



House of Representatives

File No. 903

General Assembly

January Session, 2011

(Reprint of File No. 584)

House Bill No. 6559
As Amended by House Amendment
Schedule "A"

Approved by the Legislative Commissioner
June 4, 2011

***AN ACT CONCERNING THE MUNICIPAL OPTION TO ADOPT
ASSESSMENT RATES LIMITING PROPERTY TAX INCREASES ON
RESIDENTIAL PROPERTIES.***

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

1 Section 1. (NEW) (*Effective from passage and applicable to assessment*
2 *years commencing on or after October 1, 2011*) (a) For the purposes of this
3 section:

4 (1) "Apartment property" means a building containing four or more
5 dwelling units used for human habitation, the parcel of land on which
6 such building is situated, and any accessory buildings or other
7 improvements located on such parcel;

8 (2) "Residential property" means a building containing three or
9 fewer dwelling units used for human habitation, the parcel of land on
10 which such building is situated, and any accessory buildings or other
11 improvements located on such parcel;

12 (3) "Base year" means the assessment year commencing October 1,
13 2010; and

14 (4) "Adjusted tax levy" means the total amount of taxes raised by
15 taxation in a fiscal year by a municipality.

16 (b) Notwithstanding any provision of the general statutes or any
17 special act, municipal charter or any home rule ordinance, any
18 municipality in which the provisions of section 12-62n of the general
19 statutes were effective for the assessment year commencing October 1,
20 2010, shall make annual adjustments to the assessment rate charged to
21 apartment and residential property in accordance with the provisions
22 of this section, but in no event shall the assessment rate for any class of
23 property be in excess of seventy per cent.

24 (c) For the assessment year commencing October 1, 2011, in any
25 municipality that adopts the property tax system under this section,
26 apartment property shall be assessed at a rate of fifty per cent. For
27 assessment years commencing on and after October 1, 2012, the
28 assessor shall determine a rate of assessment for apartment property
29 that will have the effect of phasing in proportionate increases in the
30 rate so that, by the assessment year commencing October 1, 2015, the
31 assessment rate for apartment property shall be seventy per cent.

32 (d) In any municipality that adopts the property tax system under
33 this section, for the assessment year commencing October 1, 2011, and
34 only for said assessment year, the assessor shall determine a rate of
35 assessment for residential property that will have the effect of
36 increasing the average property tax for residential property as a result
37 of revaluation by three and one-half per cent over the property tax for
38 such property class in the base year, but in no event shall the
39 assessment rate be less than twenty-three per cent. For assessment
40 years commencing on and after October 1, 2011, the assessor shall then
41 calculate an adjustment to the rate of assessment for residential
42 property in accordance with subsection (e) of this section.

43 (e) Not later than January thirty-first or the completion of the grand
44 list, whichever is later, the assessor shall annually calculate the
45 difference in the adjusted tax levy by such municipality in the current

46 fiscal year and the prior fiscal year. The assessor shall then adjust the
47 adjusted tax levy for the current fiscal year in accordance with any
48 change in the consumer price index for all urban consumers in the
49 northeast region in the preceding fiscal year. If, after such adjustment,
50 (1) the adjusted tax levy in the current fiscal year exceeds the adjusted
51 tax levy in the prior fiscal year by more than one hundred per cent of
52 the rate of inflation, as determined in accordance with such consumer
53 price index, the assessor, in his or her calculation of the assessment
54 ratios for the next grand list, shall increase the rate of assessment for
55 residential properties from the prior grand list year by five per cent; (2)
56 the adjusted tax levy in the current fiscal year exceeds the adjusted tax
57 levy in the prior fiscal year by more than fifty per cent, but not more
58 than one hundred per cent, of such rate of inflation, the assessor shall
59 increase such rate of assessment by three and one-half per cent; (3) the
60 adjusted tax levy in the current fiscal year exceeds the adjusted tax
61 levy in the prior fiscal year by not more than fifty per cent of such rate
62 of inflation, the assessor shall increase such rate of assessment by two
63 and one-half per cent; (4) the adjusted tax levy in the current fiscal year
64 is equal to the adjusted tax levy in the prior fiscal year, or is less than
65 one-half per cent less than the adjusted tax levy in the prior fiscal year,
66 the assessor shall increase such rate of assessment by one and one-half
67 per cent; and (5) the adjusted tax levy in the current fiscal year is less
68 than the adjusted tax levy in the prior fiscal year by at least one-half
69 per cent, the assessor shall make no change in such rate of assessment.

70 (f) Not later than June fifteenth in any year in which the adjusted tax
71 levy in the current fiscal year increases by more than two and six-
72 tenths per cent over the adjusted tax levy in the prior fiscal year, one
73 per cent of the total number of electors of such municipality may
74 petition in writing for a referendum on the budget establishing such
75 increase. Any such referendum shall be held not more than ten days
76 after receipt of such petition by the town clerk and shall be conducted
77 in accordance with the provisions of chapter 90 of the general statutes.
78 Such budget shall not become effective unless a majority of the electors
79 voting in such referendum vote in favor thereof. Only one referendum

80 may be held, and, if the vote is against the budget, such municipality
81 shall so adjust the budget as to limit any increase to be equal to or less
82 than two and six-tenths per cent.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage and applicable to assessment years commencing on or after October 1, 2011</i>	New section

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 12 \$	FY 13 \$
Hartford	Revenue Impact	See Below	See Below
Hartford	Potential Cost	See Below	See Below

Explanation

The bill contains the following provisions: (1) it limits the maximum property tax increase to 3.5% for residential properties as a result of revaluation, (2) it increases the assessment rate for apartment properties to 50% as of October 1, 2012 and to 70% as of October 1, 2015, and (3) it makes adjustments to the residential rate based on the annual growth rate in property tax collections.

