

Relocating to Connecticut

Cummings & Lockwood has prepared this memorandum to provide basic information about relocating to Connecticut. Drawing on our experience in advising newly relocated clients, we have summarized certain local procedures and laws which may be helpful to you in preparing to live in Connecticut.

The subjects covered vary in complexity. They range from such basic problems as how to find a home and obtain a driver's license to more sophisticated financial and legal matters, such as whether moving to Connecticut invalidates your Will. The areas addressed are as follows:

BUYING A HOME IN CONNECTICUT

CONNECTICUT TAXES

ESTATE PLANNING FOR THE NEW CONNECTICUT RESIDENT

MISCELLANEOUS INFORMATION

We hope that the many benefits Connecticut has to offer will soon eclipse the hardships that may inevitably accompany any move from one state to another.

BUYING A HOME IN CONNECTICUT

You may find the following information helpful if you are purchasing a Connecticut residence.

1. FINDING YOUR HOME

One of the best ways to begin the search for a home is by working with a qualified real estate agent or broker. A qualified agent or broker can provide you with information not only about housing, but also about schools, transportation, recreation, shopping and related subjects. Most brokers in Connecticut are members of local real estate boards, each established to cover a different area, e.g., Greenwich, West Hartford, Darien, New

Canaan, Stamford. All members of a board have access to information about homes which are listed with that local board and are known as "multiple listings."

In Connecticut, real estate agents may be the seller's agent, the buyer's agent, or a dual agent (acting for both seller and buyer). Your real estate agent may require you, as buyer, to sign a written authorization before acting on your behalf. This authorization will entitle your broker to a commission once you have found a home. Generally, this commission will be paid by the seller through the multiple listing service, but in some cases you may be responsible for payment. Consequently, you should limit your affiliation with a particular broker to the town in which he or she is located, as well as to a reasonably short period of time. If you do so and later become dissatisfied with your agent, the circumstances under which you will be bound by the authorization will be appropriately limited. You should consult an attorney before signing your agent's authorization form.

You should carefully review all available disclosures regarding your purchase, which will include any applicable "dual agency" disclosures by your real estate agent, a lead paint disclosure, a residential property condition disclosure report completed by the seller, and possibly a survey of the property. If the home is part of a condominium or other common interest community (planned community or cooperative), you will receive a resale certificate (if you are purchasing from a homeowner), or a public offering statement (if you are purchasing from a developer). In addition, be sure to obtain from the seller any plot plan, floor plan, wetlands map, elevation certificate or documentation of recent major capital improvements such as new roof, new septic, or other new systems. All of these documents should be reviewed by an attorney.

2. OFFER TO PURCHASE

Negotiations for the purchase of a home typically are handled by the real estate agents. Be specific about your price, closing date, and the inspection tests you wish to perform, as well as your need for a mortgage financing contingency.

In some areas of the state, your purchase offer will be made on a standard-form real estate contract. In most of Fairfield and Litchfield counties (the town of Greenwich being a notable exception), your offer may be presented to the seller on a "binder" form prepared by the real estate agent, to be followed by a superseding real estate contract prepared by the seller's attorney.

You should bear in mind that your written offer will create the "power of acceptance" in the seller, which may result in a binding contract. Accordingly, any written offer should be carefully considered. Whether your offer is made on a standard-form real estate contract, or on a "binder" form, it should be reviewed by and discussed with your attorney before it is signed. Otherwise, you may become obligated to purchase a home on terms that you did not clearly understand or that are not in your best interests.

Generally, in most Connecticut towns, your offer will be presented to the seller or the seller's agent with an initial deposit, the amount of which, depending upon the area of the state in which the home is located, may range from \$500 to 1% of the offered purchase price. If the terms of the offer are acceptable to the seller, he or she will sign the contract or binder. If the terms are not acceptable, the seller may make a counter-offer on terms he or she finds acceptable. You should review the terms of any written counter-offer with your attorney prior to signing it. This initial deposit will be transferred to seller's attorney at the time any superseding contract is signed.

3. THE CONTRACT

Your real estate contract, whether prepared by your real estate agent or by the seller's attorney, will be signed by you and the seller, and will govern the terms and conditions of your purchase.

