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## OLR Bill Analysis

### sSB 399

#### ***AN ACT CONCERNING ANNUAL ADJUSTMENTS TO ASSESSMENT RATES ADOPTED FOR APARTMENT AND RESIDENTIAL PROPERTIES.***

#### **SUMMARY:**

PA 11-212 required a municipality that met certain conditions to make annual adjustments to the assessment ratios for residential and apartment property, beginning with the 2011 assessment year, as long as the assessment ratio for any property class did not exceed 70%. It applied to any municipality that, in the 2010 assessment year, was implementing the law that allows towns to provide a special property tax relief program. Hartford is the only municipality that used this program and is thus the only municipality the act affects.

This bill modifies the act's annual residential and apartment property assessment ratio adjustments. Among other things, it:

1. adjusts the assessment ratios for the 2011 assessment year (which began October 1, 2011, for taxes due in FY 13) for residential and apartment property to 27% and 60%, respectively, of fair market value;
2. bars the city from simultaneously phasing in assessment increases from a revaluation;
3. requires Hartford's assessor to publish the 2011 grand list, within 15 days of the bill's passage, and issue assessment increase notices to property owners; and
4. allows aggrieved property owners to appeal their assessments to the board of assessment appeals.

PA 11-212 also allowed voters in Hartford to petition for a referendum on any budget that increases the tax levy by more than

2.6% over that for the prior fiscal year. The bill (1) changes the trigger for the referendum; (2) specifies that the referendum is on the budget proposed for the following fiscal year, rather than the budget for the fiscal year in progress; and (3) specifies how the budget must be revised if it is voted down.

EFFECTIVE DATE: Upon passage, and applicable to assessment years starting on or after October 1, 2011.

## **PROPERTY TAX ASSESSMENT RATIO ADJUSTMENTS**

### ***Residential Property***

PA 11-212 required Hartford's assessor to calculate an assessment ratio for residential property for the 2011 assessment year that (1) produced an average annual property tax increase attributable to revaluation of 3.5% over the 2010 assessment year and (2) was at least 23%. The bill instead requires that residential property be assessed at a minimum of 27% for the 2011 assessment year.

PA 11-212 also required an additional adjustment to the residential assessment ratio to reflect the growth in property taxes levied over the previous fiscal year, adjusted for inflation. The adjustment ranged from 0% to 5%, depending on the growth in the "adjusted tax levy," and applied to assessment years beginning on and after October 1, 2011. The act defined "adjusted tax levy" as the total amount of taxes the city raises in a fiscal year.

The bill (1) modifies this annual adjustment schedule, as Table 1 shows; (2) eliminates the requirement that the assessor adjust the tax levy growth for inflation; and (3) specifies that the adjusted tax levy is the total amount of taxes the city raises in a fiscal year as provided in the most recent budget adopted by the city's legislative body and signed by the chief elected official.

The assessor must calculate the adjustment before completing the 2011 grand list, and each assessment year thereafter. PA 11-212 required him to do so by January 31 or upon completing the grand list, whichever is later. The residential assessment ratio calculated each

year is the base ratio for calculating the following year’s residential assessment ratio.

**Table 1. Residential Property Assessment Ratio Adjustments**

| <b>CURRENT LAW</b>  |  | <b>BILL</b>  |   |
|---|--|--|---|
| <i>If the Adjusted Tax Levy in the Current Fiscal Year (Adjusted for Inflation)</i> | <i>Increase in Residential Property Assessment Ratio</i> | <i>If the Adjusted Tax Levy Used to Calculate the Mill Rate in the Current Fiscal Year</i>   | <i>Increase in Residential Property Assessment Ratio</i>            |
| Is less than that of the prior FY by more than 0.5%                                 | None   | Is less than that of the prior FY by more than 0.5%  | None  |
| Is equal to or less than 0.5% less than that of the prior FY                        | 1.5%   | (1) Is equal to or less than 0.5% less than that of the prior FY and<br>(2) if the difference is less than or equal to \$3 million | 1.5% points   |
| Exceeds that of the prior FY by 50% of the inflation rate or less                   | 2.5%   |  | Exceeds that of the prior FY by between \$3 million and \$6 million |
| Exceeds that of the prior FY by between 50% and 100% of the inflation rate          | 3.5%   | Exceeds that of the prior FY by between \$6 million and \$9 million  | 3.5% points   |
| Exceeds that of the prior FY by more than 100% of the inflation rate                | 5%   | Exceeds that of the prior FY by between \$9 million and \$12 million   | 4.5% points   |
|   |  | Exceeds that of the prior FY by more than \$12 million   | 5% points   |

