



House of Representatives

File No. 889

General Assembly

January Session, 2007

(Reprint of File No. 676)

House Bill No. 7281
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
May 29, 2007

**AN ACT CONCERNING PROPERTY TAX EXEMPTIONS FOR
CERTAIN MACHINERY AND EQUIPMENT.**

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

1 Section 1. Section 12-94b of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective from passage*):

3 (a) As used in this section, "municipality" means each town, city,
4 borough, consolidated town and city and consolidated town and
5 borough and each district, as defined in section 7-324, and "next
6 succeeding" means the second such date.

7 (b) On or before March fifteenth, annually, commencing March 15,
8 1998, the assessor or board of assessors of each municipality shall
9 certify to the Secretary of the Office of Policy and Management, on a
10 form furnished by said secretary, the amount of exemptions approved
11 under the provisions of subdivision (74) of section 12-81, together with
12 such supporting information as said secretary may require including
13 the number of taxpayers with approved claims under said subdivision
14 (74) and the original copy of the applications filed by them. Said

15 secretary shall review each such claim as provided in section 12-120b.
16 Not later than December first next succeeding the conclusion of the
17 assessment year for which the assessor approved such exemption, the
18 secretary shall notify each claimant of the modification or denial of the
19 claimant's exemption, in accordance with the procedure set forth in
20 section 12-120b. Any claimant aggrieved by the results of the
21 secretary's review shall have the rights of appeal as set forth in section
22 12-120b. With respect to property first approved for exemption under
23 the provisions of subdivision (74) of section 12-81 for the assessment
24 years commencing on or after October 1, 2000, the grant payable for
25 such property to any municipality under the provisions of this
26 subsection shall be equal to eighty per cent of the property taxes
27 which, except for the exemption under the provisions of subdivision
28 (74) of section 12-81, would have been paid. The secretary shall, on or
29 before December fifteenth, annually, certify to the Comptroller the
30 amount due each municipality under the provisions of this subsection,
31 including any modification of such claim made prior to December first,
32 and the Comptroller shall draw an order on the Treasurer on or before
33 the twenty-fourth day of December following and the Treasurer shall
34 pay the amount thereof to such municipality on or before the thirty-
35 first day of December following. If any modification is made as the
36 result of the provisions of this subsection on or after the December
37 fifteenth following the date on which the assessor has provided the
38 amount of the exemption in question, any adjustments to the amount
39 due to any municipality for the period for which such modification
40 was made shall be made in the next payment the Treasurer shall make
41 to such municipality pursuant to this subsection. The amount of the
42 grant payable to each municipality in any year in accordance with this
43 subsection shall be reduced proportionately in the event that the total
44 of such grants in such year exceeds the amount appropriated for the
45 purposes of this subsection with respect to such year.

46 (c) On or before March fifteenth, annually, commencing March 15,
47 2007, and ending March 15, 2011, the assessor or board of assessors of
48 each municipality shall certify to the Secretary of the Office of Policy

49 and Management, on a form furnished by said secretary, the amount of
50 exemptions approved under the provisions of subdivision (72) of
51 section 12-81, together with such supporting information as said
52 secretary may require including the number of taxpayers with
53 approved claims under said subdivision (72) and the original copy of
54 the applications filed by them. Said secretary shall review each such
55 claim as provided in section 12-120b. Not later than December first
56 next succeeding the conclusion of the assessment year for which the
57 assessor approved such exemption, the secretary shall notify each
58 claimant of the modification or denial of the claimant's exemption, in
59 accordance with the procedure set forth in section 12-120b. Any
60 claimant aggrieved by the results of the secretary's review shall have
61 the rights of appeal as set forth in section 12-120b. With respect to
62 property first approved for exemption under the provisions of
63 subdivision (72) of section 12-81 for the assessment years commencing
64 on or after October 1, 2000, but [prior to] on or before October 1, 2010,
65 the grant payable for such property to any municipality under the
66 provisions of this subsection shall be equal to eighty per cent of the
67 property taxes which, except for the exemption under the provisions of
68 subdivision (72) of section 12-81, would have been paid. The secretary
69 shall, on or before December fifteenth, annually, certify to the
70 Comptroller the amount due each municipality under the provisions of
71 this subsection, including any modification of such claim made prior to
72 December first, and the Comptroller shall draw an order on the
73 Treasurer on or before the twenty-fourth day of December following
74 and the Treasurer shall pay the amount thereof to such municipality
75 on or before the thirty-first day of December following. If any
76 modification is made as the result of the provisions of this subsection
77 on or after the December fifteenth following the date on which the
78 assessor has provided the amount of the exemption in question, any
79 adjustments to the amount due to any municipality for the period for
80 which such modification was made shall be made in the next payment
81 the Treasurer shall make to such municipality pursuant to this
82 subsection.

