# Senate

General Assembly

**File No. 574**

***February Session, 2006***

Substitute Senate Bill No. 531

*Senate, April 20, 2006*

The Committee on Finance, Revenue and Bonding reported through SEN. DAILY of the 33rd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

***AN ACT CONCERNING A DIFFERENTIAL PROPERTY TAX REVALUATION FOR REAL PROPERTY.***

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

Section 1. (NEW) (*Effective July 1, 2006, and applicable to assessment years commencing on or after October 1, 2006*) (a) For purposes of this section, "base year" means the year immediately prior to the most recent revaluation.

(b) Notwithstanding any provision of the general statutes, any municipal charter, any special act or any home rule ordinance, any municipality that has previously imposed a property tax surcharge pursuant to section 12-62d of the general statutes, revision of 1958, revised to January 1, 2005, may adopt a property tax system that (1) divides real property into classes based on how such property is used, and (2) limits the maximum annual property tax increase to no more than five per cent per year for any class of real property.

(c) Any municipality that adopts the provisions of this section shall revalue all real property in such municipality, in accordance with section 12-62 of the general statutes. The municipality shall set by ordinance each class of real property, and upon revaluation, the tax on each class of real property shall be set so that no such class has a tax increase due to such revaluation greater than five per cent over the tax paid by such class in the base year. There may be an annual tax increase due to such revaluation of not more than five per cent of the tax paid by the class of property in the base year. No class of property shall have a tax increase due to such revaluation greater than twenty-five per cent over five years.

(d) Notwithstanding the provisions of subsection (b) of section 12-62a of the general statutes, a municipality adopting the provisions of this section may assess different classes of property at different rates, so no class of property pays a tax increase higher than as provided in subsection (b) of this section. No class of property may be assessed in excess of seventy per cent of its fair market value. The assessment rate may be adjusted annually to reflect increases to the grand list in each class of property.

Sec. 2. Section 12-62d of the general statutes is repealed. (*Effective October 1, 2006*)

| This act shall take effect as follows and shall amend the following sections: | | |
|---|---|---|
| Section 1 | *July 1, 2006, and applicable to assessment years commencing on or after October 1, 2006* | New section |
| Sec. 2 | *October 1, 2006* | Repealer section |

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

***FIN*** *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:** None

**Municipal Impact:**

| Municipalities | Effect | FY 07 $ | FY 08 $ |
|---|---|---|---|
| Hartford | See Below | See Below | See Below |

### Explanation

The bill repeals a provision that allows a municipality to provide tax relief to owners of one to three-unit residential properties, funded by a tax surcharge on other properties. To date, the City of Hartford is the only municipality that has implemented this provision.

The bill will allow the City of Hartford to cap in the increase in the assessed value of properties after completing its next scheduled revaluation. Preliminary data suggests that there will be substantial shift in the tax burden from commercial/industrial property, personal property, and motor vehicles to residential property (homes, condominiums, apartments). Therefore, the bill will result in a commercial/industrial, personal property, and motor vehicles to assume a much greater percentage of the tax burden than will under current law.

### The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

## OLR Bill Analysis
## sSB 531

### *AN ACT CONCERNING A DIFFERENTIAL PROPERTY TAX REVALUATION FOR REAL PROPERTY.*

### SUMMARY:

This bill repeals a provision that allows a municipality to provide property tax relief to owners of one to three-unit residential properties, funded by a tax surcharge on other properties. To date, Hartford is the only municipality that has used this provision.

The bill instead allows a municipality that has used this provision to adopt a new property tax system that (1) divides real property into classes based on how it is used and (2) limits the maximum annual property tax increase to no more than 5% per year for any class of real property.

EFFECTIVE DATE: The repeal is effective October 1, 2006. The authorization for the new property tax system is effective July 1, 2006, and applies to assessment years beginning on or after October 1, 2006

### DIFFERENTIAL PROPERTY TAX SYSTEM

Under the bill, if a municipality adopts the new system it must revalue all of the real property in the municipality. It must define classes of real property by ordinance. After revaluation, the tax increase on each class of property attributable to revaluation cannot exceed 5% above the tax paid by the class in the year just before revaluation. There may be a tax increase due to revaluation of up to 5% in each subsequent year, but no class of property can have a tax increase due to revaluation greater than 25% over five years.

If a municipality adopts the new system, it may assess different classes of property at different rates rather than assessing all properties at 70% of market value, so long as no class of property (1) pays a tax increase higher than allowed by the bill and (2) is assessed at more than 70% of its fair market value. The assessment rate may be adjusted annually to reflect increases to the grand list in each class of property.

## BACKGROUND

### *Related Bill*

sSB 535, favorably reported by the Planning and Development Committee (File 302) allows (1) municipalities that have not adopted a tax relief plan funded by a surcharge on nonresidential property to phase-in the effects of their property revaluations over up to five years; (2) a municipality to adopt a phase-in that applies only to properties in particular classes whose assessed value increased by 50% or more; and (3) municipalities more options on how to implement a phase-in.

## COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute Change of Reference
Yea 17 Nay 0 (03/17/2006)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 42 Nay 6 (04/04/2006)