



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

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*Your Home  
Is Our  
Business*

February 15, 2017

To: Senators Logan and Cassano, and Representative Lamar, Co-Chairs  
Representative Zawistowski, Ranking Member  
Members of the Planning & Development Committee

From: Bill Ethier, CAE, Chief Executive Officer

Re: **Support, With Changes, HB 6673, AA Establishing a Municipal Option for a Property Tax Exemption for Model Homes**

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 support the idea behind HB 6673 but strongly urge it be strengthened and broadened to all homes under construction.** Home construction in Connecticut is on life support. See the housing permit chart at the end of this testimony. In particular, see the line with markers, indicating new 1&2 family home permits; the number for 2016 is the lowest since CT began recording housing permits in 1980.

**The optional model home exception in the proposed bill does not go far enough to remove the huge disincentive in CT to starting new home construction.** Home builders are very reluctant to start a home if they have not secured a buyer because speculative building comes with the heavy price tag of having to pay a much higher property tax on the home under construction. Model homes, like all other homes under construction, are a builder's inventory, and just like the inventory of car dealers, they should not be taxed until sold to a buyer. Model homes are not the construction firm's field office and should not be treated as such for property tax purposes. Model homes are often integral to the marketing and sales process for the remainder of the community being built, but they are unoccupied homes and builders should not have to pay higher assessments on them. We also urge you to not include a one-year or other time limit on an exemption because that does not address those periods when this fair relief is needed most, i.e., prolonged housing recessions.

**We offer a clear and simple substitute to create a limited property tax exemption for all homes under construction, which would include model homes, where the underlying land remains taxed but the home is not until certain triggers are met.** Our limited exemption (see attached) says a home builder's inventory cannot be assessed at higher amounts until 1) a certificate of occupancy is obtained, 2) the home is actually occupied, or 3) the home is transferred to a buyer, whichever occurs first.

**We strongly believe this is an appropriate and reasonable balance between the unjustified and unfair tax burdens on home builders and the tax resource needs of municipalities.**

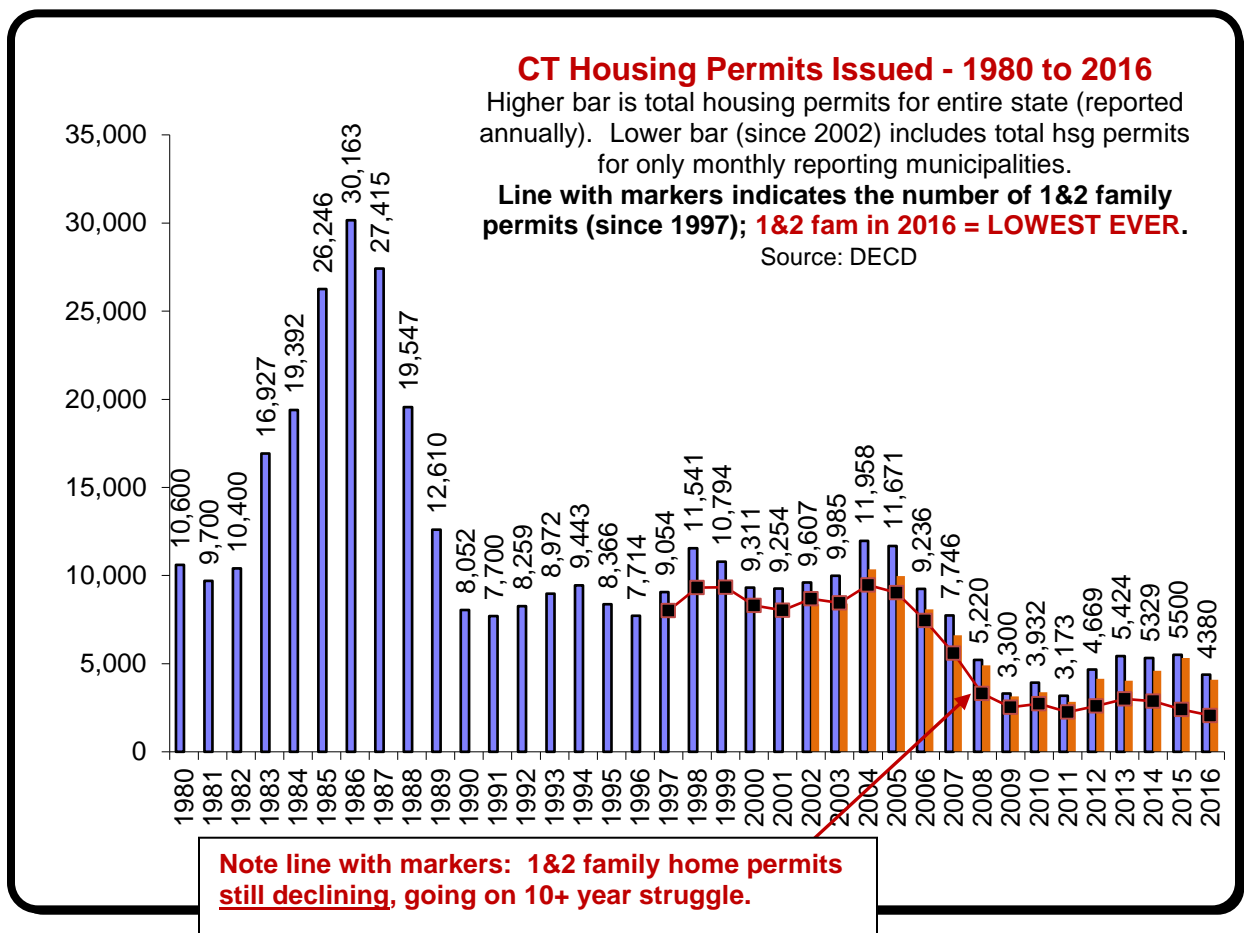
**Vision: "Building CT's Economy, Communities and Better Lives One Home at a Time"**  
**Mission: "Using Effective Advocacy and New Knowledge to Solve Our Member's Problems"**