This contract should cover:

- a. The legal description of the property.

- b. Any exceptions to title, such as easements and restrictions regulating the use of the property.
- c. The purchase price and the form and manner of payment, including the amount of your deposit.
- d. Items of property to be included and excluded from the sale.
- e. The form of deed to be given.
- f. Apportionment of taxes, assessments and charges between you and the seller.
- g. Fuel adjustments.
- h. Physical condition of the property, including contingencies for home, termite, radon, lead, asbestos, underground oil storage tank, septic system, well water, mold and other inspections. If a pre-contract "binder" is signed, these inspections are often completed prior to signing the contract.
- i. Your remedies if the seller is unable to convey good title.
- j. Who bears the loss if the main dwelling is destroyed or damaged before the completion of sale.
- k. An escrow of the deposits you have paid, or a lien on the property for those deposits.
- l. Mortgage financing provisions and contingencies.
- m. Date and place of closing.
- n. Broker's fee.
- o. Form of ownership, i.e., manner in which you will be taking title.

It is important that any property inspection and mortgage financing contingency dates (including all related notice requirements) set forth in your contract be complied with, or you may lose your rights to terminate the contract and obtain a refund of your deposits if an inspection of the property reveals serious defects or if you are unable to obtain your mortgage commitment. You should keep your real estate agent and attorney informed regarding the status of your inspections and mortgage application.

4. FINANCING

If you will need a mortgage loan to purchase your home, your contract should make your obtaining mortgage financing a condition to your obligation to purchase. Moreover, the

contingency date set forth in the contract must allow you sufficient time to comply with your lending institution's requirements for approval and commitment. This usually takes at least thirty (30) days.

In most cases, when a buyer is obtaining a mortgage, the buyer's attorney also will represent the lending institution in closing the loan. That attorney will review the loan documents prepared by the lender, including the note and mortgage deed. He or she also will insure that the buyer and seller meet the lender's other requirements, such as a property survey, mortgagee title insurance policy, and homeowner's insurance.

5. TITLE INSURANCE

In Connecticut, it is the responsibility of the buyer's attorney to also act as title agent. In this role, the buyer's attorney will examine title to the property and obtain appropriate title insurance coverage. To this end, a complete search of the title to the property is performed going back at least forty years. In the past, the attorney's opinion as to marketability of title was generally set forth in a "certificate of title." Today, because of the availability of title insurance, buyers' attorneys are preparing fewer and fewer opinions of title. One reason for this is that almost all lending institutions require title insurance. Another reason is that title insurance, which is sold for a single nonrecurring premium, provides coverage against numerous title defects not disclosed by the public record. Because the cost of title insurance will likely be one of your largest closing expenses, you should ask your attorney for an estimate of that cost at the outset of the transaction. For their services as title agent, the title company pays to buyer's attorney a portion of the title insurance premium.

6. CLOSING

It is customary that the closing (completion of the purchase and sale) take place at the seller's attorney's office or, if a mortgage lender is involved, at the lender's office or the office of the lender's counsel if the lender is separately represented.

Notwithstanding the foregoing, given the current restrictions related to the Covid-19 pandemic, most closings are completed by Seller's attorney delivering closing documents (by hand delivery service or overnight delivery service) to Buyer's attorney and then confirming receipt of Buyer's wired closing funds on the day of closing.

As a buyer, you will likely be advised by your attorney approximately two business days in advance of the closing of the amount of funds necessary to complete the purchase. At the closing, you must provide the seller's attorney with a certified or bank check or provide funds by wire transfer. The seller will provide you with a deed in exchange for the payment of the balance of the purchase price and the other expenses of closing. In most cases, your mortgage loan will be closed simultaneously with the closing on the home.

Any state and municipal conveyance taxes are generally paid at the closing by the seller (see paragraph 5 under the Connecticut Taxes section).

7. AFTER CLOSING

Once the closing has taken place the deed, together with any releases of mortgages and/or new mortgages, will be recorded at the town clerk's office of the town where the property is located. Prior to recording, the attorney or recording service company will review the chain of title to the property through the moment of recording. The original deed will be returned to you once the town clerk has recorded it.

