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## **OLR Bill Analysis**

### **sSB 130**

#### ***AN ACT CONCERNING LAND VALUE TAXATION.***

#### **SUMMARY:**

This bill expands, from one to three, the number of municipalities eligible for a pilot program to develop a plan for taxing land at a higher rate than buildings (i.e., land value tax). Under current law, the Office of Policy and Management (OPM) secretary must choose only one municipality for the pilot, which qualifies only if it meets the law's specific eligibility requirements. The bill eliminates these requirements and allows the OPM secretary to choose up to three municipalities. The municipalities must prepare the plan according to specific criteria and submit it to the legislature by December 31, 2012.

EFFECTIVE DATE: October 1, 2011

#### **LAND VALUE TAX PILOT PROGRAM**

##### ***Plan Components***

By law, municipalities must tax land and any improvements made to the land (e.g., buildings) at the same rate. The pilot program allows selected municipalities to prepare a plan for taxing land at a higher rate than buildings. The plan must:

1. divide taxable property into two classes (a) land or land exclusive of buildings and (b) buildings on the land;
2. set a different tax rate for each class, with the rate on land higher than the rate on buildings and improvements;
3. apply the land value tax only to taxable property; and
4. exclude state-owned property and private hospitals and colleges.

##### ***Application Process and Eligibility Criteria***

As under current law, a municipality must apply to the OPM secretary for approval to prepare the plan. The secretary must specify the application procedure and any other criteria for the program. He may only select a municipality if its legislative body approved the application. If the application is in order, he must send the municipality's chief executive officer a notice of selection.

The bill eliminates the current eligibility requirements and gives the OPM secretary authority to establish other criteria. The requirements restricted the pilot program to New London at the time the law was enacted (PA 09-236).

The bill requires the secretary to send the Planning and Development Committee a copy of (1) the application procedure and program criteria and (2) any selection notices.

### ***Plan Requirements***

By law, a municipality may begin preparing its plan after the secretary approves its application. Its chief executive officer must appoint a committee consisting of relevant taxpayers and stakeholders to prepare the plan.

In preparing the plan, the committee plan must:

1. specify the process for implementing the separate tax rates on land and buildings,
2. designate the geographic areas where the municipality will impose these rates, and
3. identify the legal and administrative issues affecting the plan's implementation.

The law requires the committee to submit the completed plan to the municipality's (1) chief executive officer, tax assessor, and tax collector for review and comment and (2) legislative body for approval. The bill requires the municipality to then submit the plan to the Planning and Development and Finance, Revenue and Bonding committees on or

before December 31, 2012.

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 14 Nay 6 (03/23/2011)