83 (d) Machinery and equipment acquired between October 2, 2006, to
84 October 1, 2010, inclusive, and approved for exemption under the
85 provisions of subdivision (72) of section 12-81 for the assessment year
86 commencing October 1, 2010, shall continue to be exempt from
87 taxation for assessment years commencing on and after October 1,
88 2011. The grant determined in accordance with section 12-94g, as
89 amended by this act, shall replace the grant payable under the
90 provisions of this section, in the fiscal year commencing July 1, 2013,
91 and each fiscal year thereafter.

92 Sec. 2. Section 12-94f of the general statutes is repealed and the
93 following is substituted in lieu thereof (*Effective from passage*):

94 (a) For purposes of this section, (1) "machinery", [and] "equipment",
95 "manufacturing", "biotechnology" and "recycling" shall have the same
96 meaning as in subdivision (72) of section 12-81, and (2) "municipality"
97 means each town, city, borough, consolidated town and city and
98 consolidated town and borough and each district, as defined in section
99 7-324.

100 [(b) The state shall provide a payment to each municipality
101 representing a percentage of the property tax due on machinery and
102 equipment, when such machinery and equipment is not receiving a
103 payment in lieu of taxes pursuant to section 12-94b. The taxpayer shall
104 continue to be responsible for the remainder of the property tax. For all
105 such machinery and equipment, the state shall pay to the municipality
106 (1) for the assessment year commencing October 1, 2006, twenty per
107 cent of the property tax due, and the taxpayer shall pay eighty per
108 cent; (2) for the assessment year commencing October 1, 2007, forty per
109 cent of the property tax due, and the taxpayer shall pay sixty per cent;
110 (3) for the assessment year commencing October 1, 2008, sixty per cent
111 of the property tax due, and the taxpayer shall pay forty per cent; (4)
112 for the assessment year commencing October 1, 2009, eighty per cent of
113 the property tax due, and the taxpayer shall pay twenty per cent; and
114 (5) for the assessment year commencing October 1, 2010, one hundred
115 per cent of the property tax due.]

116 (b) (1) A property tax exemption, at the percentage of valuation for
117 purposes of assessment specified in this subdivision, shall be
118 applicable to machinery or equipment described in this subsection and
119 used for manufacturing or in connection with biotechnology: Twenty
120 per cent for the assessment year commencing October 1, 2006,
121 provided the acquisition date of such machinery or equipment is on or
122 before October 1, 2001; forty per cent for the assessment year
123 commencing October 1, 2007, provided the acquisition date of such
124 machinery or equipment is on or before October 1, 2002; sixty per cent
125 for the assessment year commencing October 1, 2008, provided the
126 acquisition date of such machinery or equipment is on or before
127 October 1, 2003; eighty per cent for the assessment year commencing
128 October 1, 2009, provided the acquisition date of such machinery or
129 equipment is on or before October 1, 2004; one hundred per cent for
130 the assessment year commencing October 1, 2010, provided the
131 acquisition date of such machinery or equipment is on or before
132 October 1, 2005; and one hundred per cent for the assessment year
133 commencing October 1, 2011, provided the acquisition date of such
134 machinery or equipment is on or before October 1, 2006.

135 (2) Machinery or equipment used in connection with recycling shall
136 be exempt to the extent of one hundred per cent of its valuation for
137 purposes of assessment for the assessment year commencing October
138 1, 2011, provided the acquisition date of such machinery or equipment
139 is on or before September 30, 2006.

140 (3) Machinery or equipment used for manufacturing or in
141 connection with biotechnology or recycling shall be exempt to the
142 extent of one hundred per cent of its valuation for purposes of
143 assessment for assessment years commencing on and after October 1,
144 2012, provided the acquisition date of such machinery or equipment
145 precedes, by not less than six years, the commencement date of any
146 such assessment year.

