



Senate

General Assembly

February Session, 2002

File No. 507

Senate Bill No. 36

Senate, April 16, 2002

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11th Dist., Chairperson of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING METHODS OF MITIGATING THE EFFECTS OF REVALUATION IN A MUNICIPALITY SUBJECT TO THE PROVISIONS OF SPECIAL ACT 01-1.

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

1 Section 1. (*Effective from passage*) (a) Any municipality that is subject
2 to the provisions of special act 01-1 may, with respect to the October 1,
3 2001, assessment list in such municipality in which a revaluation
4 becomes effective, as required under section 12-62 of the general
5 statutes, by vote of its legislative body and in the manner provided in
6 this subsection, defer all or any part of the amount of any increase in
7 the assessed value of real property included in the assessment list in
8 the year such revaluation becomes effective, provided in the year such
9 revaluation becomes effective and in any succeeding year in which
10 such deferment is allowed by such municipality, the assessed value of
11 any real property in the year immediately preceding revaluation shall
12 be increased in such equal amounts in each of the succeeding years
13 such that the assessed value of such real property in the last year of

14 such deferment, but in no event later than the fourth year following
15 the year of such revaluation, shall be no less than the assessed value
16 applicable to such property in the year of revaluation except for
17 deferment of such increased assessment in accordance with this
18 subsection. In any municipality electing to defer all or any part of the
19 amount of such increase in the assessed value of real property over the
20 period of four years immediately following the year of revaluation, as
21 provided in this subsection, subject to approval by the legislative body,
22 as provided in this section, with respect to real property included in
23 the assessment list in the year of such revaluation, new real estate
24 construction in such municipality which is completed and determined
25 to be subject to property tax as provided in section 12-53a of the
26 general statutes after the assessment date in the year of such
27 revaluation and prior to the assessment date in the fourth year
28 following the year of such revaluation, may be assessed during such
29 period in a manner similar to that provided in this subsection for real
30 property included in the assessment list in the year of such
31 revaluation, deferring a portion of the actual assessed value of such
32 new construction as of the date liability for property tax is established
33 and adding such portion in equal increments to an assessed value for
34 such new construction estimated as that which would have been
35 applicable if it had been completed immediately prior to the
36 assessment date in the year of such revaluation, provided such
37 increments shall be added in each assessment year commencing with
38 the year in which liability for property tax is so established and ending
39 not later than the fourth year following the year of such revaluation.
40 The assessed value for purposes of this subsection in each of said years
41 shall be determined as the sum of (1) such estimated assessed value,
42 (2) any of the equal increments already added to such estimated value
43 for purposes of determining the assessed value in accordance with this
44 subsection, and (3) the increment for the year with respect to which
45 such assessed value is being determined. The portion of the actual
46 assessed value of such new construction as of the date of such liability
47 which is to be deferred and added in increments to such estimated
48 assessed value shall be the amount by which the actual assessed value

49 of such new construction on the date tax liability is so established
50 exceeds the estimated assessed value for such new construction as
51 described in this subsection.

52 (b) Any municipality which has elected to defer all or any part of
53 the amount of increase in the assessed value of real property as
54 provided in subsection (a) of this section may (1) continue the plan of
55 such deferment as approved by the legislative body of such
56 municipality until the fourth year following the year of such
57 revaluation as provided in said subsection (a), or (2) at any time,
58 subject to approval by the legislative body in such municipality,
59 discontinue the plan of such deferment as adopted and,
60 notwithstanding the provisions of section 7-344 of the general statutes
61 and any public or special act or charter, lay such rate of property tax
62 on the assessment list for the assessment year in which such
63 discontinuance occurs, as completed and placed in the assessor's office
64 in accordance with section 12-55 of the general statutes, without any
65 deferment of amounts of increase in assessed values in accordance
66 with said subsection (a), in the amount that would have been
67 applicable with respect to said assessment list if such plan of
68 deferment had not been adopted. In the event any such tax in
69 accordance with said subsection (a) has been levied and become due
70 and payable in such assessment year prior to the date of such
71 discontinuance as provided in this subsection, the amount of tax due
72 and payable under this subsection shall be that portion of such tax in
73 excess of the amount of tax due and payable prior to the date of such
74 discontinuance and which amount, notwithstanding discontinuance of
75 such plan of deferment, shall continue to be collectible by the tax
76 collector. Within a period not exceeding thirty days following the date
77 on which such plan of deferment is discontinued, the assessor in such
78 municipality shall notify the tax collector as to the additional amounts
79 of such tax due with respect to the assessment list for the assessment
80 year in which such discontinuance occurs and the tax collector shall,
81 not later than ten days after such notice, mail a bill to the owner of
82 each parcel of real property subject to such additional tax. Such tax
83 shall be due and payable and collectible as other municipal property

