



## CONNECTICUT REAL ESTATE SALES IN EXCESS OF \$2.5 MILLION WILL FACE ADDITIONAL “MANSION TAX” UNDER NEW LAW

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The recently approved Connecticut 2020/2021 state budget includes an increase in the rate of tax charged on real estate sales in excess of \$2.5 million, which is being referred to as the “mansion tax.” This new rate structure will be effective on July 1, 2020. Currently, the state levies a conveyance tax calculated on a graduated scale: 0.75% on the first \$800,000 of the sale price and 1.25% on the portion of the sale price in excess of \$800,000. The new law keeps the current structure, but imposes an additional tax of 2.25% on any portion of the sale price in excess of \$2,500,000. The chart below illustrates the tax due under the current rate structure and the new rate structure at different price points.

Home Sale Price	Current CT Conveyance Tax	New CT Conveyance Tax
\$3,000,000	\$33,500	\$38,500
\$4,000,000	\$46,000	\$61,000
\$5,000,000	\$58,500	\$83,500
\$10,000,000	\$121,000	\$196,000
\$20,000,000	\$246,000	\$421,000
\$50,000,000	\$621,000	\$1,096,000

For tax years beginning on or after January 1, 2021, the new law allows taxpayers who remain Connecticut residents after the sale to receive a tax credit equal to the amount of tax paid at the 2.25% rate. Taxpayers are eligible for the credit beginning in the third year after the year in which the conveyance tax was paid. The allowable credit in each year is equal to 1/3 of the amount of conveyance tax that was paid at the 2.25% rate. The taxpayer would have to remain a Connecticut resident for at least six years to recoup the entire “mansion tax” paid.

Taxpayers may carryforward unused portions of the credit for no more than six successive tax years.

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