



# House of Representatives

General Assembly

**File No. 319**

*January Session, 2009*

Substitute House Bill No. 6041

*House of Representatives, March 30, 2009*

The Committee on Planning and Development reported through REP. SHARKEY of the 88th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## **AN ACT CONCERNING MUNICIPAL ASSESSMENTS AND ASSESSMENT APPEALS.**

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

1 Section 1. Section 9-199 of the general statutes is amended by adding  
2 subsection (d) as follows (*Effective October 1, 2009*):

3 (NEW) (d) Beginning with the assessment year commencing  
4 October 1, 2009, a member of the board of assessment appeals shall  
5 complete the necessary training as prescribed by the education  
6 committee of the Connecticut Association of Assessing Officers no  
7 later than one year after (1) the date of such member's appointment or  
8 election to such board or (2) the effective date of this section,  
9 whichever is later. Upon a board member's successful completion of  
10 such training, the Connecticut Association of Assessing Officers shall  
11 send a certificate of completion to the chief administrative official of  
12 the town in which such member serves.

13 Sec. 2. Subsection (a) of section 12-111 of the general statutes is  
14 repealed and the following is substituted in lieu thereof (*Effective*  
15 *October 1, 2009*):

16 (a) Any person, including any lessee of real property whose lease  
17 has been recorded as provided in section 47-19 and who is bound  
18 under the terms of a lease to pay real property taxes and any person to  
19 whom title to such property has been transferred since the assessment  
20 date, claiming to be aggrieved by the doings of the assessors of such  
21 town may appeal therefrom to the board of assessment appeals. Such  
22 appeal shall be filed, in writing, on or before February twentieth. The  
23 written appeal shall include, but is not limited to, the property owner's  
24 name, name and position of the signer, description of the property  
25 which is the subject of the appeal, name and mailing address of the  
26 party to be sent all correspondence by the board of assessment  
27 appeals, reason for the appeal, appellant's estimate of value, signature  
28 of property owner, or duly authorized agent of the property owner,  
29 and date of signature. The board shall notify each aggrieved taxpayer  
30 who filed a written appeal in the proper form and in a timely manner,  
31 no later than March first immediately following the assessment date, of  
32 the date, time and place of the appeal hearing. Such notice shall be sent  
33 no later than seven calendar days preceding the hearing date except  
34 that the board may elect not to conduct an appeal hearing for any  
35 commercial, industrial, utility or apartment property with an assessed  
36 value greater than [five hundred thousand] one million dollars. The  
37 board shall, not later than March first, notify the appellant that the  
38 board has elected not to conduct an appeal hearing. An appellant  
39 whose appeal will not be heard by the board may appeal directly to  
40 the Superior Court pursuant to section 12-117a. The board shall  
41 determine all [such] appeals for which the board conducts an appeal  
42 hearing and send written notification of the final determination of such  
43 appeals to each such person within one week after such determination  
44 has been made. Such written notification shall include information  
45 describing the property owner's right to appeal the determination of  
46 such board. Such board may equalize and adjust the grand list of such  
47 town and may increase or decrease the assessment of any taxable

48 property or interest therein and may add an assessment for property  
49 omitted by the assessors which should be added thereto; and may add  
50 to the grand list the name of any person omitted by the assessors and  
51 owning taxable property in such town, placing therein all property  
52 liable to taxation which it has reason to believe is owned by such  
53 person, at the percentage of its actual valuation, as determined by the  
54 assessors in accordance with the provisions of sections 12-64 and 12-71,  
55 from the best information that it can obtain, and if such property  
56 should have been included in the declaration, as required by section  
57 12-42 or 12-43, it shall add thereto twenty-five per cent of such  
58 assessment; but, before proceeding to increase the assessment of any  
59 person or to add to the grand list the name of any person so omitted, it  
60 shall mail to such person, postage paid, at least one week before  
61 making such increase or addition, a written or printed notice  
62 addressed to such person at the town in which such person resides, to  
63 appear before such board and show cause why such increase or  
64 addition should not be made.

