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## Changes In Real Estate Conveyance Tax Rates

On **July 1, 2011**, it will become more expensive to sell real estate in Connecticut. Under the recently enacted budget bill, conveyance tax rates are increasing. Sellers with the ability to close before July 1, 2011 should consider doing so, as the savings may be substantial.

### State

Currently, a seller pays the state a conveyance tax of 0.50% of the sales price when selling (i) raw land; (ii) improved land with a delinquent mortgage (and the property is being sold to the lender); and, (iii) residential property (up to the first \$800,000 of the purchase price). This rate will increase to 0.75%.

A higher tax rate of 1% is currently applied to (i) non-residential property (other than raw land); and (ii) any amount over \$800,000 for residential property. This rate will increase to 1.25%.

For example, if a residence is sold for \$1,000,000 on June 30, 2011, the seller will owe \$6,000 in state conveyance taxes. If the same house is sold on July 1, 2011, the seller will owe \$8,500 in state conveyance taxes.

### Municipal

While the new law does not increase municipal conveyance tax rates, it does make previously enacted "temporary" conveyance tax rates permanent.

Currently, a seller pays the town a conveyance tax of 0.25% of the sales price. In addition, sellers of property in 17 identified municipalities pay an additional 0.25%, for a total tax rate in those towns of 0.50% (the 17 towns subject to 0.50% tax rate are: Bloomfield, Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Waterbury and Windham). On July 1, 2011, these rates will become permanent.

Sellers of property in Stamford pay an additional 0.10%, for a total municipal conveyance tax of 0.35%. On July 1, 2012, this rate will become permanent.

Using the same example as above, the seller of a residence in Greenwich with a sales price of \$1,000,000 will owe the town \$2,500 in local conveyance taxes. If the same house is sold in Waterbury, the seller will owe \$5,000 in local conveyance taxes.

On the back is a table showing the changes for quick reference.



## Conveyance Tax Rates Comparison

| Type of Transaction   | Current           | As of 07/01/11    |
|---|-------------------|-------------------|
| <b>State</b>  |                   |                   |
| Raw Land  | 0.50%             | 0.75%             |
| Improved land with a delinquent mortgage (and the property is being sold to the lender)   | 0.50%             | 0.75%             |
| The first \$800,000 for residential property  | 0.50%             | 0.75%             |
| All consideration over \$800,000 for residential property   | 1.00%             | 1.25%             |
| Non-residential property (other than raw land)  | 1.00%             | 1.25%             |
| <b>Municipal</b>  |                   |                   |
| All properties  | 0.25% (temporary) | 0.25% (permanent) |
| Additional tax for Stamford   | 0.10% (temporary) | 0.10% (permanent) |
| Additional tax for 17 towns:<br><br>Bloomfield, Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Waterbury and Windham | 0.25% (temporary) | 0.25% (permanent) |

### **Questions or Assistance?**

If you have questions about the new real estate conveyance tax rates, please contact one of the following members of our Real Estate, Environmental and Land Use Practice Group:

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