



OLR RESEARCH REPORT

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PROPERTY TAX REVALUATION

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You asked us to summarize the laws governing property revaluation, including current and prior laws providing options for implementing a revaluation.

SUMMARY

Every October 1, municipalities assess real property for taxes based on its fair market value, which changes over time. They capture changes in those values by periodically revaluing property according to a statutory process that, among other things, specifies how frequently municipalities must revalue property (i.e., revaluation cycle), the methods they may use to determine value, and how they must notify each property owner about changes in his or her property's value. The process also imposes penalties on municipalities that fail to revalue property when the law requires.

The revaluation statutes also address a revaluation's potential impacts, including tax increases. They do so by allowing municipalities to phase in the new values over five years or, in more limited circumstances, shift the tax burden from residential to non-residential property. The legislature has also allowed some municipalities that were scheduled to revalue property during a specified year to do so in a later year.

Lastly, the statutes allow property owners to appeal their new property values to a municipality's board of assessment within specified timeframes.

WHY MUNICIPALITIES REVALUE PROPERTY

Municipalities revalue property to capture changes in its fair market value, thus ensuring that its owner pays his or her fair share of property taxes. The fair market value is the price a seller and buyer agree upon when both are knowledgeable about the sale and willing and unpressured to make it. Connecticut law prohibits basing fair market value on the results of a forced or auction sale ([CGS § 12-63](#)).

Revaluation captures fluctuations in fair market value and helps municipalities avoid under- or over-taxing property owners. For example, if a property's fair market value jumps from \$200,000 to \$250,000, the property owner pays taxes on the lower value until the municipality revalues property. If the fair market value dropped instead to \$150,000, the owner pays taxes on \$200,000 until the municipality revalues property.

REVALUATION CYCLES

Arguably, municipalities could minimize the chances of under- or over-taxing property by revaluing it every year. But revaluations are costly, especially those in which tax assessors physically inspect each property. The legislature sought to balance the need for frequent revaluations against their cost by adjusting the maximum period municipalities could assess property without revaluing them. It also distinguished between physical inspections and statistical analysis and required municipalities to implement the methods according to different cycles.

Pre 1995: 10-Year Cycle and Embedded Five-Year Subcycle

Before 1995, the law required municipalities to revalue property by inspecting it every 10 years and allowing them to revalue property by analyzing sales statistics within five years after inspection.

1995: 12-Year Cycle and Two Embedded Four-Year Cycles

Starting in 1995, the legislature made several changes to the revaluation cycle. That year it lengthened the interval for physical revaluations from 10 to 12 years and required municipalities to revalue

property based on statistics every four years within each 12-year cycle (PA 95-283).

1997: Four-Year Cycle and Separate 12-Year Cycle Inspection Cycle

In 1997, the legislature made two related changes. It required municipalities to revalue property every four years, but allowed them to decide whether to do so by inspecting property, analyzing sales statistics, or a combination of the two methods. It also required municipalities to inspect each property at least once every 12 years. Taken together, these requirements allowed a municipality to spread out inspection costs over 12 years and use the inspection and statistical data gathered during the four-year period to complete the next revaluation (PA 97-254).

2004: Five-Year Cycle and Separate 12-Year Inspection Cycle

In 2004, the legislature lengthened the interval between revaluations from four to five years. It has not changed it since [\(CGS § 12-62 \(b\) \(1\)\)](#), as amended by PA 04-2, May Special Session.

OCTOBER 1 ASSESSMENT DATE

The results of a revaluation take effect on October 1, the date by which municipalities must annually assess all property for taxes regardless of whether they revalued it [\(CGS § 12-62a \(a\)\)](#). By law, municipalities must assess property at 70% of its fair market value [\(CGS § 12-62a \(b\)\)](#). During a non revaluation year, a municipality mostly bases the October 1 assessment on the prior year's values, adjusting them for improvements made since the previous October 1. It also adds newly constructed property to its list of taxable property (i.e., the net grand list) and reduces the value of property damaged or destroyed in the previous year.

