



Senate

General Assembly

File No. 257

January Session, 2013

Substitute Senate Bill No. 820

Senate, April 2, 2013

The Committee on Planning and Development reported through SEN. CASSANO, S. of the 4th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE INTEREST RATE ON DELINQUENT PROPERTY TAXES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 12-145 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2013, and*
3 *applicable to assessment years commencing on or after said date*):

4 The tax collector of each municipality shall, at least five days next
5 preceding the time when each tax becomes due and payable, give
6 notice of the time and place at which the tax collector will receive such
7 tax by advertising in a newspaper published in such municipality or, if
8 no newspaper is published in such municipality, by advertising in any
9 newspaper of the state having a general circulation in such
10 municipality and by posting such notice on a signpost therein, if any,
11 otherwise on a signpost in the town within which such municipality is
12 situated, if any, or at some other exterior place near the office of the
13 town clerk. The tax collector shall repeat such advertising within one

14 week after such tax has become due and payable and, again, at least
15 five days before such tax becomes delinquent. Each such notice shall
16 give each date on which such tax shall become due and payable and
17 each date on which such tax shall become delinquent, and shall state
18 that, as soon as such tax becomes delinquent, it shall be subject to
19 interest [at the rate of one and one-half per cent of such tax for each
20 month or fraction thereof which elapses] from the time when such tax
21 becomes due and payable until the same is paid. Such notice shall
22 further state the rate at which any delinquent tax shall accrue interest.
23 The tax collector of a municipality may waive the interest on
24 delinquent property taxes if the tax collector and the assessor, jointly,
25 determine that the delinquency is attributable to an error by the tax
26 assessor or tax collector and is not the result of any action or failure on
27 the part of the taxpayer. The tax collector shall notify the taxing
28 authority of the municipality of all waivers granted pursuant to this
29 section.

30 Sec. 2. Section 12-146 of the general statutes is repealed and the
31 following is substituted in lieu thereof (*Effective October 1, 2013, and*
32 *applicable to assessment years commencing on or after said date*):

33 Unless the context otherwise requires, wherever used in this section,
34 "tax" includes each property tax and each installment and part thereof
35 due to a municipality as it may have been increased by interest, fees
36 and charges. If any tax due in a single installment or if any installment
37 of any tax due in two or more installments is not paid in full (1) on or
38 before the first day of the month next succeeding the month in which it
39 became due and payable, or if not due and payable on the first day of
40 the month, (2) on or before the same date of the next succeeding month
41 corresponding to that of the month on which it became due and
42 payable, the whole or such part of such installment as is unpaid shall
43 thereupon be delinquent and shall be subject to interest from the due
44 date of such delinquent installment. Except for unpaid real estate taxes
45 the collection of which was, or is, deferred under the provisions of
46 section 12-174, and any predecessor and successor thereto, which
47 unpaid real estate taxes continue to be subject to the provisions of such

48 deferred collection statutes, and except for any taxes due in a
49 municipality that has adopted the provisions of section 3 of this act,
50 the delinquent portion of the principal of any tax shall be subject to
51 interest at the rate of eighteen per cent per annum from the time when
52 it became due and payable until the same is paid, subject to a
53 minimum interest charge of two dollars which any municipality, by
54 vote of its legislative body, may elect not to impose, [and] provided, in
55 any computation of such interest, under any provision of this section
56 or section 3 of this act, each fractional part of a month in which any
57 portion of the principal of such tax remains unpaid shall be considered
58 to be equivalent to a whole month. Each addition of interest shall
59 become, and shall be collectible as, a part of such tax. Interest shall
60 accrue at said rate until payment of such taxes due notwithstanding
61 the entry of any judgment in favor of the municipality against the
62 taxpayer or the property of the taxpayer. Except as hereinafter
63 specified for taxes representing two or more items of property, the
64 collector shall not receive any partial payment of a delinquent tax
65 which is less than the total accrued interest on the principal of such tax
66 up to the date of payment and shall apply each partial payment to the
67 wiping out of such interest before making any application thereof to
68 the reduction of such principal; provided, whenever the first partial
69 payment is made after delinquency, interest from the due date of such
70 delinquent tax to the date of such partial payment shall be figured on
71 the whole or such part of the principal of such tax as is unpaid at the
72 beginning of delinquency and provided, whenever a subsequent
73 partial payment of such tax is made, interest shall be figured from the
74 date of payment of the last-preceding, to the date of payment of such
75 subsequent, partial payment on the whole or such balance of the
76 principal of such tax as remains unpaid on the date of the last-
77 preceding partial payment. If any tax, at the time of assessment or
78 because of a subsequent division, represents two or more items of
79 property, the collector may receive payment in full of such part of the
80 principal and interest of such tax as represents one or more of such
81 items, even though interest in full on the entire amount of the principal
82 of such tax has not been received up to the date of such payment; in