Across Connecticut, many town clerks' offices are currently operating with limited hours and limited staff. As a result, document recordings may be delayed. It is important to note that title insurance coverage commences at the time of closing, protecting the policy-holder in the event of any recording delay.

We would be happy to discuss with you any questions you might have about the process of purchasing a home in Connecticut.

CONNECTICUT TAXES

Following is a brief description of certain Connecticut taxes that may affect you as a resident of this state.

1. CONNECTICUT INCOME TAX

Connecticut has an income tax which "piggy-backs" the federal income tax using federal "adjusted gross income" as the starting point with certain Connecticut adjustments then made. The highest marginal rate is 6.99%.

A taxpayer who is not a resident of Connecticut may nonetheless be subject to the Connecticut income tax for the entire year if he or she maintains a home in Connecticut or is physically present in Connecticut more than 183 days of the taxable year. Connecticut also imposes a fiduciary income tax on certain trusts established by Connecticut residents.

2. CONNECTICUT ESTATE TAX

Connecticut imposes an estate tax on the death of a Connecticut resident. Connecticut has a "unified" estate and gift tax system, which grants each individual a \$7,100,000 exemption in 2021 which can be used to transfer assets either during life or at death. To the extent that no portion of this exemption has been used during an individual's life, the Connecticut estate tax applies to estates with assets having a total value in excess of \$7,100,000 (scheduled to increase to \$9,100,000 in 2022 and to match the federal exemption in 2023 and beyond although the future exemption amounts are not definitely set). The rate of the tax ranges from 10.8% to 12%.

The Connecticut estate tax return is due six months after an individual's death.

3. REAL ESTATE AND PERSONAL PROPERTY TAXES

Each municipality in Connecticut collects real estate taxes on the value of real estate within its borders and personal property taxes on the value of automobiles and vessels garaged or moored within its borders. These properties are assessed each year for

purposes of computing these taxes according to their values on October 1. Each municipality determines its own rate of tax (mill rate) according to its budget needs for the year. Then the assessed value of a property is multiplied by the applicable mill rate for the year to calculate the tax. Usually, these taxes are paid in installments to the municipality beginning on the following July 1.

4. SALES AND USE TAXES

Connecticut collects a tax on the sale of all tangible personal property, with certain exceptions. The general sales and use tax rate is equal to 6.35% of the purchase price, although a higher tax rate applies to the sale of most motor vehicles for more than \$50,000, jewelry for more than \$5,000 and clothing, shoes and other accessories for more than \$1,000. A sales and use tax rate of 2.99% applies to the sale of vessels, motors for vessels and trailers used for transporting a vessel.

Connecticut collects a tax on the purchase of most tangible personal property purchased out of state for use in Connecticut. The tax rate is equal to 6.35% of the purchase price.

5. REAL ESTATE CONVEYANCE TAX

Currently, Connecticut collects a tax equal to .75% on the sale of any real estate valued at \$800,000 or less. For real estate valued at more than \$800,000, the tax is \$6,000 plus 1.25% on the amount in excess of \$800,000. In addition, effective July 1, 2020, Connecticut will impose an additional tier of tax on those real estate sales in excess of \$2.5 million. The new law keeps the current structure but imposes an additional rate bracket of 2.25% on any portion of the sale price in excess of \$2.5 million. The tax is payable by the seller and is collected when the deed conveying title is recorded. In addition, municipalities assess their own real estate conveyance tax which is between \$2.50 and \$5.00 per \$1,000 of purchase price, again payable by the seller. Certain communities which contain "enterprise zones" are authorized to collect an additional conveyance tax.

6. GIFT TAX

Connecticut imposes a gift tax on the transfer of property by gift during each calendar year. The tax is measured by taxable gifts (as defined for federal gift tax purposes).

The \$11,700,000 federal "unified gift tax credit" amount¹ is not recognized for Connecticut gift tax purposes. Instead, Connecticut grants a \$7,100,000 exemption (scheduled to increase in 2022 and beyond and matching the federal exemption from 2023 going forward) from the Connecticut gift and estate tax which can be used to transfer assets either during life or at death. The rate of this Connecticut tax ranges from 10.8% to 12%.