84 taxes, except that such tax shall be due and payable in an initial or
85 single installment not sooner than thirty days following the date such
86 bill is mailed to the owner and in any remaining installments of equal
87 amounts as the same are determined to be due and payable by the
88 legislative body.

89 Sec. 2. (*Effective from passage*) (a) Any municipality that is subject to
90 the provisions of special act 01-1 may, by vote of its legislative body,
91 with respect to the October 1, 2001, assessment list in such
92 municipality in which a revaluation becomes effective, as required
93 under section 12-62 of the general statutes, provide for a gradual
94 increase in assessed values of real property for purposes of property
95 tax, commencing with the year in which such revaluation becomes
96 effective and continuing for a certain number of years as elected by
97 such municipality, not exceeding four years immediately following the
98 year of such revaluation. Such gradual increase in assessed values shall
99 be the result of incremental increases in the rate of assessment of real
100 property, to be added as provided in subsection (b) of this section to
101 the assessment ratio determined under section 10-261a of the general
102 statutes for the year immediately preceding revaluation in such
103 municipality.

104 (b) Upon electing to increase assessed values in the manner allowed
105 in this section, any such municipality shall determine, with respect to
106 said assessment ratio for the year immediately preceding such
107 revaluation, the difference between the assessment rate at seventy per
108 cent of present true and actual value, as required under subsection (b)
109 of section 12-62a of the general statutes, and said ratio of assessed
110 value of real property to fair market value in the year immediately
111 preceding revaluation for such municipality. Such difference shall
112 represent the portion of the assessment rate at seventy per cent to be
113 added to said ratio for such municipality in attaining the required
114 assessment rate of seventy per cent of present true and actual value.
115 Such amount shall be added to said ratio in equal increments, as
116 determined in accordance with this subsection, over the number of
117 years elected by such municipality, provided the total number of years

118 for such purpose may not exceed five years including the year of such
 119 revaluation. For the purposes of this subsection, increments shall be
 120 considered equal if such increments are equal (1) in terms of the
 121 absolute amount of the increase in the assessment ratio for each of the
 122 years of such gradual increase in assessed value, or (2) in terms of the
 123 percentage of increase in the assessment ratio from year to year which
 124 is applicable to such gradual increase in assessed value, for each year
 125 of the term of such gradual increase in assessed value.

126 (c) In a municipality which has adopted the assessment procedure
 127 allowed in this section, new construction which is first assessed for
 128 purposes of property tax, after the assessment date on which such
 129 revaluation becomes effective but before the assessment rate has been
 130 increased to seventy per cent of present true and actual value, shall be
 131 assessed initially at the rate applicable in the procedure as adopted by
 132 such municipality at the time of such initial assessment, and thereafter
 133 at the rate of assessment applicable with respect to all real property on
 134 the assessment list in such municipality.

135 Sec. 3. (*Effective from passage*) Notwithstanding the provisions of
 136 subsection (b) of section 12-62 of the general statutes, the assessor of
 137 any municipality that elects to defer all or any part of the amount of
 138 any increase in the assessed value of real property included in the
 139 October 1, 2001, assessment list in such municipality, pursuant to the
 140 provisions of sections 1 or 2 of this act, shall revalue all of the real
 141 estate in such municipality for assessment purposes, for the
 142 assessment year commencing October 1, 2006. All provisions of said
 143 section 12-62, with the exception of the Year of Subsequent
 144 Revaluation as set forth in subsection (b) of said section 12-62, shall be
 145 applicable with respect to the conduct of the revaluation to be effective
 146 as of the assessment year commencing October 1, 2006.