83 which event, interest on the remaining portion of the principal of any
84 such tax shall be computed, as the case may be, from the due date of
85 such tax if no other payment after delinquency has been made or from
86 the last date of payment of interest in full on the whole amount or
87 unpaid balance of the principal of such delinquent tax if previous
88 payment of interest has been made. Each collector shall keep a separate
89 account of such interest and the time when the same has been received
90 and shall pay over the same to the treasurer of the municipality of the
91 collector as a part of such tax. No tax or installment thereof shall be
92 construed to be delinquent under the provisions of this section if the
93 envelope containing the amount due as such tax or installment, as
94 received by the tax collector of the municipality to which such tax is
95 payable, bears a postmark showing a date within the time allowed by
96 statute for the payment of such tax or installment. Any municipality
97 may, by vote of its legislative body, require that any delinquent
98 property taxes applicable with respect to a motor vehicle shall be paid
99 only in cash or by certified check or money order. Any municipality
100 adopting such requirement may provide that such requirement shall
101 only be applicable to delinquency exceeding a certain period in
102 duration as determined by such municipality. Any municipality shall
103 waive all or a portion of the interest due and payable under this
104 section on a delinquent tax with respect to a taxpayer who has
105 received compensation under chapter 968 as a crime victim.

106 Sec. 3. (NEW) (*Effective October 1, 2013, and applicable to assessment*
107 *years commencing on or after said date*) Any municipality may, by a vote
108 of its legislative body or, where the legislative body is a town meeting,
109 by a vote of its board of selectmen or its town council, elect to subject
110 the delinquent portion of the principal of any property tax to an
111 interest rate of twelve per cent per annum from the time when such tax
112 became due and payable until the same is paid. Such interest shall be
113 calculated and collected in accordance with the provisions of section
114 12-146 of the general statutes, as amended by this act.

115 Sec. 4. Subsection (b) of section 12-80a of the general statutes is
116 repealed and the following is substituted in lieu thereof (*Effective*

117 *October 1, 2013, and applicable to assessment years commencing on or after*
118 *said date):*

119 (b) (1) Not later than the first day of February immediately
120 following the end of such tax year, the Secretary of the Office of Policy
121 and Management shall determine, with respect to such company, a
122 value for personal property equivalent to seventy per cent of the value
123 of personal property included in the list of such property prepared and
124 certified in accordance with subsection (a) of this section. The amount
125 of tax applicable with respect to such personal property of any
126 taxpayer subject to the tax imposed under this section shall be
127 determined by multiplying the value of personal property of such
128 company, as determined under this subsection, by a mill rate of forty-
129 seven mills. Said secretary shall, not later than the first day of March
130 immediately following the end of such tax year, submit a tax bill to
131 each company stating the amount of tax payable to each town in
132 relation to the personal property of such taxpayer located in such
133 town. Such tax shall be due and payable to the town in which such
134 personal property is located not later than the first day of April
135 immediately following. Any city or borough not consolidated with the
136 town in which it is located and any town containing such a city or
137 borough shall receive a portion of the tax due and payable to such
138 town on the basis of the following ratio: The total taxes levied in the
139 previous fiscal year by such town, city or borough shall be the
140 numerator of the fraction. The total taxes levied by the town and all
141 cities or boroughs located within such town shall be added together,
142 and the sum shall be the denominator of the fraction. Any such city or
143 borough may, by vote of its legislative body, direct the Secretary of the
144 Office of Policy and Management to reallocate all or a portion of the
145 share of such city or borough to the town in which it is located.

146 (2) The person responsible for the collection of taxes for each town,
147 city or borough owed taxes under this subsection may, at such time as
148 such tax becomes delinquent as provided in sections 12-146 and 12-
149 169, subject such tax to interest [at the rate of one and one-half per cent
150 of such tax for each month or fraction thereof which elapses from the

151 time when such tax becomes due and payable until the same is paid] in
152 accordance with the provisions of section 12-146, as amended by this
153 act.