147 [(c) Municipalities receiving a payment in lieu of taxes for
148 machinery and equipment pursuant to subdivision (72) of section 12-

149 81 and sections 12-94b and 12-94c, shall continue to receive such
150 payment for five years from the date such machinery and equipment
151 became eligible to receive such payment. As such machinery and
152 equipment ceases to be eligible for such payment, the state shall pay a
153 percentage of the property tax due to the municipality, in accordance
154 with the following schedules:

155 (1) For machinery and equipment first included in a payment in lieu
156 of taxes made pursuant to section 12-94b, for assessment years
157 commencing on or prior to October 1, 2002, the state shall make a
158 payment in lieu of taxes to the municipality for the assessment year
159 commencing October 1, 2006. For the assessment year commencing
160 October 1, 2007, the state shall provide a payment to each municipality
161 representing a percentage of the property tax due on such machinery
162 and equipment. The taxpayer shall continue to be responsible for the
163 remainder of the property tax. The state shall pay to the municipality
164 (A) for the assessment year commencing October 1, 2007, forty per cent
165 of the property tax due, and the taxpayer shall pay sixty per cent; (B)
166 for the assessment year commencing October 1, 2008, sixty per cent of
167 the property tax due, and the taxpayer shall pay forty per cent; (C) for
168 the assessment year commencing October 1, 2009, eighty per cent of
169 the property tax due, and the taxpayer shall pay twenty per cent; and
170 (D) for the assessment year commencing October 1, 2010, one hundred
171 per cent of the property tax due.

172 (2) For machinery and equipment first included in a payment in lieu
173 of taxes made pursuant to section 12-94b, for assessment years
174 commencing on or prior to October 1, 2003, the state shall make a
175 payment in lieu of taxes to the municipality for the assessment years
176 commencing October 1, 2006, and October 1, 2007. For the assessment
177 year commencing October 1, 2008, the state shall provide a payment to
178 each municipality representing a percentage of the property tax due on
179 such machinery and equipment. The taxpayer shall continue to be
180 responsible for the remainder of the property tax. The state shall pay to
181 the municipality (A) for the assessment year commencing October 1,
182 2008, sixty per cent of the property tax due, and the taxpayer shall pay

183 forty per cent; (B) for the assessment year commencing October 1, 2009,
184 eighty per cent of the property tax due, and the taxpayer shall pay
185 twenty per cent; and (C) for the assessment year commencing October
186 1, 2010, one hundred per cent of the property tax due.

187 (3) For machinery and equipment first included in a payment in lieu
188 of taxes made pursuant to section 12-94b, for assessment years
189 commencing on or prior to October 1, 2004, the state shall make a
190 payment in lieu of taxes to the municipality for the assessment years
191 commencing October 1, 2006, October 1, 2007, and October 1, 2008. For
192 the assessment year commencing October 1, 2009, the state shall
193 provide a payment to each municipality representing a percentage of
194 the property tax due on such machinery and equipment. The taxpayer
195 shall continue to be responsible for the remainder of the property tax.
196 The state shall pay to the town (A) for the assessment year
197 commencing October 1, 2009, eighty per cent of the property tax due,
198 and the taxpayer shall pay twenty per cent; and (B) for the assessment
199 year commencing October 1, 2010, one hundred per cent of the
200 property tax due.

201 (4) For machinery and equipment first included in a payment in lieu
202 of taxes made pursuant to section 12-94b, for assessment years
203 commencing on or prior to October 1, 2005, the state shall make a
204 payment in lieu of taxes to the municipality for the assessment years
205 commencing October 1, 2006, October 1, 2007, October 1, 2008, and
206 October 1, 2009. For the assessment year commencing October 1, 2010,
207 the state shall provide a payment to each municipality representing
208 one hundred per cent of the property tax due on such machinery and
209 equipment.]

210 (c) In each fiscal year commencing on and after July 1, 2007, and on
211 or before July 1, 2012, the state shall provide a payment in lieu of taxes
212 to each municipality equal to the property tax revenue loss due to
213 exemptions provided pursuant to this section. In each fiscal year
214 commencing on and after July 1, 2013, the grant determined in
215 accordance with section 12-94g, as amended by this act, shall replace

216 said payment in lieu of taxes.

