



CONNECTICUT REALTORS®

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The Environment Committee Received
more than 2300 petition letters / form
letters in opposition to HB 6441.

HB 6441

AN ACT CONCERNING CLIMATE CHANGE ADAPTATION

OPPOSED

Submitted to the Environment Committee

March 8, 2021

Connecticut REALTORS®

Connecticut REALTORS® (CTR) appreciates the opportunity to submit testimony in opposition of **HB 6441, AN ACT CONCERNING CLIMATE CHANGE ADAPTATION**. CTR represents more than 17,800 members involved in all aspects of real estate in Connecticut. Our members work with many thousands of buyers, sellers, landlords and tenants annually.

HB 6441 would allow any municipalities to impose a buyer's fee on the conveyance of real property. This fee will range anywhere from one half of one per cent on the portion of the sale exceeding \$150,000 scaling up to as much as one and one half per cent on the portion that exceeds two million five hundred thousand dollars.

CTR believes this bill is incredibly harmful to the housing market in Connecticut and we urge your opposition.

There is already a housing affordability problem in Connecticut and this adds significantly to the burden. Entry level buyers in particular struggle to save for a home purchase including down payments, closing costs and inspection fees. Adding hundreds or thousands of extra dollars to a home purchase will put a home further or completely out of reach. Also note:

- Those who can least afford to purchase a home in high cost areas will be denied home ownership. With record low interest rates, the imposition of this new tax on home buyers will deny those potential buyers decades of the lowest home payment opportunities.
- A tragic impact to this proposal is how hard it will hit those who have struggled for too long to have any wealth to contribute towards a home purchase.
- Adding costs to buyers often means buyers have no choice but to find other places to cut costs. Unfortunately, that may mean waiving inspections which are one of the only optional but necessary expenses that can cost \$700 or more and include radon tests, water, well and other important inspections. No buyer should have to choose between an expensive home tax or an inspection.

- Minimal down payment buyers using FHA, CHFA and VA loans usually build in closing costs which already puts them at a disadvantage in a competitive buying market. This new sales tax on buyers will be an additional cost to try to build into a mortgage which may make the property not able to appraise for the mortgage. Transactions and appraisals can fail over just several hundred dollars.
- Connecticut has incredibly low inventory right now, and many sellers who may want to trade up or trade down are already not doing it because of the increase in home prices. Adding thousands of new dollars onto their transactions will further hurt our real estate market as new buyers have nothing to buy.
- The money taken from buyers with this proposed new sales tax on home buyers also slows the economic benefit of real estate – which is an economic driver. Those hundreds of dollars in new taxes to a home buyer could be what would have otherwise been spent on a washer/dryer, new furniture, paint, or dozens of other purchases that generate sales for area businesses.
- Shoreline property owners already have heavy and growing prices for flood insurance premiums. Those can sometimes even exceed the cost of a mortgage payment. This new tax is yet another burden.

Many home buyers purchase within a few miles of their prior home, often staying in the same municipality. When they go to sell their \$300,000 house to buy up to a \$500,000 house, they will pay the already existing sellers' conveyance taxes as well as this proposed buyers' conveyance tax. It will cost them \$3000 on the selling side and \$1750 on the purchase side—a total of \$4750 in conveyance taxes--to possibly move two streets away in the town where they already have been living and paying property taxes for years. This is not an “investment” in a new community – it's where they've been paying high property taxes already.

Wealthy buyers are often not willing to give up tens of thousands of dollars of added costs. This proposal drives away buyers and sellers at every price point in Connecticut.

In general, only a fraction of the single family homes on the market right now fall at \$150,000 or under, so this will impact most of our buyers including entry level buyers.

This “pilot proposal” has been proposed and rejected for many years because of the recognition of the damage it does to real estate and the economy. However noble the intent, proposing a sales tax on buyers at the time of purchase is the wrong way to go. If a municipality needs more funds for resiliency purposes, those should be shared by all, not just those trying to get an opportunity to own homes.

Because of the many potential harms we have listed, CTR opposes any new legislation which creates or expands taxes on real estate. In conclusion, Connecticut's REALTORS® strongly urge you to reject **HB 6441, AN ACT CONCERNING CLIMATE CHANGE ADAPTATION.**

Thank you for your attention to this important matter.