This act shall take effect as follows:	
Section 1	<i>from passage</i>
Sec. 2	<i>from passage</i>
Sec. 3	<i>from passage</i>

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

Municipal Impact:

Effect	Municipalities	FY 03 \$
Precludes a Cost	Waterbury	See Below

Explanation

The bill precludes a cost to the City of Waterbury from not having to conduct its next scheduled revaluation in 2002. Since the City preformed a revaluation on the 2001 grand list, the impact of postponing the scheduled 2002 revaluation is expected to be minimal.

OLR Bill Analysis

SB 36

AN ACT CONCERNING METHODS OF MITIGATING THE EFFECTS OF REVALUATION IN A MUNICIPALITY SUBJECT TO THE PROVISIONS OF SPECIAL ACT 01-1**SUMMARY:**

This bill allows Waterbury, by vote of its legislative body, to phase in increases in assessed value from its October 1, 2001 grand list revaluation over an extra year. The law already allows any town to use either of two methods to phase in increases over four years, including the revaluation year. This bill allows Waterbury to use either of the same methods but to extend the phase-in for five years, including the revaluation year. Waterbury is the only city subject to SA 01-1, "An Act Authorizing the Issuance of Certain Bonds by the City of Waterbury."

If it chooses to use of the bill's phase-in options, the bill also requires Waterbury to revalue all its property for the assessment year beginning October 1, 2006 and every four years thereafter instead of following its current statutory schedule, which required it to revalue its property in 1997 or 1998 and again in 2002.

EFFECTIVE DATE: Upon passage

PHASE-IN METHODS

Both this bill and current law specify two alternative methods for phasing in increased assessments after a revaluation. Under the first, a property's assessment in the year before the revaluation must be increased in equal amounts over the phase-in term so that, by the end, its assessment is 70% of its new market value (CGS Sec. 12-62a(e) and section 1 of the bill). Under current law and the bill, this method is the only one of the two that a town legislative body may vote to discontinue part-way through. Under the second, assessment rates must increase annually by equal percentages of the difference between the assessment ratio for all property in the same class in the year before revaluation and 70% (CGS Sec. 12-62c and section 2 of the bill). As under current law, the deferrals apply to both existing and new

property added during the phase-in period.

PHASE-IN EXAMPLES

The following examples illustrate how the two phase-in methods work over the maximum five-year period the bill allows Waterbury to use. In each case, the calculation is for a hypothetical house valued at \$98,429 before revaluation and \$172,400 in the revaluation year. At 70% of market value, the property’s assessment before revaluation is \$68,900 and \$120,680 after the fully implemented revaluation.

Assessment Phase-In

This method requires Waterbury to add one-fifth of the difference in the assessments before and after revaluation to the property’s assessment in each year of the phase-in.

The assessment difference for the hypothetical house is \$51,780 (\$120,680 - \$68,900). That difference divided by five yields an annual increment of \$10,356. Table 1 shows the house’s annual assessment and assessment rate (the ratio of its assessment to its fair market value) for the year before revaluation and each year of the phase-in.

Table 1: Phase-In of Increase in Assessed Value

	Year before revaluation	Revaluation Year (1 st year of phase-in)	2 nd year	3 rd year	4 th year	Final year
Assessment	\$68,900	\$79,256	\$89,612	\$99,968	\$110,324	\$120,680
Assessment Rate	39.96%	45.97%	51.98%	57.99%	63.99%	70%

Assessment Rate Phase-In

This method requires Waterbury to add one-fifth of the percentage difference between the assessment rate for the class of property (such as residential property) before and after revaluation to the property’s assessment rate in each year of the phase-in. Thus, if the assessment rate for residential property before revaluation is 30.40%, the assessment rate must increase by 7.92% per year ($70.0 - 30.40 / 5 = 7.92$) over the five-year phase-in.

The annual assessments and assessment rates on the hypothetical

house under this method are shown in Table 2. Because this phase-in is based on the overall assessment rate for residential property as a class, rather than that for each property, this method reduces the assessment and assessment rate of the hypothetical house in the first year of the phase-in.

Table 2: Phase-In of Increase in Assessment Rate

	Year before revaluation	Revaluation Year (1 st year of phase-in)	2 nd year	3 rd year	4 th year	Final year
Assessment	\$68,900	\$66,064	\$79,718	\$93,372	\$107,026	\$120,680
Assessment Rate	39.96%	38.32%	46.24%	54.16%	63.99%	70%

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Report

Yea 43 Nay 0