be started and many of those will be sold in the same tax year and be put on the tax rolls to produce more revenue for towns and cities.** Thus, this exemption will pay huge long-term dividends in grand list growth to municipalities, year after year as housing construction recovers. **Also**, assessors have admitted that the largest amount of property tax derived from “buildings under construction” come from commercial construction, which this bill does not impact.

* **The 4th trigger, i.e., 2 years from the date of the last building permit issued for a home (there are multiple building permits issued for each home), while acceptable is not ideal.** This was added in the substitute language that was unanimously passed by P&D. Unfortunately, that means that model homes held for longer than two years, e.g., in larger subdivisions, or other homes that must be held for longer than two years in difficult housing markets, will be hit with higher taxes – again, when, by definition, nobody is yet living in these homes. **An amendment to remove this 4th trigger would be preferable.**