65 Sec. 3. Section 12-63b of the general statutes is repealed and the  
66 following is substituted in lieu thereof (*Effective October 1, 2009, and*  
67 *applicable to assessment years commencing on or after October 1, 2009*):

68 (a) The assessor or board of assessors in any town, at any time,  
69 when determining the present true and actual value of real property as  
70 provided in section 12-63, which property is used primarily for the  
71 purpose of producing rental income, exclusive of such property used  
72 solely for residential purposes, containing not more than six dwelling  
73 units and in which the owner resides, [and with respect to which  
74 property there is insufficient data in such town based on current bona  
75 fide sales of comparable property which may be considered in  
76 determining such value,] shall determine such value on the basis of an  
77 appraisal which shall include to the extent applicable with respect to  
78 such property, consideration of each of the following methods of  
79 appraisal: (1) Replacement cost less depreciation, plus the market  
80 value of the land, (2) [the gross income multiplier method as used for  
81 similar property and (3)] capitalization of net income based on market

82 rent for similar property, and (3) a sales comparison approach based  
83 on current bona fide sales of comparable property. The provisions of  
84 this section shall not be applicable with respect to any housing assisted  
85 by the federal or state government except any such housing for which  
86 the federal assistance directly related to rent for each unit in such  
87 housing is no less than the difference between the fair market rent for  
88 each such unit in the applicable area and the amount of rent payable  
89 by the tenant in each such unit, as determined under the federal  
90 program providing for such assistance.

91 (b) For purposes of subdivision [(3)] (2) of subsection (a) of this  
92 section and, generally, in its use as a factor in any appraisal with  
93 respect to real property used primarily for the purpose of producing  
94 rental income, the term "market rent" means the rental income that  
95 such property would most probably command on the open market as  
96 indicated by present rentals being paid for comparable space. In  
97 determining market rent the assessor shall consider the actual rental  
98 income applicable with respect to such real property under the terms  
99 of an existing contract of lease at the time of such determination.

100 Sec. 4. Section 12-63c of the general statutes is repealed and the  
101 following is substituted in lieu thereof (*Effective October 1, 2009, and*  
102 *applicable to assessment years commencing on or after October 1, 2009*):

103 (a) In determining the present true and actual value in any town of  
104 real property used primarily for purposes of producing rental income,  
105 the assessor, which term whenever used in this section shall include  
106 assessor or board of assessors, [shall have power to require, subject to  
107 the conditions in subsection (b) of this section,] may require in the  
108 conduct of any appraisal of such property pursuant to the  
109 capitalization of net income method, as provided in section 12-63b, as  
110 amended by this act, that the owner of such property annually submit  
111 [or make available] to the assessor not later than the first day of June,  
112 on a form provided by the assessor not later than forty-five days before  
113 said first day of June, the best available information disclosing the  
114 actual rental and rental-related income and operating expenses

115 applicable to such property. Submission of such information may be  
116 required whether or not the town is conducting a revaluation of all real  
117 property pursuant to section 12-62. Upon determination that there is  
118 good cause, the assessor may grant an extension of not more than  
119 thirty days to file such information, if the owner of such property files  
120 a request for an extension with the assessor not later than May first.

121 (b) Any such information related to actual rental and rental-related  
122 income and operating expenses and not already a matter of public  
123 record which is submitted or made available to the assessor shall not  
124 be subject to the provisions of section 1-210.

125 (c) If upon receipt of information as required under subsection (a) of  
126 this section the assessor finds that such information does not appear to  
127 reflect actual rental and rental-related income or operating expenses  
128 related to the current use of such property, additional verification  
129 concerning such information may be requested by the assessor. All  
130 information received by the assessor under subsection (a) of this  
131 section shall be subject to audit by the assessor or a designee of the  
132 assessor. Any person claiming to be aggrieved by the action of the  
133 assessor hereunder may appeal the actions of the assessor to the board  
134 of assessment appeals and the Superior Court as otherwise provided in  
135 this chapter.