The bill expands the definition of residential property to include (1) common interest communities and (2) condominiums used for residential purposes. Current law defines residential property as any building, land, and accessory building and improvements having one to three dwelling units and apartment property as having four or more.

### ***Apartment Property***

PA 11-212 required Hartford to assess apartment property at 50% of its fair market value for the 2011 assessment year and, beginning with the 2012 assessment year, proportionately increase this assessment so that it is 70% by the 2015 assessment year. The bill makes the apartment assessment ratio 60% for the 2011 assessment year, 65% for 2012, and 70% for 2013.

### **ASSESSMENT INCREASE NOTICES AND APPEALS FOR THE 2011 GRAND LIST**

The bill requires Hartford's assessor to publish the city's 2011 grand list within 15 days of the bill's passage, notwithstanding the law requiring assessors to do so by January 31 of each year. It requires the assessor or board of assessors to mail a written assessment increase notice to any property owner whose property value increased over the 2010 grand list to the property owner's last known address. By law, the written notice must be sent no later than 10 days after the assessor signs the grand list.

The bill authorizes aggrieved property owners to appeal their assessments in writing to the board of assessment appeals within 10 business days of receiving the notice. The board must notify appellants by September 1, 2012 about (1) the date, time, and place of the hearing or (2) its decision not to hold a hearing. By law, the board must hold a hearing on assessments except those over \$1 million for commercial, industrial, utility, or apartment property. If the board chooses not to hold a hearing, the appellant may appeal directly to the Superior Court.

Appeals filed before the bill's passage are subject to existing law's deadlines for filing, hearing, and deciding assessment appeals. Any such appellants retain the right to appeal to the Superior Court.

### **BUDGET REFERENDUM**

PA 11-212 allows voters in Hartford to petition for a referendum on any budget that increases the tax levy by more than 2.6% over that for the prior fiscal year. The bill (1) specifies that the referendum is on the

budget proposed for the following fiscal year, rather than the budget for the fiscal year already in progress and (2) changes the trigger for the referendum to an increase in the tax levy of more than \$6 million over that in the current fiscal year. As under current law, 1% of voters must petition for the referendum by June 15.

Under PA 11-212, if voters did not approve the budget, the city was required to limit the tax levy increase to 2.6%. The bill instead requires that the budget revert to the preceding fiscal year's budget, adjusted by the amount necessary to meet the Pension Commission's funding requirement and any legally and contractually required increases certified by the finance director.

## **BACKGROUND**

### ***Hartford's Property Tax Relief Program, 2006 – 2010***

PA 06-183 allowed Hartford to implement a special property tax relief program for residential and apartment property from 2006 to 2010. Instead of assessing all real property at 70% of fair market value, the act allowed Hartford to assess different types of property at different rates. It required the Hartford assessor to calculate two annual assessment ratios, one for residential and apartment property classes and one for all other classes. The two ratios had to produce, in the revaluation year and each of the four following years (2006 through 2010), an average annual property tax increase attributable to the revaluation of 3.5% for residential and apartment classes.

PA 06-183 required the city to use the revenue from the tax increases on residential and apartment property to proportionately reduce the 15% tax surcharge on the other property classes that had been in place since Hartford instituted its property "tax cap" program in 1990. The surcharge had to be no more than 7.5% in the October 1, 2010 assessment year. PA 06-183 repealed the statute authorizing the surcharge as of the same assessment year.

## **COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 50 Nay 0 (04/03/2012)