

Increase In Real Estate Conveyance Tax, Gift and Estate Taxes Likely

A budget bill has been approved by the General Assembly that includes increases in the real estate conveyance tax, gift and estate taxes. The bill increases the real estate conveyance tax by $\frac{1}{4}$ of one percent. The impact of the changes is summarized below.

Real Estate Conveyance Tax

Taxes on residential property (and vacant land) will increase from $\frac{1}{2}$ of one percent to $\frac{3}{4}$ of one percent.

Taxes on residential property conveyed for more than \$800,000 (known as the "mansion tax") will be taxed at $\frac{3}{4}$ of one percent up to \$800,000 and 1 and $\frac{1}{4}$ of one percent on the amount over \$800,000.

Nonresidential property currently taxed at 1 percent will increase to 1 and $\frac{1}{4}$ of one percent.

Conveyances to a financial institution of property with mortgage payments that have been delinquent for not less than six months will increase from $\frac{1}{2}$ of one percent to $\frac{3}{4}$ of one percent.

The bill provides that revenue resulting from these state tax increases will be deposited into a municipal revenue sharing account to be used for municipal grants. It also makes permanent the current general municipal rate, which was due to revert on July 1 to its earlier rate of eleven one-hundredths of one percent. Instead, it will remain at $\frac{1}{4}$ of one percent.

It is also expected that the Department of Revenue Services will be amending the conveyance tax return form in the near future.

If the bill is signed into law by the Governor, these changes will go into effect on July 1, 2011 and will apply to conveyances that occur on or after that date.

Estate and Gift Taxes

Under this portion of the bill, the threshold on the estate and gift tax is lowered from \$3.5 million to \$2 million, in essence exposing more gifts and estates to taxation. Gifts and estates valued between \$2 million and \$3.5 million will be taxed at 7.2% on the amount exceeding \$2 million.

The change to the estate tax will be applicable to estates of decedents who die on or after January 1, 2011. The change to the gift tax will be applicable to Connecticut taxable gifts made by a donor during a calendar year commencing on or after January 1, 2011, including the aggregate amount of all taxable gifts made by the donor during all calendar years commencing on or after January 1, 2005.