



Senate

General Assembly

File No. 813

January Session, 2013

Substitute Senate Bill No. 820

Senate, May 14, 2013

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st 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 Section 12-145 of the general statutes is repealed and the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, the delinquent portion of the principal of
49 any tax shall be subject to interest at the rate of eighteen per cent per
50 annum, or at the rate determined as provided in section 3 of this act,
51 from the time when it became due and payable until the same is paid,
52 subject to a minimum interest charge of two dollars which any
53 municipality, by vote of its legislative body, may elect not to impose. [,
54 and provided, in] In any computation of such interest, under any
55 provision of this section, each fractional part of a month in which any
56 portion of the principal of such tax remains unpaid shall be considered
57 to be equivalent to a whole month. Each addition of interest shall
58 become, and shall be collectible as, a part of such tax. Interest shall
59 accrue at said rate until payment of such taxes due notwithstanding
60 the entry of any judgment in favor of the municipality against the
61 taxpayer or the property of the taxpayer. Except as hereinafter
62 specified for taxes representing two or more items of property, the
63 collector shall not receive any partial payment of a delinquent tax
64 which is less than the total accrued interest on the principal of such tax
65 up to the date of payment and shall apply each partial payment to the
66 wiping out of such interest before making any application thereof to
67 the reduction of such principal; provided, whenever the first partial
68 payment is made after delinquency, interest from the due date of such
69 delinquent tax to the date of such partial payment shall be figured on
70 the whole or such part of the principal of such tax as is unpaid at the
71 beginning of delinquency and provided, whenever a subsequent
72 partial payment of such tax is made, interest shall be figured from the
73 date of payment of the last-preceding, to the date of payment of such
74 subsequent, partial payment on the whole or such balance of the
75 principal of such tax as remains unpaid on the date of the last-
76 preceding partial payment. If any tax, at the time of assessment or
77 because of a subsequent division, represents two or more items of
78 property, the collector may receive payment in full of such part of the
79 principal and interest of such tax as represents one or more of such
80 items, even though interest in full on the entire amount of the principal
81 of such tax has not been received up to the date of such payment; in
82 which event, interest on the remaining portion of the principal of any

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

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

114 Sec. 4. Subsection (b) of section 12-80a of the general statutes is
115 repealed and the following is substituted in lieu thereof (*Effective*
116 *October 1, 2013, and applicable to assessment years commencing on or after*

117 *said date*):

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

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

151 accordance with the provisions of section 12-146, as amended by this
152 act.

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

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

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

Statement of Legislative Commissioners:

In sec. 1 the closing bracket was moved to delete only the reference to the interest rate, and the new language in sec. 2 was re-worded for clarity.

FIN *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 the annual interest rate they charge on delinquent property taxes. To the extent that a municipality chooses to reduce the interest rate on delinquent property tax, there is a potential revenue loss.

For illustrative purposes, with an 18% interest rate on delinquent property taxes, the Town of Fairfield collected \$1.2 million in revenue in FY 12 from interest. At a 12% interest rate, the town would have collected approximately \$814,000 from interest on delinquent property taxes (for a revenue loss of \$385,000 compared to actual FY 12 revenue). At 6% interest, the town would have collected approximately \$396,000 (for a revenue loss of \$827,000).

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 changes in interest rates on delinquent property taxes.

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 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 this option, 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 an interest rate for delinquent property taxes of up to 18%. The rate remains 18% for towns that do not adopt the optional lower 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 for any town that adopts a 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)).

BACKGROUND

Legislative History

The Senate referred the bill (File 257) to the Finance, Revenue and Bonding Committee, which favorably reported a substitute that allows municipalities to establish an interest rate for delinquent property taxes of up to 18% per year, rather than an optional 12% rate.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 18 Nay 0 (03/13/2013)

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 46 Nay 4 (05/06/2013)