

February 22, 2012 – Planning and Development Committee – Public Hearing Testimony

Re: HB 5035 – Section 2 - “improvements that are partially completed or under construction”

By: Ravi Mohan

My perspective is that of a do-it-yourself builder of my own home. I realize that I am part of a small portion of the construction industry in our State. I leave it to the well-represented professional builders and municipalities to speak for themselves.

1. As a do-it-yourself builder (I hold a building permit), it will be years from start to finish by the time construction of my home is finished. Meanwhile, this Bill would make the new construction part of my property taxable for many years, even though there is no additional burden on municipal resources. I acknowledge burden on my Town for the permitting process through various departments – but, my Town collected fees of several thousand dollars up front for that, which is fine.
2. There is an implementation problem in this Bill. In-progress construction is valued based on a calculated value when complete, and then a percentage-complete of that. The problem is that assumed factors in that value-when-complete can swing the value up to 350%, and do not even exist well into the construction. So one would be asked to pay taxes on something that does not exist, and may never exist. Further, there is no provision for property tax refunds for those years for which assumptions were made that did not turn out to be true in the end-state.

I acknowledge that construction by commercial and professional entities that typically finish construction within a year much of the time, will not be impacted as much by the concern regarding assumptions in valuations.

3. Some might say, if you have a problem with your assessment, go to the Board of Assessment Appeals (BAA). I have done that and discovered the following regarding our laws on property taxation:
 - A. Our statutes grant the Town Assessor the exclusive authority to assess property. By virtue of assessment authority, this individual can effectively tax whom they want, whatever they want, and when they want (on an annual assessment cycle). All they have to do is formally notify the property owner that their assessment has increased, and state the prior and new assessment. No reason or explanation is required, nor volunteered. The burden of contesting and disproving that action, is on the target of that action. Such absolute power has no place in our modern democracy.

A rational person’s reaction might well be, “There must be guidelines that Assessors have to follow and the person providing the testimony must be ignorant of them”.

Indeed, Town's usually have a methodology, typically supplied by the Town's revaluation company, but there is an enormous amount of subjectivity in the application of that methodology, and there is no statutory obligation for the Assessor to follow it.

B. Our Statutes give statutory authority to a BAA to hear appeals, but say nothing about the rules or process it must follow. It does not even have to document its deliberations or rationale, nor does it have any accountability. In most Towns, the appeals intake process is in fact handled by the very individual whose actions are being contested.

C. Going to Court over a property tax assessment is an expensive and stressful process. The odds are stacked against the individual tax payer, who must typically be prepared to expend \$20,000 and up in pursuing the matter, as must the municipality in defending the assessor's actions. For a municipality this is no problem, because it can just replenish its war chest – for example, last week my Town announced it was increasing its litigation budget from \$150,000 to \$215,000.

According to the Judicial Branch, 550,000 cases come to our Courts every year. The population of our State is approximately 3,580,000. Surely we do not need more cases in our Courts.

For most individuals, acquiescence is a less expensive and less stressful path to take. Do we really want to be an unjust society based on, "Don't fight Town Hall, you'll lose".

4. Based on our current law, on the day that a home (new construction or addition) is put to use or issued a certificate of occupancy, it becomes taxable. Sound public policy would be for Towns to say to home owners, "What can we do to help you complete your home, so that we can tax it in perpetuity!".

If a Bill along the lines of what you are contemplating becomes law, it would have a chilling effect on individuals building their own homes. For those of us doing so, the rational thing to do in order to avoid the cumulative impact of tax for many years while construction is in progress, would be to not even start construction. This would be contrary to the American dream regarding one's own home. It would also stifle the spirit of building one's own home, literally. Nor would such a situation serve the long-term interests of our Towns.

Thank you.



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