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## OLR Bill Analysis

### sHB 7068

#### ***AN ACT CONCERNING COURT-ORDERED ACCOUNTINGS OF COMMON INTEREST COMMUNITY FINANCIAL RECORDS AND REVISING THE DISCLOSURE REQUIREMENTS RELATING TO COMMON INTEREST COMMUNITIES.***

#### **SUMMARY**

This bill allows, under specific circumstances, a group of unit owners representing at least 10% of a common interest community association to petition the Superior Court for an order to direct the association to get an independent audit of records it must retain (see below) that relate to the association's expenditures and any other financial matters.

The bill limits the frequency of these requests to once per 12-month period and requires the group of unit owners to:

1. certify in writing that they have a good-faith reason for the audit,
2. get the signed opinion of an accountant who specializes in fraud and financial forensics stating that there is evidence of fraud or misuse of funds,
3. hold at least 10% of directed or undirected proxies of the unit owners authorizing the petition, and
4. pay the expenses associated with the audit.

It applies regardless of the association's bylaws but only as allowed under the pertinent provisions of the Connecticut Common Interest Ownership Act (CIOA) (see BACKGROUND). Under CIOA, an association must not allow the following documents to be inspected or copied: (1) someone's personnel, salary, and medical records, unless he or she consented to the disclosure; (2) any unredacted papers, ballots, proxies, or records that identify a vote by unit owner; or (3) any record that disclosure of it would be a violation of the law.

The bill also expands the information that the Uniform Property Condition Disclosure Act (see BACKGROUND) requires a seller of residential property to disclose to the prospective buyer. It does so by requiring the seller to make a special statement on the residential condition report that advises the buyer to:

1. get a resale certificate, if the property being sold is in a common interest community that has more than 12 units, or
2. consult with certain professionals (trade professionals, attorneys, real estate professionals, and financial analysts) and community residents for information on issues in common interest community ownership, if it is in a community that has 12 or less units (these communities are not required to provide resale certificates).

EFFECTIVE DATE: October 1, 2025

#### **RECORDS SUBJECT TO AUDIT UNDER THE BILL**

If the court requires an audit under the bill, the audit applies to the following records that a community interest community must retain:

1. detailed records of receipts and expenditures affecting the association's operation and administration, and other appropriate accounting records, including records relating to any reserve accounts;
2. minutes of unit owner and executive board meetings other than executive sessions, records of actions taken without a meeting, and records of actions taken by a committee on the association's behalf;
3. the names of unit owners showing the number of votes each unit owner is entitled to cast;
4. the association's original or restated organizational documents, if required by law other than CIOA, bylaws and all its amendments, and all rules currently in effect;

5. the association's financial statements and tax returns for the past three years;
6. a list of the names and addresses of the association's current executive board members and officers;
7. the association's most recent annual report delivered to the Secretary of the State, if any;
8. financial and other records sufficiently detailed to enable the association to comply with CIOA's provision on resale of units;
9. copies of current contracts to which the association is a party;
10. records of executive board or committee actions to approve or deny any requests for design or architectural approval from unit owners; and
11. ballots, proxies, and other records related to voting by unit owners for one year after the election, action, or vote to which they relate (CGS § 47-260(a)).

***Association Records Not Subject to Audit***

The bill's audit provisions do not apply to the following records retained by an association that the law requires to be withheld from inspection and copying:

1. individuals' personnel, salary, and medical records unless waived by the subject of the record;
2. unredacted paper or electronic ballots, unredacted proxy forms, and other unredacted records that identify a unit owner's vote; or
3. information the disclosure of which would violate any law other than CIOA (CGS § 47-260(c)).

**RESIDENTIAL CONDITION REPORTS EXEMPTIONS**

Under existing law, and the bill, the following transactions are

exempt from the residential condition report requirements:

1. any transfer from one or more co-owners solely to one or more of the co-owners;
2. transfers made to the transferor's spouse, mother, father, brother, sister, child, grandparent, or grandchild where no consideration is paid;
3. transfers of newly-constructed residential real property for which an implied warranty is provided under law;
4. transfers made by executors, administrators, trustees, or conservators;
5. transfers by the federal government or any of its political subdivisions or any corporation, institution, or quasi-governmental agency chartered by the federal government;
6. transfers by the state or any of its political subdivisions, with certain exceptions;
7. transfers of property that was the subject of a contract or option entered into before January 1, 1996; and
8. transfers of property acquired by foreclosure, with certain exceptions (CGS § 20-327b(b)).

## **BACKGROUND**

### ***Common Interest Ownership Act***

CIOA generally governs condominiums and other common interest communities formed in Connecticut on and after January 1, 1984 (CGS § 47-200 et seq.). Several CIOA provisions also apply to common interest communities created in Connecticut before January 1, 1984, but do not invalidate existing provisions of the communities' governing instruments. Common interest communities created before that date can amend their governing instruments to conform to portions of CIOA that do not automatically apply (CGS §§ 47-214, -216 & -218).

***Uniform Property Condition Disclosure Act***

The Uniform Property Condition Disclosure Act (CGS § 20-327b) requires a residential property seller to give a residential property condition report to the prospective buyer before the prospective buyer executes any binder, contract to purchase, option, or lease with a purchase option. The Department of Consumer Protection commissioner sets this form.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable Substitute Change of Reference - JUD

Yea 13 Nay 0 (03/13/2025)

Judiciary Committee

Joint Favorable

Yea 40 Nay 1 (04/07/2025)