154 Sec. 5. Subsection (f) of section 12-157 of the general statutes is
155 repealed and the following is substituted in lieu thereof (*Effective*
156 *October 1, 2013, and applicable to assessment years commencing on or after*
157 *said date*):

158 (f) Within sixty days after such sale, the collector shall cause to be
159 published in a newspaper having a daily general circulation in the
160 town in which the real property is located, and shall send by certified
161 mail, return receipt requested, to the delinquent taxpayer and each
162 mortgagee, lienholder and other record encumbrancer whose interest
163 in such property is affected by such sale, a notice stating the date of the
164 sale, the name and address of the purchaser, the amount the purchaser
165 paid for the property and the date the redemption period will expire.
166 The notice shall include a statement that if redemption does not take
167 place by the date stated and in the manner provided by law, the
168 delinquent taxpayer, and all mortgagees, lienholders and other record
169 encumbrancers who have received actual or constructive notice of such
170 sale as provided by law, that their respective titles, mortgages, liens
171 and other encumbrances in such property shall be extinguished. Not
172 later than six months after the date of the sale or within sixty days if
173 the property was abandoned or meets other conditions established by
174 ordinance adopted by the legislative body of the town, if the
175 delinquent taxpayer, mortgagee, lienholder or other record
176 encumbrancer whose interest in the property will be affected by such
177 sale, pays or tenders to the collector, the amount of taxes, interest and
178 charges which were due and owing at the time of the sale together
179 with interest on the total purchase price paid by the purchaser at the
180 rate of eighteen per cent per annum from the date of such sale, or
181 twelve per cent per annum from the date of such sale in a municipality
182 that has adopted the provisions of section 3 of this act, such deed,
183 executed pursuant to subsection (e) of this section, shall be delivered to
184 the collector by the town clerk for cancellation and the collector shall

185 provide a certificate of satisfaction to the person paying or tendering
 186 the money who, if not the person whose primary duty it was to pay
 187 the tax or taxes, shall have a claim against the person whose primary
 188 duty it was to pay such tax or taxes for the amount so paid, and may
 189 add the same to any claim for which he has security upon the property
 190 sold, provided the certificate of satisfaction is recorded on the land
 191 records but the interests of other persons in the property shall not be
 192 affected. Within ten days of receipt of such amounts in redemption of
 193 the levied property, the collector shall notify the purchaser by certified
 194 mail, return receipt requested, that the property has been redeemed
 195 and shall tender such payment, together with the amount held
 196 pursuant to subparagraph (A) of subdivision (1) of subsection (i) of
 197 this section, if any, to the purchaser. If the purchase money and
 198 interest are not paid within such redemption period, the deed shall be
 199 recorded and have full effect.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2013, and applicable to assessment years commencing on or after said date</i>	12-145
Sec. 2	<i>October 1, 2013, and applicable to assessment years commencing on or after said date</i>	12-146
Sec. 3	<i>October 1, 2013, and applicable to assessment years commencing on or after said date</i>	New section
Sec. 4	<i>October 1, 2013, and applicable to assessment years commencing on or after said date</i>	12-80a(b)
Sec. 5	<i>October 1, 2013, and applicable to assessment years commencing on or after said date</i>	12-157(f)

PD Joint Favorable Subst.

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 14 \$	FY 15 \$
Various Municipalities	Revenue Loss	Potential	Potential

Explanation

The bill allows municipalities the option of reducing, from 18% to 12%, the annual interest rate they charge on delinquent property taxes. Assuming a municipality opts to reduce the interest rate on delinquent property tax, there is a potential revenue loss.

For example, the Town of Fairfield received approximately \$1.2 million in interest on property taxes in FY 12. Under the bill's provisions, assuming a 12% interest rate, it is estimated that the City would have received \$814,841 in FY 12, for a revenue loss of approximately \$385,000.

By law, the interest rate on other delinquent taxes is linked to the interest rate towns charge on delinquent property taxes. Accordingly, there would be an additional revenue loss associated with a drop in these other interest rates. This would include 1) sewer system installation and collection assessments; 2) assessments imposed on blighted housing; and 3) fees and assessments charged to residents of certain districts within municipalities.

The Out Years

The annualized ongoing fiscal impact identified above would

continue into the future subject to the amount of delinquent property tax and other delinquent taxes collected.

Sources: Town of Fairfield

OLR Bill Analysis**sSB 820*****AN ACT CONCERNING THE INTEREST RATE ON DELINQUENT PROPERTY TAXES.*****SUMMARY:**

This bill gives towns the option of reducing, from 18% to 12%, the annual interest rate they charge on delinquent property taxes. It 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 interest rate they 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, 2013, 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 if 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 18% for towns that do not adopt the optional 12% rate.

The bill makes conforming changes to the interest rate for delinquent property taxes on (1) personal property used in rendering certain telecommunications services and (2) property sold for tax purposes.

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

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 rate on these other delinquent taxes and assessments would be reduced to 12% for any town that adopts the lower rate.

They include:

1. sewer system installation and connection assessments (CGS §§ 7-254, 7-258, and 22a-506);
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 Southington (SA 09-11, § 1(f)(3)).

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/13/2013)