



# Senate

General Assembly

**File No. 187**

January Session, 2003

Substitute Senate Bill No. 934

*Senate, April 7, 2003*

The Committee on Banks reported through SEN. FINCH of the 22nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

**AN ACT CONCERNING USE OF CONSUMER COLLECTION AGENCIES FOR MUNICIPAL PROPERTY TAX COLLECTION.**

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

1 Section 1. Section 36a-800 of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective from passage*):

3 As used in sections 36a-800 to 36a-810, inclusive, unless the context  
4 otherwise requires:

5 (1) "Consumer collection agency" means any person engaged in the  
6 business of collecting or receiving for payment for others of any  
7 account, bill or other indebtedness from a consumer debtor or engaged  
8 in the business of collecting [, without receiving,] or receiving for  
9 payment property tax from a property tax debtor on behalf of a  
10 municipality, including any person who, by any device, subterfuge or  
11 pretense, makes a pretended purchase or takes a pretended  
12 assignment of accounts from any other person or municipality of such

13 indebtedness for the purpose of evading the provisions of sections 36a-  
14 800 to 36a-810, inclusive. It includes persons who furnish collection  
15 systems carrying a name which simulates the name of a consumer  
16 collection agency and who supply forms or form letters to be used by  
17 the creditor, even though such forms direct the consumer debtor or  
18 property tax debtor to make payments directly to the creditor rather  
19 than to such fictitious agency. "Consumer collection agency" further  
20 includes any person who, in attempting to collect or in collecting such  
21 person's own accounts or claims from a consumer debtor, uses a  
22 fictitious name or any name other than such person's own name which  
23 would indicate to the consumer debtor that a third person is collecting  
24 or attempting to collect such account or claim. "Consumer collection  
25 agency" does not include (A) an individual employed on the staff of a  
26 licensed consumer collection agency, or by a creditor who is exempt  
27 from licensing, when attempting to collect on behalf of such consumer  
28 collection agency, (B) persons not primarily engaged in the collection  
29 of debts from consumer debtors who receive funds in escrow for  
30 subsequent distribution to others, including, but not limited to, real  
31 estate brokers and lenders holding funds of borrowers for payment of  
32 taxes or insurance, (C) any public officer or a person acting under the  
33 order of any court, (D) any member of the bar of this state, and (E) a  
34 person who services loans or accounts for the owners thereof when the  
35 arrangement includes, in addition to requesting payment from  
36 delinquent consumer debtors, the providing of other services such as  
37 receipt of payment, accounting, record-keeping, data processing  
38 services and remitting, for loans or accounts which are current as well  
39 as those which are delinquent. Any person not included in the  
40 definition contained in this subsection is, for purposes of sections 36a-  
41 645 to 36a-647, inclusive, a "creditor", as defined in subdivision (3) of  
42 section 36a-645;

43 (2) "Consumer debtor" means any natural person, not an  
44 organization, who has incurred indebtedness or owes a debt for  
45 personal, family or household purposes, including current or past due  
46 child support, or who has incurred indebtedness or owes a debt to a  
47 municipality due to a levy by such municipality of a personal property

48 tax;

49 (3) "Creditor" means a person, including a municipality, who  
50 retains, hires, or engages the services of a consumer collection agency;

51 (4) "Municipality" means any town, city or borough, consolidated  
52 town and city, consolidated town and borough, district as defined in  
53 section 7-324 or municipal special services district established under  
54 chapter 105a;

55 (5) "Organization" means a corporation, partnership, association,  
56 trust or any other legal entity or an individual operating under a trade  
57 name or a name having appended to it a commercial, occupational or  
58 professional designation;

59 (6) "Property tax" has the meaning given to the term in section 7-560;

60 (7) "Property tax debtor" means any natural person or organization  
61 who has incurred indebtedness or owes a debt to a municipality due to  
62 a levy by such municipality of a property tax.

63 Sec. 2. Subsection (c) of section 36a-805 of the general statutes is  
64 repealed and the following is substituted in lieu thereof (*Effective from*  
65 *passage*):

66 (c) (1) No consumer collection agency shall receive any property tax  
67 on behalf of a creditor that is a municipality, unless the agency has  
68 filed a bond with the commissioner pursuant to section 36a-802, and  
69 has commercial crime insurance covering its employees on a blanket  
70 basis, with limits of at least two million dollars, issued by an insurer  
71 licensed to do business in the state.

72 (2) A municipality that enters into an agreement with a consumer  
73 collection agency to collect and receive for payment property tax on  
74 behalf of the municipality may also require the agency to file a bond  
75 with the municipality in a penal sum not exceeding the total amount of  
76 property tax that the municipality has requested the agency to attempt  
77 to collect. Such bond shall be conditioned that such consumer

78 collection agency shall well, truly and faithfully account for all funds  
 79 collected and received by the agency for the municipality pursuant to  
 80 such agreement. If the municipality is damaged by the wrongful  
 81 conversion of any property tax debtor funds held by the consumer  
 82 collection agency, the municipality may proceed on such bond against  
 83 the principal or surety on the bond, or both, to recover damages.

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

**BA**      *Joint Favorable Subst.*

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:**

Agency Affected	Fund-Type	FY 04 \$	FY 05 \$
Banking Dept.	BF - None	None	None

Note: BF=Banking Fund

**Municipal Impact:**

Municipalities	Effect	FY 04 \$	FY 05 \$
Various Municipalities	Net Impact	See Below	See Below

**Explanation**

The bill allows consumer collection agencies to receive delinquent property tax payments on behalf of municipalities. To the extent that municipalities are currently utilizing collection agencies, these municipalities must catalog and deposit the payments and notify the collection agency. The bill would allow a municipality to avoid these administrative procedures and associated costs, if any.

In addition, the bill could result in an impact on the amount of delinquent property taxes that are collected. To the extent that municipalities find it more efficient to contract with private agencies to collect delinquent property taxes, an increase in tax revenue collections could result. It should be noted, however, that this potential increase in revenue would be offset by an increase in liability to those towns that do not enact adequate safeguards such as the bonding requirements allowed in the bill.

There would not be any fiscal impact on the Department of Banking.

**OLR Bill Analysis**

sSB 934

***AN ACT CONCERNING USE OF CONSUMER COLLECTION AGENCIES FOR MUNICIPAL PROPERTY TAX COLLECTION*****SUMMARY:**

This bill allows consumer collection agencies to receive for payment, as well as collect, municipal property tax from a tax debtor on the municipality's behalf. Current law prohibits them from receiving the tax.

The bill requires consumer collection agencies receiving property tax on a municipality's behalf to have (1) filed a \$5,000 bond with the banking commissioner and (2) commercial crime insurance covering their employees on a blanket basis, with limits of at least \$2 million, issued by an insurer licensed in Connecticut.

The bill allows a municipality that enters into an agreement with an agency to also require the agency to file a bond with the municipality in a sum up to the total amount of property tax the municipality has requested the agency to collect. The bond must require the agency to truly and faithfully account for all funds it collects and receives. If the municipality is injured by the agency's wrongful conversion of any property taxes it holds, the bill allows the municipality to proceed on the bond against the principal, surety, or both to recover damages.

EFFECTIVE DATE: Upon passage

**COMMITTEE ACTION**

Banks Committee

Joint Favorable Substitute

Yea 19    Nay 0