REVALUATIONS AND TAX BILLS

Regardless of whether assessments go up or down on October 1, property owners believe the change will be reflected in their December 1 tax bills. But, the October 1 assessment does not affect these bills because they are based on property values on October 1 in the prior year.

For example, a property owner does not pay taxes on property assessed for taxes on October 1, 2012 until July 1, 2013. The taxes he or she pays on December 1, 2012 is the second payment on the assessment

the municipality made on October 1, 2011. The property owner made the first payment on the October 1, 2011 assessment on July 1, 2012, which is also the start of the municipal fiscal year ending 2013.

REVALUATION METHODS

In 2006, the legislature revamped and updated the revaluation laws, including those governing revaluations methods. It eliminated the notion that assessors could revalue property only by analyzing statistics or inspecting it and instead allowed them to use several methods and techniques they were already using.

For example, the legislature explicitly allowed tax assessors to use mass appraisal methods, which include determining a property's value by comparing the recent sales of comparable properties, calculating how much it costs to replace buildings on the property, and, in some cases, estimating how much income a property generates ([CGS § 12-62\(b\) \(2\)](#)).

During each revaluation, the legislature also required assessors to view each property in its neighborhood setting (i.e., field review) without necessarily inspecting it and directed them to use the data to update or correct the information they already had ([CGS § 12-62 \(a\) \(2\)](#)).

The legislature kept the requirement that assessors physically inspect each property at least once every 10 years and use the data for the next five-year revaluation. But it also allowed them to skip a scheduled 10-year inspection by assessing the quality of their current data. To do this, an assessor must:

1. send a questionnaire to each owner asking for information about the property's acquisition and to verify the information the assessor already has about the property and
2. evaluate the quality of the responses.

If the assessor is satisfied with the overall results, he or she may inspect only those properties for which they received no responses or unsatisfactory ones ([CGS § 12-62 \(b\) \(4\)](#)).

Lastly, the legislature specified that assessors, when revaluing property, had to verify its exterior dimensions as well as enter and examine the property's interior. It specifically allowed them to enter and inspect it only with the owner's or an adult occupant's permission ([CGS § 12-62 \(a\) \(3\)](#)).

PENALTIES FOR FAILING TO IMPLEMENT A REVALUATION

By law, if a municipality fails to implement a revaluation, it loses 50% of its Mashantucket Pequot and Mohegan Fund grant and 100% of its Local Capital Improvement Program grant. The state imposes these penalties at the start of the July 1 fiscal year following the revaluation's October 1 deadline and continues to do so until the municipality implements the revaluation. The municipality may request the Office of Policy and Management (OPM) secretary to waive the penalties ([CGS § 12-62 \(d\) \(2\)](#)).

DEFERRING OR DELAYING REVALUATIONS

Legislative Deferrals

The legislature has, on a case-by-case basis, allowed municipalities to delay implementing a scheduled revaluation to a later specified date ([CGS § 12-62i](#)). In 2002, it allowed all municipalities to skip a revaluation without legislative approval if they could show through statistical calculations that properties' fair market value is relatively stable (PA 02-49). Originally, this option was available until October 1, 2007, but the legislature eliminated it in 2006 (PA 06-148).

Local Postponements

The law allows municipalities to delay implementing a revaluation when they need more time to complete it. A municipal chief executive officer (CEO) can grant a one- or two-month extension to the assessors and board of assessment appeals to complete their duties. The CEO cannot grant longer extensions without the OPM's secretary approval. The secretary may grant a one-year extension if the board cannot meet the statutory deadlines for hearing and deciding appeals. If he does so, he cannot grant another in the subsequent year ([CGS § 12-117](#)).

NOTIFYING TAXPAYERS ABOUT REVALUATIONS

Municipalities must notify property owners about a revaluation's results. Tax assessors must send a written notice to each property owner's last known address no earlier than the October 1 and no later than 10 days after the assessors' sign the grand list. The notice must indicate the property's value before and after revaluation, state that the owner has the legal right to appeal the new assessment, and explain how he or she may do so ([CGS § 12-62 \(f\)](#)).