The federal gift tax exclusion of \$15,000 per donee per year for a gift of present interest, and the unlimited marital gift tax deduction, are recognized for Connecticut gift tax purposes.

A donor who is a legal resident of Connecticut must file a Connecticut gift tax return if:

- a. The donor makes a transfer by gift of any intangible property (including cash) resulting in a taxable gift; or
- b. The donor makes a transfer by gift of real or tangible personal property located within Connecticut resulting in a taxable gift; and
- c. The gift does not qualify for the annual exclusion.

A donor who is not a resident of Connecticut must file a Connecticut gift tax return if:

- a. The donor makes a transfer by gift of any intangible property employed in carrying on any trade or business within Connecticut resulting in a taxable gift; or
- b. The donor makes a transfer by gift of real or tangible personal property located within Connecticut resulting in a taxable gift; and

¹ The federal estate and gift exemption is \$10,000,000 indexed for inflation. For 2021 the indexed exemption amount is \$11,700,000.

- c. The gift does not qualify for the annual exclusion.

ESTATE PLANNING FOR THE NEW CONNECTICUT RESIDENT

Estate and probate laws vary from state to state. Consequently, a person relocating to Connecticut should review the peculiarities of Connecticut law with a qualified estate planner to determine the appropriateness of his or her current estate plan. Although you may not need to rewrite your Will because you move to Connecticut, there may be good reasons for considering a revision. Some of the issues which arise on relocation to Connecticut are highlighted below.

1. IS YOUR OUT-OF-STATE WILL EFFECTIVE?

You should review your Will with a competent Connecticut attorney. Most states, including Connecticut, recognize an out-of-state will as valid so long as it is executed according to the requirements of the state in which it was signed. However, even if your Will was validly executed, if you are married, divorced or have a child after signing your Will, or if your financial circumstances have changed substantially, and no provision was made in the Will for the occurrence of these events, your Will may no longer be effective to achieve your goals.

It is particularly important to confirm that your Will adequately addresses the fact that the exemption from the Connecticut estate tax (currently \$7,100,000) is lower than the exemption from the Federal estate tax (currently \$11,700,000). Many older Wills for married couples were designed to take full advantage of the exemption from the Federal estate upon the death of the first spouse and defer the payment of all estate taxes until the death of the surviving spouse. However, the success of this planning relies on the assumption that either the decedent was a resident of a state which did not have an estate tax or that the exemption from the state tax would be the same as the exemption from the Federal estate tax at the time of the death of the first spouse. This assumption is no longer valid and can, in a state like Connecticut, lead to the unintentional imposition of a Connecticut estate tax upon the death of the first spouse.

Any existing Will should be reviewed by an attorney in Connecticut to avoid unintended state estate tax consequences.

2. IS YOUR CHOICE OF EXECUTORS AND TRUSTEES STILL APPROPRIATE?

If your Will names an out-of-state bank as Executor or Trustee, you should confirm that the bank will be permitted to qualify in Connecticut. If your Will names an individual residing far from Connecticut as Executor or Trustee, it may be impractical to expect such individual to carry out his or her responsibilities.

3. DOES YOUR WILL RELIEVE YOUR FIDUCIARY OF CUMBERSOME ADMINISTRATIVE REQUIREMENTS?

Connecticut's probate procedures are in many instances different than those of other states. Although some of these procedures are required, other may be waived if desired by including appropriate provisions in your Will.

4. ARE PROVISIONS OF YOUR WILL SUBJECT TO DIFFERENT LEGAL INTERPRETATIONS UNDER CONNECTICUT LAW?

Laws governing the interpretation of Wills vary from state to state. Your Will should be reviewed to determine whether Connecticut law varies from the law of your former state in any substantive way that defeats your estate planning goals. For example, you may have provisions in your Will which seek to protect trust principal from the creditors of trust beneficiaries. Although adequate in your former state, the provisions most likely will not meet the requirements for this protection in Connecticut.

