OLR RESEARCH REPORT

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ORIGIN OF THE UNIFORM STATEWIDE PROPERTY TAX ASSESSMENT RATIO

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You asked when and why the legislature required all municipalities to assess property at 70% of its fair market value.

SUMMARY

In 1974, the legislature required all municipalities to assess property at 70% of its fair market value (i.e., assessment rate). Under prior law, each municipality set its own rate. Municipalities began assessing property at less than its fair market value during the 1930s to ease property tax burdens. They continued this practice through the 1960s.

By the early 1970s, tax reform commissions were recommending that the legislature set a uniform statewide assessment rate, which, they claimed, would help taxpayers identify increases in assessed values and the state target funds at fiscally strapped municipalities. Public Act (PA) 74-299 implemented this recommendation, setting the rate at 70% of fair market value. Proponents claimed this change was supported by a broad working group of legislators, state tax officials, local tax assessors, and professional associations. They also claimed that it was in line with most municipalities' rates.

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Opponents claimed imposing a statewide rate prevented municipalities from addressing their unique fiscal circumstances. Some claimed that it would increase tax bills and municipal borrowing.

ASSESSMENT RATIO

The assessment ratio is the percent of a property's value that is taxed. Tax assessors multiply the ratio by the property's fair market value to determine the property's assessed value. (Tax collectors calculate tax bills by multiplying assessed values by the municipality's mill rate.) The 1972 Governor's Tax Reform Commission referred to the practice of assessing a portion of a fair market value as "fractional assessment." In 1974, the legislature fixed the fractional assessment at 70% of fair market value (PA 74-299, codified at CGS § 12-62a (b)).

ORIGIN OF FRACTIONAL ASSESSMENTS

Municipalities began fractional assessments during the 1930s, when homes, factories, and other property sold for less than their assessed values. (Apparently, this happened because municipalities were not revaluing property to capture drops in market value.) Consequently, "many towns throughout the United States adopted a policy of hedging against further declines in market value by establishing assessments at some fraction of full market value" (Governor's Commission on Tax Reform, *Local Government: Schools and Property*, Vol. 2, December 18, 1972, p. 109).

Connecticut municipalities continued fractional assessments after the Great Depression, most setting an assessment rate by the 1960s of between 60% and 65%, according to a 1969 State Revenue Task Force report. Among other things, the report recommended setting a 60% or 65% uniform statewide assessment ratio, which it claimed would "greatly assist the citizens of Connecticut in making decisions which involve the level of property taxation in a given region" (Theodore R. Smith, *A Report on Connecticut Property Tax Administration and Exemptions*, 1970, p. 10).

FULL VALUE ASSESSMENTS

The 1972 Governor's Commission on Tax Reform recommended ending fractional assessments because they made it harder for taxpayers to spot increases in assessed values:

> …when one is dealing with fractional assessments, a 10% increase in an assessment funded upon a 40% fractional assessment base is much less noticeable to the property owner than a 10% change funded upon a full market assessment. In other words, it becomes much easier for the assessor to conceal his mistakes when dealing with fractional values (The Governor's Commission on Tax Reform, *Local Government: Schools and Property*, p. 109).

Consequently, the commission recommended that all municipalities assess property at 100% of fair market value (i.e., full value assessments) and annually publish the assessments in a local newspaper. Doing so, the commission stated, would allow taxpayers to participate more effectively in the assessment process and compare property values and tax burdens across municipalities. It would also eliminate the need to equalize property values across towns, thus making it easier to allocate state aid based on a municipality's relative property wealth (*Local Government: Schools and Property*, p. 109).

RATIONALE FOR THE 70% RATIO

The legislature did not eliminate fractional assessments, but imposed a uniform statewide one. PA 74-299 set the statewide fractional assessment at 70% of fair market value. The legislature chose this percentage because most municipalities were assessing property at 60%, 65%, or 70% of fair market value, Senator De Nardis stated during the Senate debate (*Senate Proceedings*, April 30, 1974, p. 2003). Seventy percent was close to the average or median assessment rate for all municipalities, Representative Fox stated during the House debate (*House Proceedings,* May 8, 1974, p. 5970).

Representative Newman opposed the 70% rate, arguing that it would increases taxes and borrowing in those municipalities with lower assessment rates. Representative Camp disagreed, arguing that taxes would go up if these municipalities did not lower their mill rates. Representative Fox argued that a municipality's borrowing power is based on the revenues it generates, not properties' assessed values (*Housing Proceedings,* May 3, 1974, pp. 5542-43 and May 8, 1974, p. 5952).

Other legislators opposed the bill because it eliminated municipalities' discretion to set the rate. "I think that every legislative body, every town and every city, is a little different, and I think that they should have the exclusive power and the absolute power to assume the rate-making power," Senator Fauliso stated (*Senate Proceedings*, April 30, 1974, p. 2002).

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