**Reasons to support reestablishing a limited exemption from higher property tax assessments for 1-4 family homes under construction. It will:**

1. have **minimal revenue impact on municipalities** because most of the “under-construction” assessment dollars municipalities receive are from commercial construction,
2. **reduce uncertainty** over real estate tax burdens faced by home builders,
3. **clarify existing law** and **make it uniform** across all municipalities,
4. **tie the collection of higher taxes to the provision of municipal services** to people living in homes,
5. **remove a punishing tax on home builders** that occurs in a down housing market (this issue does not arise for anyone in a strong housing market since homes are built and sold more quickly),
6. **remove a strong disincentive to undertake new home projects** in a down housing market, exacerbating the down market (just what we should not want to do), and
7. **continue a town’s ability to capture retroactively the increased value of a home back to the date of a certificate of occupancy (C.O.)** or when it’s used for it’s intended purpose, or when it transfers to a buyer, whichever occurs first.

**Please provide this justified and fair relief to a still struggling home building industry and remove a huge disincentive to build housing in Connecticut.**

Thank you for the opportunity to express our views on this important topic.



**An Act Clarifying the Real Estate Tax on  
One to Four Family Homes Under Construction**

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

1 Section 1. Subsection (a) of section 12-53a of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective upon passage*):

3 (a) Completed new construction of real estate completed after any assessment date shall  
4 be liable for the payment of municipal taxes from the date the certificate of occupancy is  
5 issued or the date on which such new construction is first used for the purpose for  
6 which same was constructed, whichever is the earlier, prorated for the assessment year  
7 in which the new construction is completed. Said prorated tax shall be computed on the  
8 basis of the rate of tax applicable with respect to such property, including the applicable  
9 rate of tax in any tax district in which such property is subject to tax following  
10 completion of such new construction, on the date such property becomes liable for such  
11 prorated tax in accordance with this section. Notwithstanding any provision of the  
12 general statutes or any special act, municipal charter or home rule ordinance, land,  
13 including individual parcels, lots in any approved subdivision, or land that is the  
14 subject of any approved site plan, on which one to four family residential buildings are  
15 intended to be constructed, under construction or completed, including but not limited  
16 to model homes, shall be assessed exclusive of such residential buildings prior to (1) the  
17 date a certificate of occupancy is issued for such building, (2) the date on which such  
18 new construction is first used for the purpose it was constructed, or (3) the date on  
19 which such new construction is transferred to a buyer, whichever is the earlier.