Municipalities must also allow property owners to inspect the documents used to revalue property. They must allow them to inspect the criteria, guidelines, price schedules, and procedures from the date of they received their assessment notices until the municipality's next revaluation takes effect. For at least 12 months after the revaluation's effective date, municipalities must also allow property owners to inspect the property sales data by neighborhood for the 12 months preceding the revaluation ([CGS § 12-62 \(c\)](#)).

Besides notifying taxpayers, municipalities must notify the OPM secretary within 30 days after the assessor signs and files the revalued grand list ([CGS § 12-62 \(d\)](#)).

OPTIONS FOR IMPLEMENTING A REVALUATION (CGS § 12-62c)

Property taxes could increase if property values increased before a revaluation and the municipality maintains or increases the tax rate in the subsequent fiscal year. Consequently, the legislature has authorized several steps municipalities can take to reduce a revaluation's impact.

Phase-ins

The law allows municipalities to phase in some or the entire dollar or percentage increase in a property's assessed value over five years. It also allows them to divide the property into classes and phase in the percent age increase for each class (PA 06-148). (OLR report [2005-R-0751](#) provides more details about the phase-in methods.)

Relieving Post Revaluation Burdens on Residential Property

Since 1989 the legislature has authorized several methods to reduce the aftershocks on residential property. PA 89-251 allowed municipalities to grant tax credits to residential property owners while imposing a surcharge on non-residential owners. But a municipality may do so only if the post revaluation tax on residential property exceeded 1.5%. Hartford was the only municipality that used the method. (OLR report [2000-R-0448](#) provides more details about this option.)

In 2006, the legislature repealed the tax cap beginning October 1, 2010, but authorized a new one available only to municipalities that implemented the cap (again, only Hartford). The new cap limited the annual residential property tax increases to 3.5% for five years, but required the municipality to reduce the non-residential property tax surcharge to no more than 7.5% as of October 1, 2010 (PA 06-183).

In 2011, the legislature shifted gears, requiring Hartford to adjust the assessment ratio for residential property (up to three dwelling units) so that its average annual tax increase does not exceed specified limits. It also required Hartford to assess apartments (four or more units) in 2011 at 50% of their fair market value and to proportionately increase the assessment to 70% of that value from 2012 to 2015. (The OLR analysis for [PA 11-212](#) provides more details.)

PROPERTY OWNERS APPEAL RIGHTS

As noted above, municipalities must assess property on October 1 annually for the taxes they will levy in July. Property owners can appeal each annual assessment, regardless of whether it resulted from a revaluation, to the municipality's board of assessment appeals. But a property owner must do so in writing by February 20 and include, among other things, their names, a description of the property, the reasons for the appeal, and their estimate of the property's value ([CGS § 12-111](#)).

The appeals board must hold a hearing on each appeal except those for commercial, industrial, utility, or apartment properties assessed at over \$1 million ([CGS § 12-111](#)). In cases where the board must hold a hearing or chooses to hold one, it must:

1. notify the appellant of the hearing's date, time, and place by March 1;
2. hold the hearing in March; and
3. decide the appeal by the last business day of March.

If the board chooses not to hold a hearing on business or apartment property assessed at over \$1 million, it must notify the appellant about its decision by March 1. An appellant can appeal the board's decision directly to Superior Court ([CGS § 12-111](#)).

The board can increase or decrease the assessment on any taxable property or any interest in it ([CGS § 12-111](#)), but it can reduce the assessment only if:

1. the appellant or his or her attorney or agent appears at the hearing and agrees to be sworn before the board and answers all questions regarding the property and
2. it records the reduction in the minutes of the board's meeting ([CGS § 12-113](#)).

If the board increases or decreases the assessment, the law freezes the new value until the next time the town revalues property, with few statutory exceptions.

A property owner can appeal the board's action to the Superior Court for the judicial district where the property is located, but doing so does not stop the municipality from collecting up to 75% of the tax owed on the property (90% for property assessed at \$500,000 or more) ([CGS § 12-117a](#)).

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