



Senate

General Assembly

File No. 798

January Session, 2011

Substitute Senate Bill No. 1156

Senate, May 11, 2011

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 MUNICIPAL OPTION TO LIMIT PROPERTY TAX INCREASES ON RESIDENTIAL PROPERTY AND IMPOSITION OF A MUNICIPAL SPENDING CAP.

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 five 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; and

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

12 (b) Notwithstanding any provision of the general statutes or any
13 special act, municipal charter or any home rule ordinance, any
14 municipality in which the provisions of section 12-62n of the general
15 statutes are effective for the assessment year commencing October 1,
16 2010, may, by ordinance, establish a property tax surcharge of not
17 more than seven and one-half per cent on all property other than
18 apartment property and residential property and may levy such
19 surcharge for assessment years commencing on and after October 1,
20 2011.

21 Sec. 2. (NEW) (*Effective from passage and applicable to fiscal years*
22 *commencing on or after July 1, 2011*) (a) As used in this section:

23 (1) "Increase in inflation" means the increase in the consumer price
24 index for urban consumers during the preceding twelve-month period,
25 according to United States Bureau of Labor Statistics data; and

26 (2) "General budget expenditures" means expenditures from
27 appropriated funds, provided (1) general budget expenditures shall
28 not include expenditures for payment of the principal of and interest
29 on bonds, notes or other evidences of indebtedness, and (2)
30 expenditures (A) for the implementation of court orders, and (B)
31 arising out of increases in statutory grants received from the state shall
32 not be considered general budget expenditures for the first fiscal year
33 in which such expenditures are authorized, but shall be considered
34 general budget expenditures for such year for the purposes of
35 determining general budget expenditures for the ensuing fiscal year.

36 (b) Any municipality that establishes the property tax surcharge
37 described in section 1 of this act shall not authorize an increase in
38 general budget expenditures for any fiscal year above the amount of
39 general budget expenditures authorized for the previous fiscal year by
40 a percentage that exceeds two per cent or the percentage increase in
41 inflation, whichever is less.

42 (c) Notwithstanding the provisions of subsection (b) of this section,
43 any municipality may authorize an increase in general budget

44 expenditures for any fiscal year of more than two per cent or the rate
45 of inflation if such increase is approved by a referendum conducted
46 under the provisions of chapter 90 of the general statutes.

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
Sec. 2	<i>from passage and applicable to fiscal years commencing on or after July 1, 2011</i>	New section

FIN *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 12 \$	FY 13 \$
Hartford	See Below	See Below	See Below

Explanation

Allowing Hartford to impose a 7.5% property surcharge on nonresidential property will result in a substantial shift in the property tax burden from residential to commercial/industrial property.

The bill creates a spending cap for general budget expenditures. To the extent that this restricts the growth in expenditures, the City will experience a lesser mill rate than otherwise would have been established in any fiscal year.

The Out Years

State Impact: None

Municipal Impact:

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

OLR Bill Analysis**sSB 1156*****AN ACT CONCERNING A MUNICIPAL OPTION TO LIMIT PROPERTY TAX INCREASES ON RESIDENTIAL PROPERTY AND IMPOSITION OF A MUNICIPAL SPENDING CAP.*****SUMMARY:**

This bill allows a municipality that meets certain conditions to impose a property tax surcharge of up to 7.5% on nonresidential property beginning with the October 1, 2011 assessment year. 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 impose the property tax surcharge.

In order to impose the surcharge, the city must (1) adopt an ordinance to do so and (2) impose a spending limit.

The surcharge applies to all property except residential and apartment property. The bill defines residential property as any building, land, and accessory buildings and improvements having one to four dwelling units and apartment property as having five or more dwelling units.

EFFECTIVE DATE: Upon passage. The surcharge applies to assessment years starting on or after October 1, 2011 and the spending limit applies to fiscal years starting on or after July 1, 2011.

SPENDING LIMIT

As a condition of imposing a property tax surcharge on nonresidential property, the bill bars Hartford from authorizing an increase in general budget expenditures for any fiscal year that exceeds

the lesser of (1) 2% over expenditures in the previous fiscal year or (2) the rate of inflation, based on the consumer price index for urban consumers during the preceding year. It allows the city to exceed the spending limit if its voters approve the higher budget in a referendum. (It is unclear whether the authorization to exceed the spending limit is limited to Hartford or applies to all municipalities.)

The bill exempts from the spending limit any expenditure necessitated by debt service or a court order. Any expenditure increase due to an increase in a statutory grant does not count towards the spending limit in the year in which it is authorized, but counts as an expenditure towards the spending limit in the following fiscal year.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 49 Nay 3 (04/21/2011)