
OLR Bill Analysis

sHB 5035

AN ACT REDUCING MANDATES FOR MUNICIPALITIES..

SUMMARY:

This bill:

1. eliminates the tax on domestic insurance companies' total net direct premiums, other than on health insurance premiums, after January 1, 2014;
2. phases out, by 2016, the tax on domestic insurance companies' total net direct health insurance premiums and non-resident and foreign insurance companies' and health care centers' (i.e., HMOs') total net direct insurance premiums and subscriber charges, respectively, for policies that insure Connecticut municipalities;
3. explicitly authorizes municipalities to impose property tax on structures that are partially completed or under construction; and
4. allows an evicted tenant or former owner of a foreclosed property to request additional time to reclaim possessions after an eviction and authorizes a town's chief executive officer (CEO) to charge and collect from a landlord or mortgage holder (e.g., a bank) payment for storage expenses when the proceeds from the sale of the former tenant's or owner's possessions do not cover these costs.

EFFECTIVE DATE: Various, see below

§§ 4-6 — TAX BREAKS FOR INSURANCE COMPANIES AND HMOS

Domestic Insurance Companies Total Net Direct Premiums

The bill eliminates the tax on domestic insurance companies' total net direct premiums beginning January 1, 2014, except for premiums on health insurance.

Under current law, the premium tax rate for domestic companies is 1.75%. Under the bill, domestic insurance companies only pay tax on total net direct health insurance premiums as described below.

Tax Phase-out on Municipal Policies

Under current law, the premium tax rate for domestic, nonresident, and foreign insurance companies is 1.75%. The tax on HMO's direct subscriber charges is also 1.75%.

The bill phases out premium taxes on municipal health insurance policies in three steps for domestic insurance companies' and nonresident and foreign insurance companies' municipal policies.

It reduces the tax rate to 0.88% for calendar year 2014, 0.44% for calendar year 2015, and zero for calendar years 2016 and after. The rate remains 1.75% for these entities' non-municipal policies.

The bill requires that any invoice which includes the tax imposed under this bill that a domestic insurance company (i.e., not international or nonresident one) or HMO sends to a municipality for these policies separately state the reduced tax rate in the list of charges.

EFFECTIVE DATE: July 1, 2012, and applicable to calendar years beginning on or after January 1, 2014.

§§ 1-3 — PROPERTY TAX ON PARTIALLY CONSTRUCTED HOUSES AND OTHER BUILDINGS

The bill explicitly makes partially completed structures or structures under construction (e.g., a house being built) subject to municipal property tax.

Under current law, it is unclear whether a town's assessor may include the value of partially completed structures and improvements in a property's assessment. While tax assessors have commonly assessed buildings that are under construction, a recent Superior Court

decision, currently under appeal, has raised questions about whether state law authorizes them to do so (see BACKGROUND).

Under current law, non-exempted structures, such as residential homes, garages, barns, buildings used for business, and all other building lots and improvements on them are taxable at a uniform percentage of their present true and actual value, not greater than 100%, as an assessor determines. The law requires assessors assess property for 70% of that value (CGS § 12-62a). Under the bill, an assessor would determine the value of partially completed improvements to a structure and tax them accordingly.

Current law directs how tax assessors and tax collectors must treat new real estate construction that is completed after the October 1 assessment date. If the property was under construction on that date, it becomes taxable on either the date the certificate of occupancy is issued or the date it is first used for the purposes for which it was constructed, whichever is earlier, prorated for the assessment year in which the new construction is completed. The bill specifies that, on October 1, the municipal tax is based on the assessed value of the (1) completed new construction or (2) partially completed portion.

EFFECTIVE DATE: October 1, 2012, and applicable to assessment years beginning on or after that date.

§§ 7-8 — TIMING OF SALE OF AND COST OF STORING POSSESSIONS UNDER AN EVICTION OR FORECLOSURE EJECTEMENT

The bill allows (1) an evicted tenant or former owner of a foreclosed property to request additional time to reclaim possessions that were moved to storage during an eviction and (2) a municipality to obtain reimbursement for any storage costs remaining after the sale of unclaimed possessions from a landlord or mortgage holder.

By law, a state marshal who executed an eviction order or ejectment (for foreclosures) must move any remaining possessions and personal property to a storage facility that the town's CEO designates. The former tenant or owner is responsible for the cost of removal, delivery,

and storage of the possessions.

The law gives an evicted tenant or former owner 15 days to reclaim his or her stored possessions. After that time and an attempt to locate and notify the owner, the CEO can sell the property at public auction, after posting a notice of the sale. Under the bill, before a tenant's or former owner's 15-day storage period is up, he or she can request an additional 15 days to reclaim the possessions and pay the storage and other expenses.

By law, the chief elected official must give the former tenant or owner the proceeds of the sale after deducting the town's costs for the storage process. After 30 days, if the former tenant or owner does not claim the sale proceeds, they are deposited in the town treasury. Under the bill, if the sale proceeds do not cover the storage expenses, the CEO may charge and collect the difference from the landlord in the case of a former tenant or a bank or note holder (actual note and mortgage holder at the time the suit is filed) in the case of a former owner.

EFFECTIVE DATE: October 1, 2012

BACKGROUND

Superior Court Case on Taxing Structures that are under Construction

The case of *Kasica v Town of Columbia* concerns a partially constructed house on a 3.44 acre lot in Columbia, Connecticut. In 2008, Columbia's assessor valued the land at \$255,000 and the improvements (35% complete) at \$569,500. The property owner appealed the assessor's valuation to the Court, alleging, in part, that the assessor violated CGS § 12-53a by taxing the partially completed house.

The Court ruled that without the issuance of a certificate of occupancy by the building inspector, there was no statutory authority for the assessor to (1) value the subject premises as partially improved and (2) add this amount to Columbia assessment rolls.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 15 Nay 5 (03/02/2012)