



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

3 Regency Drive, Suite 204, Bloomfield, CT 06002
Tel: 860-216-5858 Fax: 860-206-8954 Web: www.hbact.org

*Your Home
Is Our
Business*

April 25, 2017

To: Senators Fonfara and Frantz, and Representative Rojas, Co-Chairs
Representative Davis, Ranking Member
Members of the Finance, Revenue & Bonding Committee

From: Bill Ethier, CAE, Chief Executive Officer

Re: **Oppose SB 1054, AAC Various Tax Rates, the Use of Certain Taxes
and Fees for Tourism and Other Programs, Establishing the Mental
Health Community Investment Account and Concerning the Purpose
of the Capital Region Development Authority
Oppose HB 7322, AAC State and Local Revenue**

The HBRA of Connecticut is a professional trade association with about eight hundred (800) member firms statewide employing tens of thousands of CT's citizens. Our members, all small businesses, are residential and commercial builders, land developers, remodelers, general contractors, subcontractors, suppliers and those businesses and professionals that provide services to our diverse industry and to consumers. We build between 70% to 80% of all new homes and apartments in the state each year and engage in countless home remodeling projects.

We first want to draw your attention to the Housing Permit Chart and the Benefits of New Housing on the last page of this testimony. The take-away from the permit chart is that, unlike the national housing market, CT's housing recovery has yet to happen.

The line in the chart is the number of 1&2 family home permits. In 2016, statewide we pulled the lowest number of such permits in 37 years.

Everything above the line in the chart are multi-family permits. While multifamily (and, thus, total) permits have recovered a bit from the low in 2011, new housing production has faltered as of late. And, more builders are pulling out of multi-family projects because many markets in CT are now saturated with such housing. There simply is not the population demographics and job growth to support greater housing production.

Housing is a bellwether for the overall economy. While housing construction produces significant jobs and tax revenues and leads an economy both into and out of recessions, we also reflect overall economic conditions as people make their housing decisions. Suffice it to say, while there are many positive things to tout about CT, overall economic conditions, as reflected by our industry, are not good.

Which brings us to SB 1054 and HB 7322. Both these bills propose to raise taxes in various ways. The three key highlights for us and the provisions that would be most

devastating to CT's economic prospects are the change to property tax assessed values from 70% to 100%, the increase in income taxes for the highest income earners, and the increase in the sales tax.

Property Tax Assessments: The property tax assessment change from 70% to 100% significantly harms our industry and all property owners. Many of our members own land in inventory, land under development, properties under construction, and own completed apartments to diversify their business holdings. The assessment change from 70% to 100% of actual value would be a 43% increase in the taxes we pay, if there was no corresponding decrease in mill rate. And, we have zero faith that local governments would reduce their mill rates to such an extent to fully offset the 43% increase in the base assessments of properties.

Also, new homes are often priced higher than resales of existing housing stock, so the increased taxes on new homes would be another disincentive to buy new. The new carrying cost of the increased property taxes would continue year after year, creating further disincentives for home purchases and further depressing our ability to lead CT's economy out of its malaise.

All apartment owners would see these increases. While many markets are becoming saturated with multi-family units, this type of property tax increase would kill the apartment growth that is currently helping municipalities' grand lists. It will get passed through to residents in the form of higher rents. Apartments can be an affordable housing option for millennials and others who cannot afford to buy, or choose to not buy for various reasons.

Most businesses, from retail stores, manufacturing, service businesses, and others own or rent property. This potential and likely property tax increase is a huge hit to almost every business in the state as well as to every home owner and renter. It's a terrible message to send to all businesses and further depresses the many economic engines of the state.

Income and Sales Tax Increases: While the vast majority of people are not directly impacted by the higher income tax rates on top earners, it is these top earners who have the most opportunities to move out of CT. While it may be easy for some to simplistically tax "those people" on the assumption they can afford it, it would be economic suicide because many of "those people" can and will leave the state and CT loses ALL their tax payments. Positive tax changes, such as eliminating income taxes for all social security income (SB 6), exempting the 1st \$10,000 of business personal property from local property tax (SB 7), and repealing the business entity tax (HB 6372), will not be enough to overcome the adverse impacts of the bills before you today. Everyone, therefore, would indirectly suffer from this tax increase.

The sales tax increase hits everyone and is especially hard on the middle and lower income groups. It is another horrible message to send to a populace that is desperately

looking for economic growth, better job opportunities and a more affordable living environment in order to continue or make a life here in CT.

Taxing your way out of the state's continuing deficits is not a recipe for success. We categorically reject the notion that because state government's budget deficits are so large, the only solution is a balance between spending cuts and revenue increases. That should not be the debate.

The only debate you and other members of the legislature and the Governor should entertain is where to cut, what programs to reduce, reform or eliminate, what policies to adopt that would create more efficient and cost effective delivery of necessary services, how to change state employee's salary structure and benefits package, and determine how much government we really need.