136 (d) Any owner of such real property required to submit or make  
137 available information to the assessor in accordance with subsection (a)  
138 of this section for any assessment year, who fails to submit such  
139 information or fails to make it available as required under said  
140 subsection (a) or who submits information or makes it available in  
141 incomplete or false form with intent to defraud, shall be subject to a  
142 penalty [assessment] equal to a ten per cent increase in the assessed  
143 value of such property for such assessment year. Notwithstanding the  
144 provisions of this subsection, an assessor or board of assessment  
145 appeals shall waive such penalty if the owner of the real property  
146 required to submit the information is not the owner of such property  
147 on the assessment date for the grand list to which such penalty is

148 added. Such assessor or board may waive such penalty upon receipt of  
 149 such information in any town in which the legislative body adopts an  
 150 ordinance allowing for such a waiver.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2009</i>	9-199
Sec. 2	<i>October 1, 2009</i>	12-111(a)
Sec. 3	<i>October 1, 2009, and applicable to assessment years commencing on or after October 1, 2009</i>	12-63b
Sec. 4	<i>October 1, 2009, and applicable to assessment years commencing on or after October 1, 2009</i>	12-63c

**Statement of Legislative Commissioners:**

In the eighth sentence of section 2, changed the words, "The board shall determine all such appeals" to "The board shall determine all [such] appeals for which the board conducts an appeal hearing" for clarity.

**PD**      *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:

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**OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:**

Municipalities	Effect	FY 10 \$	FY 11 \$
Various Municipalities	STATE MANDATE - See Below	See Below	See Below

**Explanation**

Section one requires a member of the board of assessment appeals to complete training by the Connecticut Association of Assessing Officers (CAAO), effective October 1, 2009. Current course listings for the CAAO are approximately \$250 for members and \$275 for nonmembers per course. The bill could result in a cost to municipalities to the extent that they pay for the required training.

Section two raises, from \$500,000 to \$1.0 million, the assessed value of a property for which the board can elect not to conduct an appeal hearing. This could result in a cost to towns associated with an increased number of appeal hearings.

Section three removes the gross income multiplier method as a valuation option, and is not anticipated to result in a fiscal impact.

Section four allows assessors or boards of assessment appeals to waive penalties associated with the failure to submit income and operating expense data under certain conditions. This could result in a revenue loss to municipalities.

The bill makes other minor and technical changes that will not result in a fiscal impact.

***The Out Years***

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

**OLR Bill Analysis****sHB 6041*****AN ACT CONCERNING MUNICIPAL ASSESSMENTS AND ASSESSMENT APPEALS.*****SUMMARY:**

This bill allows property tax assessors to decide which statutorily authorized method to use for valuing income-producing property, such as large apartment buildings and leased commercial and industrial facilities. Current law requires them to use the comparable sales method unless the data is insufficient to determine a property's value. The other statutory methods determine value based on the net income a property generates.

The bill explicitly allows assessors to request net income and expense data any time they value income-producing property, not just during a town-wide revaluation. It sets a deadline by which assessors must provide property owners with the forms for providing income and expense data and allows them to extend that deadline by up to 30 days. It also sets conditions under which they and boards of assessment appeal may waive the statutory penalty for failing to submit income and expense data.

The bill raises the ceiling above which boards of assessment appeals may refuse to hear appeals regarding specific types of property. It also allows property owners denied a hearing to appeal directly to Superior Court. Current law allows them to do so if they were aggrieved by the board of assessment appeals.

Lastly, the bill requires board of assessment appeals members to complete training prescribed by the assessors' association.

EFFECTIVE DATE: October 1, 2009, the provisions regarding

income producing properties apply to assessment years beginning on or after that date.

