House of Representatives

General Assembly **File No. 535**

January Session, 2001 House Bill No. 6255

House of Representatives, May 1, 2001

The Committee on Finance, Revenue and Bonding reported through REP. MCDONALD of the 148th Dist., Chairperson of the Committee on the part of the House, that the bill ought to pass.

AN ACT CONCERNING THE THRESHOLD FOR INCENTIVES FOR IMPROVEMENTS TO REAL AND PERSONAL PROPERTY.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. Section 12-65b of the general statutes is repealed and the following is substituted in lieu thereof:

(a) Any municipality may, by affirmative vote of its legislative body, enter into a written agreement with any party owning or proposing to acquire an interest in real property in such municipality, or with any party owning or proposing to acquire an interest in air space in such municipality, or with any party who is the lessee of, or who proposes to be the lessee of, air space in such municipality in such a manner that the air space leased or proposed to be leased shall be assessed to the lessee pursuant to section 12-64, fixing the assessment of the real property or air space which is the subject of the agreement, and all improvements thereon or therein and to be constructed thereon or therein, subject to the provisions of subsection (b) of this section, (1) for a period of not more than seven years, provided the cost of such improvements to be constructed is not less than three million dollars, (2) for a period of not more than two years, provided the cost of such improvements to be constructed is not less than five hundred thousand dollars, (3) to the extent of fifty per cent of such increased assessment, for a period of not more than three years, provided the cost of such improvements to be constructed is not less than **[**one hundred**]** twenty-five thousand dollars, (4) to the extent of twenty per cent of such increased assessment, for a period of not more than three years, provided the cost of such improvements to be constructed is not less than one hundred thousand dollars, (5) to the extent of thirty per cent of such increased assessment, for a period of not more than three years, provided the cost of such improvements to be constructed is not less than five hundred thousand dollars, (6) to the extent of twenty per cent of such increased assessment, for a period of not less than five years but no more than seven years, provided the costs of such improvements to be constructed is not less than three million dollars, or (7) to the extent of thirty per cent of such increased assessment, for a period of not more than seven years, provided the cost of such improvements to be constructed is not less than five million dollars.

(b) The provisions of subsection (a) of this section shall only apply if the improvements are for at least one of the following: (1) For office use; (2) for retail use; (3) for permanent residential use; (4) for transient residential use; (5) for manufacturing use; (6) for warehouse, storage or distribution use; (7) for structured multilevel parking use necessary in connection with a mass transit system; (8) for information technology; (9) for recreation facilities; or (10) for transportation facilities.

Sec. 2. Section 12-65h of the general statutes is repealed and the following is substituted in lieu thereof:

Any municipality may, by affirmative vote of its legislative body, enter into a written agreement with any party owning or proposing to acquire an interest in real property in such municipality, or with any party owning or proposing to acquire an interest in air space in such municipality, or with any party who is the lessee of, or who proposes to be the lessee of, air space in such municipality in such a manner that the air space leased or proposed to be leased shall be assessed to the lessee pursuant to section 12-64, upon which is located or proposed to be located a manufacturing facility, as defined in subdivision (72) of section 12-81, fixing the assessment of the personal property located in the facility which is the subject of the agreement, (1) for a period of not more than seven years, provided the increase in the assessed value of such personal property in such facility is not less than three million dollars, (2) for a period of not more than two years, provided the increase in the assessed value of such personal property in such facility is not less than five hundred thousand dollars, or (3) to the extent of fifty per cent of such increased assessment, for a period of not more than three years, provided the increase in the assessed value of such personal property in such facility is not less than **[**one hundred**]** <u>twenty-five</u> thousand dollars.

PD	*Joint Favorable C/R*	FIN
FIN	*Joint Favorable*	

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Affected Agencies: None

Municipal Impact: See Explanation Below

Explanation

Municipal Impact:

It is assumed that a municipality would only elect to enter into an agreement to fix the assessment of real or personal property at the lower threshold only where it would ultimately result in a future grand list expansion or the retention of an existing business.

It should be noted that pursuant to § 12-81(74) new and newly acquired machinery and equipment owned by manufacturing facilities (M & E exemption) is exempt from the property tax for five years. Municipalities are reimbursed by the state for 100% of the revenue loss they sustain due to the exemption. Therefore, a municipality would only enter into agreements to fix the assessment of personal property owned by manufacturing facilities for: (1) machinery and equipment that is no longer eligible for the M & E exemption, or (2) personal property that is not eligible for the M & E exemption.

OLR Bill Analysis
HB 6255

AN ACT CONCERNING THE THRESHOLD FOR INCENTIVES FOR IMPROVEMENTS TO REAL AND PERSONAL PROPERTY.

SUMMARY:

This bill reduces two of the thresholds developers and manufacturers must meet in order to qualify for property tax abatements. The law allows towns to abate taxes on a wide range of real estate projects. The abatement period and amount depend on the value of the improvements. The bill reduces, from $100,000 to $25,000, the minimum value of real estate improvements that qualifies developers for an abatement equal to half the value of the improvements. Towns can authorize the abatement for up to three years.

The law also allows towns to abate the taxes on any personal property in a manufacturing facility that increases the assessed value of all of the personal property in the facility. The abatement period and amount depend on the value of increase. The bill reduces, from $100,000 to $25,000, the minimum value of the increase that qualifies manufacturers for an abatement equal to half the value of the increase. Towns can authorize the abatement for up to three years.

EFFECTIVE DATE: October 1, 2001

BACKGROUND

Minimum Values for Real Estate Abatements

The law allows towns to abate taxes on a wide range of real estate projects based on the value of the improvement if their legislative bodies approve. The state does not reimburse the towns for these abatements. Table 1 lists the minimum value of an improvement that qualifies a developer for an abatement, maximum abatement period, and the abated amount.

Table 1: Minimum Value, Maximum Abatement Period, and Abated Amount for Real Estate Projects

Minimum Value	*Abatement Period*	*Abatement Amount*
$3 million	7 years	100%
$500,000	2 years	100%
$100,000	3 years	50%
$100,000	3 years	20%
$500,000	3 years	30%
$3 million	5 years to 7 years	20%
$5 million	7 years	30%

The following types of projects qualify for these abatements: office; retail; permanent residential; transient residential; manufacturing; warehouse, storage, or distribution; structured multilevel parking use connected to a mass transit system; information technology; and recreation and transportation facilities.

Personal Property in Manufacturing Facilities

Towns can also abate the taxes on any personal property in a manufacturing facility that increases the tax assessment on this type of property. Their legislative bodies must approve each abatement, and the state does not reimburse the town for the revenue loss. Table 2 lists the minimum amount of the increase that qualifies a manufacturer for an abatement, the maximum abatement period, and the abated amount.

Table 2: Minimum Value, Maximum Abatement Period, and Abated Amount for Personal Property in a Manufacturing Facility

Minimum Value	*Abatement Period*	*Abatement Amount*
$3 million	7 years	100%
$500,000	2 years	100%
$100,000	3 years	50%

Under another law, manufacturers qualify for a 100% exemption for newly acquired manufacturing machinery and equipment. The exemption is good for five years, and the state fully reimburses towns for the revenue loss.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Change of Reference
Yea 17 Nay 0

Finance, Revenue and Bonding Committee

Joint Favorable Report
Yea 41 Nay 4