217 (d) On or before March fifteenth, annually, commencing March 15,
218 2007, and ending on March 15, 2012, the assessor or board of assessors
219 of each municipality shall certify to the Secretary of the Office of Policy
220 and Management, on a form furnished by said secretary, the assessed
221 value of all machinery and equipment located in such municipality
222 that is [not eligible for the exemption under subdivision (72) of section
223 12-81] approved for an exemption under subsection (c) of this section,
224 for the assessment date immediately preceding. Such certification shall
225 be accompanied by such supporting information as said secretary may
226 require, including, but not limited to, a copy of each exemption
227 recipient's supplement to the personal property declaration for each
228 such assessment date. The provisions of section 12-63 shall apply to all
229 such machinery and equipment. The secretary may modify the amount
230 due to a municipality to reflect a correction due to a clerical omission
231 or mistake, or to reflect a correction that is supported by
232 documentation provided by an assessor, and shall, annually, on or
233 before the fifteenth day of December, commencing December 15, 2007,
234 and ending December 15, 2012, certify to the Comptroller the amount
235 due to each municipality under the provisions of this section. The
236 Comptroller shall draw an order on the Treasurer not later than [five
237 business days] the twenty-fourth day of December following, and the
238 Treasurer shall pay such amount to such municipality on or before the
239 thirty-first day of December. [If for any reason any modification is
240 made to the amount of tax due, any adjustments to the tax due to any
241 municipality for the period for which such modification was made
242 shall be made in the next payment the Treasurer shall make to such
243 municipality pursuant to this section.] If said secretary modifies the
244 amount due to a municipality subsequent to certifying payment to the
245 Comptroller, said secretary may reflect such modification in said
246 secretary's next certification of payment pursuant to this section,
247 provided said secretary shall not make any modification subsequent to
248 December 15, 2012.

249 (e) All municipal valuation and enforcement procedures pursuant to

250 chapters 203, 204 and 205 shall [continue to] apply to machinery and
251 equipment [covered by] eligible for exemption under this section.
252 [The] A taxpayer may appeal the assessment of [any] such machinery
253 and equipment [for which a state payment is being made pursuant to
254 this section may be appealed by the taxpayer in the same manner in
255 which any taxpayer may appeal an assessment] to the board of
256 assessment appeals, and may appeal a determination of said board
257 pursuant to this chapter.

258 Sec. 3. Section 12-94g of the general statutes is repealed and the
259 following is substituted in lieu thereof (*Effective from passage and*
260 *applicable to assessment years commencing on and after October 1, 2007*):

261 (a) As used in this section, "machinery", [and] "equipment",
262 "manufacturing", "biotechnology" and "recycling" shall have the same
263 meaning as in subdivision (72) of section 12-81, and "municipality"
264 means each town, city, borough, consolidated town and city and
265 consolidated town and borough and each district, as defined in section
266 7-324.

267 (b) Not later than January 1, 2013, the Secretary of the Office of
268 Policy and Management shall determine the amount due to each
269 municipality in the state, in accordance with this subsection, as a state
270 grant in lieu of taxes with respect to [manufacturing] certain
271 machinery or equipment exempt from taxation. The grant payable to
272 any municipality under the provisions of this section in the state fiscal
273 year commencing July 1, 2013, and in each fiscal year thereafter, shall
274 be equal to [one hundred per cent of the property taxes which, except
275 for the exemption provided pursuant to subdivision (72) of section 12-
276 81, would have been paid with respect to such machinery and
277 equipment on the assessment list in such municipality for the
278 assessment year commencing October 1, 2011] equal to the sum of the
279 following: (1) The tax loss the municipality sustains in the fiscal year
280 commencing July 1, 2012, for exemptions approved for the assessment
281 year commencing October 1, 2011, pursuant to section 12-94f, as
282 amended by this act, and (2) the tax loss the municipality would have

283 sustained in said fiscal year if the exemption pursuant to subdivision
 284 (72) of section 12-81 had been available for the assessment year
 285 commencing October 1, 2011. In determining the tax loss each
 286 municipality would have sustained, the secretary shall reflect the
 287 provisions of section 12-94c by reducing the total assessment of
 288 machinery and equipment approved for exemption under said
 289 subdivision (72) for the assessment year commencing October 1, 2010,
 290 for machinery and equipment acquired and installed on or after
 291 October 2, 2006, and on or before October 1, 2010, and multiplying the
 292 result by the municipality's mill rate for the fiscal year commencing
 293 July 1, 2012.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	12-94b
Sec. 2	<i>from passage</i>	12-94f
Sec. 3	<i>from passage and applicable to assessment years commencing on and after October 1, 2007</i>	12-94g

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 chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect
Policy & Mgmt., Off.	GF - See Below

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect
Various Municipalities	See Below

Explanation

The bill as amended allows the Secretary of the Office of Policy and Management (OPM) to modify the amount of the grant to municipalities for Manufacturing Machinery and Equipment to reflect a correction due to a clerical omission or a mistake that is supported by documentation provided by an assessor. To the extent that such modifications result in increases in the grants to municipalities, additional costs may result. Additionally, the bill as amended makes several minor, conforming and technical changes, which result in no fiscal impact.

House "A" adds the provisions regarding the Secretary of OPM's ability to modify a municipalities' PILOT grant, the fiscal impact is discussed above.