5. HAVE YOU EVER RESIDED IN A COMMUNITY PROPERTY STATE?

Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, and Wisconsin are community property states. Connecticut is not a community property state. Whether property is "community" or "separate" affects you and your spouse's rights when either of you die and in determining your income and death tax liabilities. The manner by which property owned by married persons who previously resided in a community property state can be disposed of at death is governed by statute in

Connecticut. If you are relocating to Connecticut from a community property state, your assets should be reviewed to determine their character so that unanticipated and undesirable tax consequences can be avoided.

6. HAVE YOU ADEQUATELY PROVIDED FOR THE MANAGEMENT OF YOUR ASSETS IF YOU BECOME INCOMPETENT?

In some states, Powers of Attorney become invalid if you become incompetent. In Connecticut they do not - if properly drafted. Consequently, it is usually advisable to sign such a durable Power of Attorney which appoints a relative or a trusted advisor as your agent to manage your assets in the event that you can no longer do so. Such Powers of Attorney are an inexpensive substitute for the formal, after-the-fact court appointment of a Conservator, should you ever become temporarily or permanently incapable of managing your affairs.

If you do not have a Power of Attorney, you may wish to consider executing one. If you executed a Power of Attorney in your former domicile or many years ago, it should be reviewed to determine whether it is valid in Connecticut and whether it will survive your incompetency.

If your financial or personal circumstances are complex, it also may be advisable to name a Conservator in case a court proceeding is necessary. Connecticut, unlike many other states, permits you to choose the person you wish to act as Conservator, rather than the court making such a decision. You may wish to take advantage of this opportunity to substitute your judgment in place of that of the court.

7. HAVE YOU SIGNED A LIVING WILL?

Connecticut has a law encouraging physicians and hospitals to follow the wishes of a terminally ill patient who has signed a Living Will requesting his or her doctor to withhold or withdraw extraordinary life support measures in the event of terminal illness. Your Living Will may appoint a Health Care Agent to express your health care wishes for you in the event you are unable to communicate for yourself. Although many

other states have similar legislation, the consequences of signing a Living Will may vary considerably from state to state. If you have signed a Living Will in your former domicile or wish to do so now, you should consult your attorney.

8. IS YOUR ESTATE PLAN CURRENT?

The last decade has seen continual and substantial changes in the federal as well as state estate and gift tax laws and the laws relating to administration of estates and trusts which may make your current estate plan obsolete. Changes in your personal, financial and family circumstances may also require a revision of your plan. Accordingly, you should carefully review your estate plan with your attorney on a periodic basis, e.g., at least once every three to five years, regardless of any change in state residence. If you are relocating to Connecticut or have recently done so, it may be a particularly appropriate time for a thorough and comprehensive review, and we recommend that you contact an attorney for that purpose. If you are interested in learning more about structuring your estate plan, we would be pleased to provide you with a copy of our Client Memorandum on Estate Planning.

MISCELLANEOUS INFORMATION

1. AUTOMOBILE-RELATED REQUIREMENTS

Registration and Sale of Motor Vehicles

Connecticut law requires a new resident to register his or her out-of-state vehicle in Connecticut within 60 days of establishing residency. Connecticut requires owners to carry their Connecticut registration and automobile insurance identification card in their motor vehicles at all times. Failure to carry your insurance identification card is an infraction for which you can be fined.

Your car can be registered at any full-service Connecticut Department of Motor Vehicles (DMV) office. For first-time registration in Connecticut, there is an \$25 title fee and a \$5 license plate fee. These fees are in addition to the usual registration fee of \$120 for a two-year registration. There may also be additional administrative and emissions related fees ranging from \$10 to \$40.

To register your car, you are required to submit:

- a. Connecticut insurance identification card Obtain a current copy from your insurance company.
- b. Application for Registration and Certificate of Title Complete DMV Form H-13, which is available through DMV offices or the DMV website (www.ct.gov/dmv).
- c. Certificate of Title, Bill of Sale and Registration Supplied by your state of previous residence. If your car is leased and the leasing company has the original Certificate of Title, you must contact the leasing company, which will send the original to the DMV.
- d. Vehicle Emissions Report (see below).
- e. Proper Identification²

If your vehicle is model year 2016 or older, then your vehicle needs to have an emissions test done. Vehicles that are exempt from emissions testing will require a vehicle identification number (VIN) verification. You can use your current registration to meet this requirement. The emissions test is administered at an official Connecticut Emissions Inspection Station, which is not to be confused with the DMV office. There is a \$20 fee charged for such inspections. Most test centers will accept any form of payment. However, some locations may accept cash only.