The bill will only affect the City of Hartford because it is the only municipality in which the provisions of CGS Sec. 12-62n were in effect as of October 1, 2010. Preliminary data indicates that there will be a substantial shift in the property tax burden from commercial/industrial property, personal property and motor vehicles to residential/apartment property as a result of revaluation. Provisions (1) and (2) will temper the shift in the tax burden between nonresidential and residential/apartment property that is expected to take place under current law. Provision (3) potentially tempers future increases in the mil rate.

The bill also requires Hartford to hold a referendum on its budget under certain conditions. This could result in a cost of approximately \$50,000 per year.

House "A" strikes the underlying bill and its associated fiscal impact and results in the impact described above.

The Out Years

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

OLR Bill Analysis**HB 6559 (as amended by House "A")*****AN ACT CONCERNING A MUNICIPAL OPTION TO SEND MUNICIPAL TAX BILLS VIA ELECTRONIC MAIL.****SUMMARY:**

Beginning with the October 1, 2011 assessment year, this bill allows a municipality that meets certain conditions to make annual adjustments to the assessment ratios for residential and apartment property, as long as the assessment ratio for any property class does not exceed 70%. It applies to any municipality that, in the October 1, 2010 assessment year, was implementing the law that allows towns to provide a special property tax relief program. Hartford is the only municipality that used this program and is thus the only municipality that can make these assessment ratio adjustments.

The bill defines "residential property" as any building, land, and accessory buildings and improvements having one to three dwelling units, and "apartment property" as having four or more.

The bill also allows voters in Hartford to petition for a referendum on any budget that increases the tax levy by more than 2.6% over that for the prior fiscal year.

*House Amendment "A" replaces the original bill, which allowed municipal tax collectors to send property tax bills and statements by email.

EFFECTIVE DATE: Upon passage, and applicable to assessment years beginning on or after October 1, 2011.

PROPERTY TAX ASSESSMENT RATIO ADJUSTMENTS

Residential Property

For the October 1, 2011 assessment year, the bill requires Hartford’s assessor to calculate an assessment ratio for residential property that (1) produces an average annual property tax increase attributable to a revaluation of 3.5% over the October 1, 2010 assessment year and (2) is at least 23%.

For assessment years beginning on or after October 1, 2011, the assessor must adjust the assessment ratio for residential property to reflect the growth in property taxes raised over the previous fiscal year. He must do so by January 31st or upon completing the grand list, whichever is later.

To determine the adjustment, the assessor must annually calculate the difference between the total amount of taxes the city raised in the current and prior fiscal years, adjusted for inflation using the consumer price index for urban consumers in the northeast region. As Table 1 shows, the assessment ratio adjustment depends on this difference. The assessor must apply the adjustment to the assessment ratio for the next grand list.

Table 1: Residential Property Assessment Ratio Adjustments

<i>If Tax Levy in the Current Fiscal Year (adjusted for inflation)</i>	<i>Increase in Residential Property Assessment Ratio</i>
Exceeds that of the prior FY by more than 100% of the inflation rate	5%
Exceeds that of the prior FY by between 50% and 100% of the inflation rate	3.5%
Exceeds that of the prior FY by 50% of the inflation rate or less	2.5%
Is equal to or up to 0.5% less than that of the prior FY	1.5%
Is less than that of the prior FY by at least 0.5%	None

Apartment Property

The bill requires Hartford to assess apartment property at 50% of its fair market value for the October 1, 2011 assessment year. Beginning with the October 1, 2012 assessment year, the assessor must

proportionately increase this assessment ratio so that it is 70% by the October 1, 2015 assessment year.

BUDGET REFERENDUM

If the current tax levy increases by more than 2.6% over that of the prior fiscal year, the bill requires a referendum on the budget that established the increase (i.e., the current budget) if 1% of Hartford voters petition for one by June 15th (see COMMENT). The referendum must be held within 10 days after the town clerk receives the petition. The bill specifies that the budget does not take effect unless a majority of voters approve it. The bill allows only one referendum. If voters do not approve the budget, the city must limit the tax levy increase to 2.6% or less over the prior fiscal year.

COMMENT

Budget Referendum

Under the bill, voters can petition for a referendum near the end of the budget’s fiscal year. The municipal fiscal year runs from July 1 to June 30. Municipalities adopt the budget and the tax rate for the next fiscal year in late spring. Because the bill authorizes a referendum on the current budget, not the one that goes into effect at the start of the next fiscal year, voters would be approving a budget that has already taken effect.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable
Yea 52 Nay 0 (04/07/2011)

Planning and Development Committee

Joint Favorable
Yea 15 Nay 0 (05/02/2011)