## **VALUING INCOME PRODUCING PROPERTIES**

### ***Valuation Method***

Assessors generally determine a property's fair market value based on the recent sales of comparable property. Under current law, they may use other methods to determine the value of large apartments (i.e., seven or more units), leased facilities, and other income-producing property if they do not have enough data to make a valid comparison. The other methods are:

1. replacement cost less depreciation, plus the market value of the land;
2. gross income multiplier method used for similar property; and
3. capitalization of income based on market rent for similar property.

The bill lets assessors choose whether to use the comparable sales method or one of the other methods to value income-producing property regardless of whether there is enough comparable sales data to determine its value. They may do so any time they are valuing property, not just during a town-wide revaluation. The bill eliminates the gross income multiplier method as a valuation option, but it is already part of the capitalization of income method (see BACKGROUND).

### ***Disclosing Rental Income and Expense Data***

By law, assessors may require property owners to submit annual rental income and operating expense data when valuing property. The bill specifically allows them to do so regardless of whether the municipality is conducting a town-wide revaluation. Property owners must submit the data by June 1 annually on a form the assessors provide. The bill requires assessors to provide that form no later than 45 days before the June 1 deadline. It also allows them or their

designees to audit the data on the form.

The bill allows assessors to extend the June 1 submission deadline for up to 30 days. They may do so for good cause if a property owner requests an extension no later than May 1.

The bill sets conditions under which assessors or boards of assessment appeals can waive the penalty for failing to submit income and operating expense data. By law, the penalty is a 10% increase in the property's assessment for that assessment year. The bill allows assessors to waive this penalty if the taxpayer who was required to submit the data no longer owns the property on the subsequent October 1. Assessors or appeals boards may do this if the municipality adopted an implementing ordinance.

### **ASSESSMENT APPEALS**

The bill raises the ceiling above which the board of assessment appeals may refuse to hear appeals regarding specific types of property. Under current law, the board may do so for commercial industrial, utility, or apartment property assessed at over \$500,000. The bill raises the ceiling to \$1 million. By law, all property owners may appeal their annual October 1 assessment. Those that wish to do so must file their appeals in February, and the board must hold hearings in March.

### **BOARD OF ASSESSMENT APPEAL MEMBER TRAINING**

The bill requires board of assessment appeal members to complete training the Connecticut Association of Assessing Officers (CAAO) prescribes. Members must complete the training no later than October 1, 2010 or one year after they are appointed or elected, whichever date is later. CAAO must notify the municipality where a member serves when he or she successfully completes the training. It must do so by sending a certificate of completion to the municipality's chief administrative official.

### **BACKGROUND**

#### ***Gross Income Multiplier Method***

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This method determines value based on the subject property's monthly rental income and the sales price of a comparable property. It requires an assessor to divide the sales price of a comparable property by its monthly net income. He or she must then determine the value of the subject property by multiplying the result by its monthly income.

For example, assume the subject property generates \$2,500 per month in net income. An assessor can determine its value based on the sales price and monthly net income of a comparable property. Let us assume that that property sold for \$200,000 and generated \$2,000 in monthly net income. The assessor divides the sales price by the monthly income to calculate the gross income multiplier (i.e.,  $\$200,000/\$2,000=\$100$ .) He or she then determines the subject property's value by multiplying the gross multiplier (\$100) by the subject property's monthly income (\$2,500) to determine the property's value (i.e.,  $\$100 \times \$2,500=\$250,000$ ).

### ***Income Capitalization Method***

The income capitalization method looks at similar factors to determine value. It focuses on the ratio between the net income a property expects to produce and its original sales price or current market value. Using the above example, the assessor calculates the value of the subject property by determining the capitalization rate of the comparable property (i.e.,  $\$2,000/\$200,000= .01$ ). The assessor then determines the subject property's value by the dividing the comparable property's capitalization rate by the property's monthly net income (i.e.,  $\$2,500/ .01= \$250,000$ ).

### **COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/11/2009)