OLR Bill Analysis

sSB 399 (File 578, as amended by Senate "A")*

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 begin to equalize 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 30.5% 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 2011 assessments to the board of assessment appeals, as long as they have not already done so.

The bill also modifies provisions in PA 11-212 that 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.

In addition, the bill establishes two revaluation phase-in programs for municipalities that meet certain conditions. The first program allows a municipality to phase-in real property assessment increases for residential properties for the 2011 assessment year. It applies to any municipality that, in the 2010 assessment year, was implementing the law that allowed towns to suspend a revaluation phase-in. New Haven was the only municipality to suspend a revaluation phase-in for the 2010 assessment year and is thus the only municipality that may implement this program.

The second program allows a municipality to phase-in a portion of a revaluation increase or decrease for all real property for the 2012 assessment year. It limits the program to a municipality with a population of between 73,000 and 73,500 based on the most recent federal census. New Britain is the only municipality that meets the criterion.

*Senate Amendment "A" among other things, (1) increases, from 27% to 30.5%, the 2011 residential property assessment ratio in Hartford; (2) modifies the additional residential assessment adjustment calculation and postpones its implementation by one year; (3) limits property owners to one appeal for the 2011 assessment year; and (4) adds the revaluation phase-in programs for New Haven and New Britain.

EFFECTIVE DATE: Upon passage and applicable to assessment years starting on or after October 1, 2011, except for the New Britain phase-in program, which is effective upon passage and applicable to assessment years starting on or after October 1, 2012.

PROPERTY TAX ASSESSMENT RATIO ADJUSTMENTS (HARTFORD)

Residential Property Assessment Ratio for 2011

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 30.5% for the 2011 assessment year.

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

Additional Assessment Ratio Adjustment for Residential Property

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.

Calculating the Adjusted Tax Levy. Under the bill, the adjusted tax levy is instead 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, adjusted for the grand list growth attributable to certain new construction or major remodeling, but not for inflation.

The assessor must calculate any grand list growth attributable to new construction or major remodeling that results in an annual assessment increase of at least $700,000 to any one property, regardless of its property tax levy, in the following property classes: (1) commercial, class code 200; (2) industrial, class code 300; (3) utility, class code 400; and (4) apartments, class code 800. In calculating this amount, the assessor must disregard any assessment increase due to (1) a revaluation, (2) an increase in the apartment or residential assessment ratios, and (3) assessment penalties on real and personal property.

The assessor must subtract from the adjusted tax levy 35% of the total amount of taxes attributable to this grand list growth.

Report on Grand List Growth Attributable to New Construction and Major Remodeling. The bill requires the assessor to report, within 15 days after signing the grand list, a list of properties included in the calculation of grand list growth attributable to new construction and major remodeling. The report must include (1) the property owner's name; (2) the property's address, previous and new assessed value, and class code; (3) the reason for the change in assessed value, and (4) any other information the assessor deems relevant. The report must be published in a newspaper with substantial circulation in the municipality or may be publicized by any other method specified by local ordinance.

Annual Adjustment Schedule. The bill (1) postpones the application of the additional residential assessment ratio adjustment by one year, to the 2012 assessment year, and (2) modifies the annual adjustment schedule, as Table 1 shows.

Table 1: Residential Property Assessment Ratio Adjustments

CURRENT LAW		*BILL*	
If the Adjusted Tax Levy in the Current Fiscal Year (Adjusted for inflation)	*Increase in Residential Property Assessment Ratio*	*If the Adjusted Tax Levy Used to Calculate the Mill Rate in the Current Fiscal Year (After adjusting for the grand list growth described above)*	*Increase in Residential Property Assessment Ratio*
Is less than that of the prior FY by more than 0.5%	None	Is less than or equal to that of the prior FY	0.5% points
Is equal to or less than 0.5% less than that of the prior FY	1. 5%	Exceeds that of the prior FY by up to $3.5 million	2% 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 $3.5 million and $5 million	3% point
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 $5 million and $7.5 million	4% points
Exceeds that of the prior FY by more than 100% of the inflation rate	5%	Exceeds that of the prior FY by between $7.5 million and $10 million	5% points
		Exceeds that of the prior FY by more than $10 million	6% points

The assessor must calculate the adjustment before completing the 2012 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.

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 (1) authorizes aggrieved property owners to appeal their assessments in writing to the board of assessment appeals within 20 calendar days after the assessor certifies the grand list and (2) limits property owners to one appeal for the 2011 assessment year.

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 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 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 any legally and contractually required increases certified by the Hartford finance director.

REVALUATION PHASE-IN PROGRAMS

Phase-In For Residential Property (New Haven)

The bill allows New Haven to gradually phase in residential property assessment increases attributable to the city's 2011 revaluation for tax bills due in FY 13. It allows New Haven to implement the revaluation phase-in if the city adopts an ordinance to do so and the city assessor determines that, without the program, some residential property assessments would increase by more than 50% as a result of the city's 2011 revaluation. The bill defines residential property as any building, and and accessory buildings and improvements having one to four dwelling units.

Under the program, each residential property's 2010 assessment must be subtracted from its assessment following the 2011 revaluation. The annual assessment increase applicable to such properties is the result of the subtraction divided by the number of years of the phase-in term. Thus, if the parcel's 2010 value was $100,000 and its value following the 2011 revaluation is $150,000, and the town chooses a five year phase-in, the assessment would increase by $10,000 each year ($50,000 divided by 5).

Partial Phase-In (New Britain)

The bill allows New Britain to "phase-in" a portion of the assessment increases and decreases from its 2011 revaluation, for tax bills due in FY 14. The municipality's legislative body must approve the phase-in (1) method and (2) term, which cannot exceed five assessment years, including the revaluation year.

Under the program, New Britain must establish an exemption rate of at least 25%. It must multiply this rate by the assessment increase or decrease for all real property parcels to determine the amount of the (1) increase not subject to taxation or (2) decrease that will not be credited to the property's assessment during the phase-in term. Presumably, the legislative body can choose to determine each property owner's assessment during the phase-in term by either (1) subtracting the amount exempt from payment or credit from the property's revaluation assessment or (2) subtracting the exemption rate from the percentage change between the property's 2011 and 2012 assessments and multiplying this factor by the property's 2012 assessment.

Common Elements in Both Phase-In Programs

The bill establishes the same requirements for both revaluation phase-in programs concerning the (1) approval of the phase-in, (2) treatment of new construction during the program, and (3) process for discontinuing the program.

Approving the Phase-In. The municipality's legislative body must approve the phase-in, which cannot exceed five assessment years, including the revaluation year. Its chief elected official must notify the Office of Policy and Management (OPM) secretary in writing within 30 business days after the legislative body decides to implement or discontinue the phase-in. Failure to do so subjects the official to a $100 fine.

Assessment of New Construction During the Phase-In. Under both programs, new construction must be assessed in the same way as comparable property, so that the total assessment increases that apply to the comparable properties are reflected in the new construction's assessment, prior to the prorating required by law. By law, a property that gets its certificate of occupancy, or that is first used for its intended purposes six months into an assessment year, is subject to half of the tax that would apply to a comparable property on the assessment list on the first day of the assessment year.

Discontinuing the Phase-In. The municipality's legislative body may discontinue the phase-in at any time before it is completed, as long as it is done by the assessment date (October 1) for the assessment year in which the discontinuance is effective. In the following assessment year, assessments must reflect the values of real property established by the revaluation, subject to (1) additions for new construction and reductions for demolitions occurring after revaluation and by the date of its completion or discontinuance and (2) the rate of assessment applicable in that year.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 50 Nay 0 (04/03/2012)