

March 2, 2011

State of Connecticut
Planning and Development Committee

Re: SB 505 AAN ACT CONCERNING THE ASSESSMENT OF NEW CONSTRUCTION

Senator Cassano, Representative Gentile and members of the Committee:

I write to you in opposition to raised SB 505.

The proposed legislation would create a significant revenue loss for every municipality in CT, an avenue that could potentially be exploited as part of tax evasion, is completely contrary to long standing statutes that represent the underlying principles on the local property tax in our state, and would provide the exemption pursuant to CGS 12-88 to developers who did not qualify under CGS 12-88.

CGS 12-63 is the cornerstone methodology for real property taxation in CT. Referred to as the "rule of valuation", it states that all real property must be valued at its "fair market value". CGS 12-55 requires the assessor to file an annual tax list, "equalize assessments", and add anything missing or required by law. New construction, although not 100% complete, still has additional value above and beyond the vacant land on which it now sits. CGS 12-63 requires that new construction to be valued at its "fair market value" and CGS 12-55 requires the assessor equalize the list and add what is missing annually.

When a property is added to a Grand List at 50% complete on October 1st, then later becomes 100% complete, CGS 12-53a provides for the taxation of that additional 50% completed and taxes such only for the number of days left in the tax year. Oddly, SB 505 would amend CGS 12-53a, which was created to close the backend loophole on untaxed real estate completed after the assessment date, and now create the loophole on the frontend.

SB 505 is broad and unclear; requiring a "certificate of occupancy or being used for its intended purposes" before allowing taxation yet failing to address all scenarios in the middle i.e. a high rise office building 90% complete and partially used going tax free because it takes years to construct or the developer refuses to get a certificate of occupancy. It fails to consider a property in which has been issued a "temporary C/O" for completing only a portion.

Most importantly, CGS 12-88 provides that an exempt organization "shall be exempt from taxation though not in actual use therefore by reason of the absence of suitable buildings and improvements thereon, if the construction of such buildings or improvements is in progress". SB 505 would now provide this exemption to non-exempt entities at a cost to the remaining taxpayers.

Snyder v. Town of Newton, 147 Conn. 374 stated:

“Exemption from taxation is equivalent of appropriation of public funds because the burden of the tax is lifted from the back of the potential taxpayer who is exempted, and shifted onto the backs of others”.

SB 505 is an unfunded state mandate that will produce significant revenue loss and force municipalities to spend time and resources investigating when properties are first become used and ultimately litigating those findings.

I oppose SB 505 that essentially provides the tax exemption afforded in CGS 12-88 to a “non-exempt class of taxpayers” allowing them to increase their profits on the backs of other taxpayers.

Respectfully submitted,

Gregg Schuster
First Selectman