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**OLR Bill Analysis****sHB 5317*****AN ACT CONCERNING THE INTEREST RATE ON DELINQUENT PROPERTY TAXES.*****SUMMARY:**

This bill (1) gives towns the option of reducing, from 18% to 12%, the annual interest rate they charge on delinquent property taxes and (2) requires all towns to calculate interest on a per diem, rather than a monthly, basis. The rate remains 1.5% per month (18% per year) for delinquent property taxes on personal property used in rendering certain telecommunications services (CGS § 12-80a). The bill requires local tax collectors to include the interest rate in the notice they publish concerning property tax deadlines.

By giving towns the option of reducing the rate and changing the accrual method for interest towns charge on delinquent property taxes, the bill also potentially reduces the interest charged on other delinquent taxes and assessments, which, by law, are linked to this statutory rate.

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

**INTEREST ON DELINQUENT PROPERTY TAXES**

Under current law, property taxes accrue interest at a rate of 1.5% per month (18% per year) for each month or part of a month that elapses between the due date and the payment date. The bill allows a municipality, by vote of its legislative body (or in a municipality where the legislative body is a town meeting, by vote of the board of selectmen or town council) to establish a 12% interest rate for delinquent property taxes. The rate remains at 18% for towns that do not adopt the optional 12% rate.

The bill also requires all towns to calculate interest on a per diem

basis. As under current law, the minimum interest charge is \$2, but a municipality may, by vote of its legislative body, choose not to impose the minimum.

### **INTEREST ON OTHER DELINQUENT TAXES AND ASSESSMENTS**

By law, the interest rate on other delinquent taxes and assessments is linked to the interest rate towns charge on delinquent property taxes. Thus, under the bill, the interest on these other delinquent taxes and assessments would (1) be reduced to 12% for any town that adopts the lower rate and (2) accrue on a per diem, rather than a monthly, basis.

They include:

1. sewer system installation and connection assessments (CGS §§ 7-254 and 7-258);
2. the special assessment municipalities can impose on blighted housing (CGS § 12-169b);
3. taxes, fees, rents, or benefit assessments set by the Great Pond and Millbrook Greens Improvement Districts in Windsor (SA 11-8, §§ 1 (f)(3) and 2 (f)(3));
4. taxes, fees, rents, or benefit assessments set by the River Falls Improvement District in Seymour (SA 10-4, § 1(e)(3));
5. tax assessments for members of the Cornfield Point Association in Old Saybrook (§§ 13 and 14 of No. 467 of the 1943 Special Acts, as amended by SA 09-13);
6. tax assessments for members of the Shaker Pines Lake Association, Inc. in Enfield (§ 21 of No. 375 of 1935 Special Acts, as amended by § 16 of SA 89-37);
7. the annual assessment imposed by the Lake Garda Improvement Association in Farmington and Burlington (§ 9 of No. 255 of 1943 Special Acts, as amended by SA 03-16);

8. taxes, fees, rents, or benefit assessments set by the Harbor Point Infrastructure Improvement District in Stamford (SA 07-6, § 1(f)(3)); and
9. taxes, fees, rents, benefit assessments, and other charges set by the Greenway Commons Improvement District in the Town of Southington (SA 09-11, § 1(f)(3)).

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 19 Nay 1 (03/07/2012)