Please do not raise taxes or fees to solve state government's budget issues. Make the hard choices to cut as much as is necessary, not just as much as is politically survivable. We do not envy you in fulfilling this task. We know the difficulty of these decisions. But, as an industry still suffering in our housing depression after ten very long years, we're pleading with you to make the difficult cuts and restructure CT government.

Finally, we see little use in looking at how we got here, or who is to blame. But, you as elected legislators now own this budget problem. We are not saying you caused it, but how you address it reflects on you and your leadership abilities. It's like buying a run-down, blighted property. The buyer didn't cause the blight, but how it is fixed up and brought into good condition reflects on the new owner's abilities. Consider the difficult task that you now own, as so many in the private sector have done, a purposeful restructured downsizing, a temporary sacrifice to be sure, that is necessary to achieve a better future.

Thank you for considering our views on these most important matters.

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!

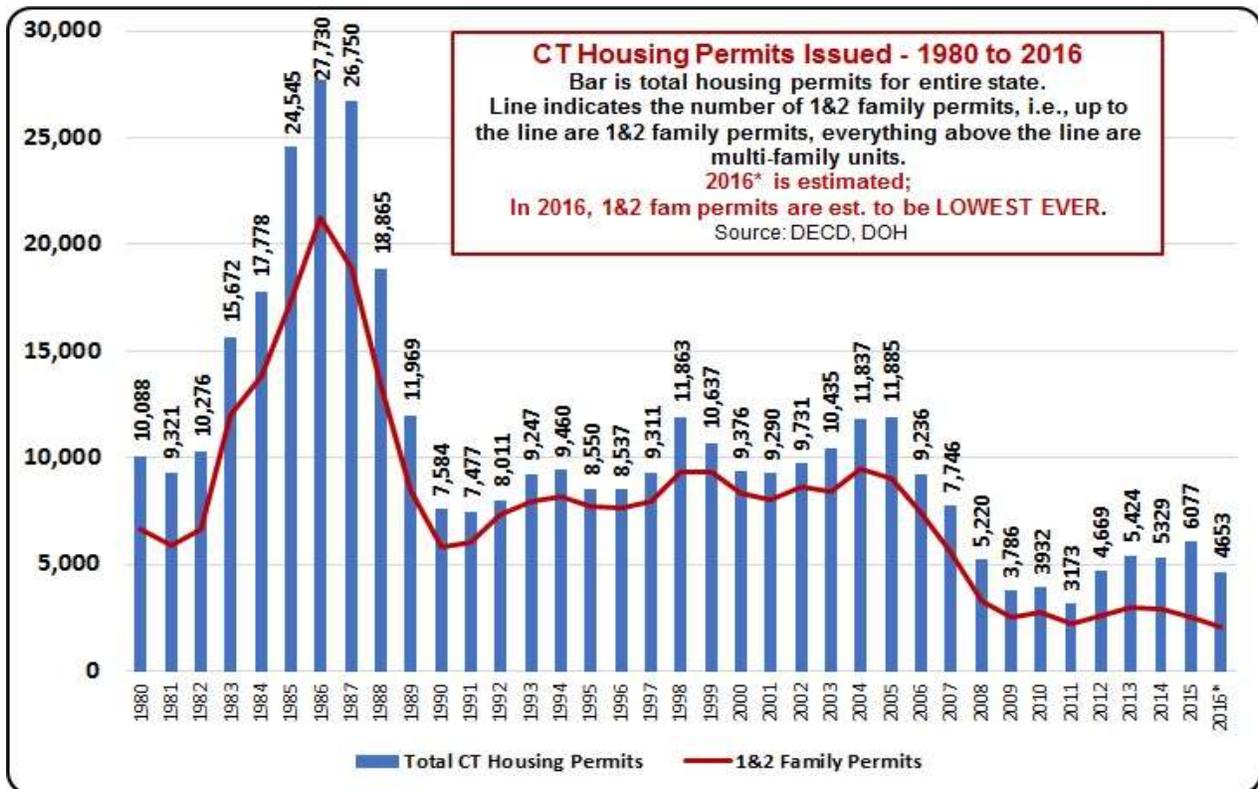
Every 100 New Single Family Homes Create:

- 334 new jobs, \$29.5 million in wages, and
- \$4.7 million in Taxes, Fees & Charges

paid to State & Local Government in the 1st 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.



WE CAN HELP TURN THINGS AROUND! But we need gov't to recognize that CT's business regulations, land use and environment approval processes and tax & fee policies severely constrain new home production.

* 100 multi-family units create 165 jobs, \$14.5 million in wages and \$2.4 million in taxes & fees in the 1st year alone. In the 2nd 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.

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, then DOH.