The Out Years

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

OLR Bill Analysis**HB 7281 (as amended by House "A")*****AN ACT CONCERNING PROPERTY TAX EXEMPTIONS FOR CERTAIN MACHINERY AND EQUIPMENT.****SUMMARY:**

This bill rewrites and makes several minor, conforming, and technical changes in the 2006 law that exempts eligible manufacturing, biotechnology, and recycling machinery and equipment (MME) from local property taxes after a five-year phase-in and requires the state to make payments in lieu of taxes (PILOTs) to municipalities for lost revenue.

*House Amendment "A" allows the Office of Policy and Management (OPM) secretary to modify a municipality's PILOT grant for revenue lost from the MME exemption only to correct a clerical error instead of for any reason. It also extends the deadline for the comptroller to draw an order on the state treasurer for the grant payments.

EFFECTIVE DATE: Upon passage. The provisions concerning the calculation of the fixed grant (see below) apply to assessment years starting on or after October 1, 2007.

§1 — CONTINUATION OF FIVE-YEAR EXEMPTION PROGRAM WITH 80% PILOT

By law, MME is exempt from local property taxes after a five-year phase-in, with the full exemption for equipment that is six years old or older taking effect in the assessment year beginning October 1, 2011. During the phase-in, MME acquired between October 2, 2002 and September 30, 2010 is covered by an earlier program. The earlier program gives new and newly acquired MME a 100% property tax

exemption for five years after acquisition, with the state reimbursing towns for 80% of the resulting revenue loss.

The bill specifies that (1) the 80% reimbursement grant covers property first approved for an exemption for the October 1, 2010 assessment year as well as property approved for earlier years and (2) eligible MME approved for the five-year exemption program for the October 1, 2010 assessment year continues to be exempt in subsequent years under the permanent exemption program, with the permanent 100% PILOT grant for MME replacing the five-year 80% PILOT as of July 1, 2013.

§ 2 — EXEMPTION PHASE-IN FOR OLDER MACHINERY AND EQUIPMENT

In addition to the 80% PILOT for MME exempt under the five-year program, the state provides gradually increasing payments to towns for the revenue they lose from phased-in property tax exemptions for MME that is six years old or older in each assessment year of the phase-in. Percentage exemptions for this older MME increase by 20% per year for five years. As they do, the law requires corresponding increases in state payments for town revenue losses from these exemptions.

The bill simplifies these phase-in provisions. It ties each annual increase in the exemption percentage to the MME's acquisition date rather than to the fact that the town is not receiving an 80% PILOT payment for it under the earlier exemption program. It also links the state payments for lost revenue to the exempt percentages of the MME's assessed value. It eliminates an explicit requirement that, during the phase-in, the owner of the older MME continue to pay any residual property tax not covered by the state payment. At the end of the phase-in, the bill specifies that the state's permanent reimbursement grant replaces the phase-in grants.

Under current law, in order to access state payments for older MME during the phase-in, towns must certify its assessed value to the OPM

secretary every year starting March 15, 2007. The bill requires towns also to submit whatever supporting information the secretary requires, including a copy of each exemption recipient's personal property tax declaration supplement for the immediately preceding assessment date. It allows the OPM secretary to modify the municipal grant to correct a clerical error or when an assessor submits documentation supporting a correction.

By law, the OPM secretary must notify the state comptroller of the grant amounts by December 15th annually. The bill extends the deadline for the comptroller to draw an order on the state treasurer for the grant payments to December 24th rather than five business days after December 15th. Finally, the bill sunsets the certification requirements as of March 15, 2012 and the payment and grant modification procedures as of December 15, 2012.

By law, all existing valuation and enforcement procedures apply to exempt MME and taxpayers may appeal assessments of eligible MME to local boards of assessment appeals according to the usual procedure. The bill allows taxpayers to also appeal from local board decisions according to the usual procedures.

§ 3 — FIXED GRANT PAYMENT AFTER PHASE-IN

Starting with FY 2014, the law fixes the state's annual payment to each town for exempt MME. Current law fixes the grant at 100% of the property taxes the town would have received in the October 1, 2011 assessment year if the MME were not tax-exempt. The bill fixes it at the sum of (1) the town's tax loss in FY 2013 from eligible older MME exemptions approved for the October 1, 2011 assessment year and (2) the tax loss the town would have had in FY 2013 if the five-year exemption program for new and newly acquired MME were in effect for that year. The bill requires the OPM secretary to reduce the latter loss amount to reflect depreciation on eligible MME acquired between October 2, 2006 and October 1, 2010 and approved under the five-year exemption program for the October 1, 2010 assessment year.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 52 Nay 0 (04/16/2007)