Driver's License

Connecticut also requires a new resident to obtain a Connecticut driver's license within 30 days of establishing residency in Connecticut. Residents without valid out-of-state licenses must pass written, eye and road tests. For adults with valid out-of-state licenses, road tests and written tests are not required. A vision test is required, and a \$40 fee is charged. Additionally, there is a license fee of \$84.

² Proper identification for the registration of your vehicle(s) includes any of the following documents: valid Connecticut driver's license; Connecticut issued non-driver identification card; or U.S. military identification. If you have an out-of-state license and have dual residency in both Connecticut and another state, you must show a current utility or tax bill for Connecticut and the other state.

To obtain a Connecticut driver's license, an applicant must present (a) his or her current out-of-state license plus one other acceptable form of identification³, (b) address verification (a utility bill or other mail personally addressed to the applicant at his or her Connecticut address will suffice), (c) completed application form provided by the DMV and (d) social security number.

Drivers currently licensed in another state may apply for a Connecticut license without an appointment at any DMV office from 8:00 a.m. until one-half hour before closing.

Personal Property Tax

In Connecticut, automobiles are subject to a personal property tax levied by the town in which the vehicle is kept. After you have registered your vehicle with the Connecticut DMV, the DMV notifies the town in which you reside. Motor vehicle assessments are based upon 70% of average retail value of the vehicle as determined by the local assessor. The uniform assessment date is October 1st. Vehicles registered after October 1st but prior to August 1st are considered supplement vehicles. The taxes on supplement vehicles are prorated from the month registered through September at various percentages depending on the month of registration.

Further Information

The most reliable source of information regarding motor vehicles is:

State of Connecticut
Department of Motor Vehicles
60 State Street
Wethersfield, CT 06161

Telephone Center (within Hartford area or outside Connecticut): 860-263-5700
or toll-free (elsewhere in Connecticut): 1-800-842-8222.

³ To obtain a Connecticut driver's license your current out-of-state driver's license must be surrendered plus you must supply your certified birth certificate or valid U.S. passport.

You may also access the DMV web site at www.ct.gov/dmv for additional information and forms.

2. VOTING

In Connecticut, a Registrar of Voter's office, part of the government of each town, handles the registration of new voters. To register to vote as a new resident you should go to the Registrar of Voter's Office in the Town Hall of the town in which you live, complete an application, present identification (a driver's license is sufficient), present proof of residency (again a driver's license with your Connecticut address is sufficient or else a utility bill or other piece of mail will suffice) and take an oath before the Registrar of Voters. Registration to vote is completed the same day you appear before the Registrar of Voters.

You may also register to vote at any office of the DMV or by mail. Simply call your Town Clerk or Registrar of Voters to have the proper form mailed to you or go to the Secretary of State website at www.ct.gov/sots. In addition, most public libraries also have mail-in voter registration forms.

Note that to be eligible to vote in a particular election, you must register well before the election date. Consult your local Registrar of Voters to determine the deadline. Additionally, note that some Connecticut towns hold local elections in May, rather than November.

CONCLUSION

Cummings & Lockwood has prepared this guide for your reference in relocating to Connecticut. We would be pleased to be of further assistance, should you have any questions about the subjects covered or other legal problems you encounter.

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This document is intended to convey to you the principal characteristics involved with Relocating to Connecticut as they apply to common situations. For this reason we have deliberately simplified technical aspects of the law in the interest of clear communication. Under no circumstances should you or your other advisors rely solely on the contents of this document for technical advice nor should you reach any decisions with respect to this topic without further discussion and consultation with a Cummings & Lockwood attorney.

In accordance with IRS Circular 230, we are required to disclose that: (i) this memorandum was not intended or written by us to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer; (ii) this memorandum was written to support the promotion or marketing of the transaction(s) or matter(s) addressed by the memorandum; and (iii) each taxpayer should seek advice on his or her particular circumstances from an independent tax advisor.