



House of Representatives

General Assembly

File No. 938

January Session, 2009

Substitute House Bill No. 6041

House of Representatives, May 11, 2009

The Committee on Appropriations reported through REP. GERAGOSIAN of the 25th 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, at the
7 expense of said association, no later than one year after (1) the date of
8 such member's appointment or election to such board or (2) the
9 effective date of this section, whichever is later. Upon a board
10 member's successful completion of such training, the Connecticut
11 Association of Assessing Officers shall send a certificate of completion
12 to the chief administrative official of the town in which such member
13 serves.

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15 repealed and the following is substituted in lieu thereof (*Effective*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

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

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

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

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

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

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

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

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

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

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

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

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

149 added. Such assessor or board may waive such penalty upon receipt of
150 such information in any town in which the legislative body adopts an
151 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

APP *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

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 prescribed by the Connecticut Association of Assessing Officers (CAAO), effective October 1, 2009. This has no fiscal impact as the CAAO will cover the cost of the 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 changes how tax assessors must determine the fair market value of large apartments, leased commercial and industrial facilities, and other income-producing property. Under current law, they must do so based on the sales of comparable property in the municipality or an appraisal consisting of various applicable methods. Under the bill, they must determine value based on the various methods whenever they value property. In doing so, assessors may examine the sales of comparable property in other municipalities.

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 aggrieved by an assessment and 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 at the association's expense.

EFFECTIVE DATE: October 1, 2009, and 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. But current law requires them to use other methods to value large apartments (i.e., seven or more units), leased facilities, and other income-producing property if there is not enough comparable sales data in the municipality to make a valid comparison. In these cases, assessors must determine value based on as many of the following methods as applicable:

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 requires assessors to determine value based on an appraisal that includes comparable sales and two of the above applicable methods, regardless of whether enough comparable property was sold in the municipality to make a valid comparison. The other methods assessors must use are:

1. replacement cost less depreciation, plus the land's market value and
2. capitalization of income based on market rent for similar property,

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). It requires the assessor to use each of these methods any time they revalue property, not just during a town-

wide revaluation.

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 by October 1, 2010 or one year after they are appointed or elected, whichever date is later. CAAO must pay for the training and notify the municipality where a member serves when he or she successfully completes it by sending a certificate of completion to the municipality's chief administrative official.

BACKGROUND

Gross Income Multiplier Method

This method determines value based on the subject property's monthly rental income and the sale price of a comparable property. It requires an assessor to divide the sale 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 sale 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 sale 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 dividing the comparable property's capitalization rate by the property's monthly net income

(i.e., \$2,500/ .01= \$250,000).

BACKGROUND

Legislative History

The House referred the bill (File 319) to the Appropriations Committee, which reported a substitute requiring the assessors' association to cover the cost of training assessment board of appeals members.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/11/2009)

Appropriations Committee

Joint Favorable Substitute

Yea 55 Nay 0 (04/23/2009)