Western Connecticut
COUNCIL OF GOVERNMENTS

March 4, 2024

Esteemed Chairs Felipe and Moore,
Members of the Housing Committee:

The Western Connecticut Council of Governments (WestCOG) appreciates the opportunity to comment on Raised Bill 266, *An Act Increasing the Conveyance Tax for Certain Home Sales*.

WestCOG does not have a position on this bill but has a few comments.

First, in the last several years, the fraction of home sales that have gone to institutional buyers – i.e., real estate investors – has escalated. These buyers do not only increase demand on housing, driving up prices; many also pay cash, outcompeting typical homebuyers, who rely on mortgages to purchase a home. Growing treatment of homes as investment vehicles comes not only at the expense of these homebuyers; such financialization may also increase the magnitude of swings in the housing market. (The Great Recession likely would not have been as severe had housing not been financialized to the degree it was.)

Policies that disincentivize speculation in the housing market should reduce home price run-ups and smooth out cycles in home prices, limiting the boom and bust that left households underwater during the Great Recession and that has priced out so many today.

Second, the bill seeks to provide such a disincentive by increasing the conveyance tax on properties that are bought by institutional buyers. While the intent may be sound, the language here raises some questions:

- The conveyance tax is usually paid by the seller. In this case, it appears that on properties that are bought by a buyer who is not an individual, the conveyance tax would be paid by the buyer. Does this mean that the seller would pay no conveyance tax on these sales and, if so, would not this create a perverse incentive to sell to institutional buyers?
- This could complicate sales, as a seller would have to charge a higher price on property that is sold to an individual to cover the seller's conveyance tax liability. In other words, in agreeing to a sale, the seller would have to adjust the price based on whether the buyer is a firm or a person.
- The higher, buyer-side conveyance tax the bill proposes would apply to any sale that is not to an "individual." This language would seem to exclude groups of individuals, such as married and unmarried couples, or a parent and a child, from jointly buying a property, resulting in such groups having a higher conveyance tax liability. Is this the intent?
- Where would the additional conveyance tax go? Nationwide, conveyance tax revenues commonly flow into state and regional housing trust funds, which support the creation and preservation of affordable housing. WestCOG **supports** using conveyance tax revenues to fund affordable housing in this manner.

The aim in asking these questions is not to oppose the bill but to draw attention to areas where the language could be clarified.

WestCOG also suggests that your Committee consider expanding the conveyance tax local option to all 169 municipalities. State law currently enables some municipalities to add a small local surtax (¼%) to the conveyance tax; of the 19 with this authority, 17 have exercised it. These funds could also be used to support the creation of affordable housing and municipal infrastructure, without further burdening the property tax.

Should you have questions or require additional information, please do not hesitate to contact me. Thank you for your consideration.

Francis R. Pickering
Executive Director