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Connecticut Planning and Development Committee
Joint Standing Committee of the Connecticut General Assembly

Dear State Senators and Representatives of the Planning and Development Committee:

I am a Connecticut licensed attorney that has practiced law in Stamford since the early 1970's. A large part of my practice is real estate oriented.

I was recently approached by several members of my church to assist a Stamford family that has fallen on hard times, in part due to a somewhat debilitating illness and in part due to the economic conditions many of us face. This property, which was inherited by the wife, fortunately has no mortgage. But, it is in such poor condition that the 68 year old wife cannot secure a reverse mortgage (which requires the property be pretty much up to par). I will add that the husband is a hard worker and does work (self employed) but his illness has limited his earning abilities.

The property is in tax foreclosure by the City of Stamford. Taxes, interest and lien fees from July 1, 2008 to January, 2013, totals just over \$42,000.00.

The couple, as do I, reside in Senator William Tong's district and in October I wrote to Representative Tong, as well as my friend of many years, Representative Gerald Fox III. In writing I briefly discussed the above situation and noted that the eighteen (18%) per cent per annum interest rate imposed by the state for collection by cities and towns is confiscatory. As I understand it this rate was imposed in the late 70's during a period of rampant inflation when one could secure money market interest of twelve or more percent. I need not tell this Committee that today most banks do not even pay one (1%) percent per annum interest.

In the 70's people may have deferred paying their taxes because they were earning large returns on money market accounts and the interest penalty was considerably less. Today that is not the case. With high energy and gasoline costs, not to mention high property taxes, many are finding it very difficult to keep up. For those in that unfortunate position, to impose an eighteen (18%) rate, is unconscionable.

Representative Fox's office was kind enough to email me SB 820, which your Committee is to consider at a March 1st hearing. I am asking his assistant, Alex Tsarkov, to pass this letter on to the Committee. This bill is an improvement over existing legislation in that it allows a municipality to elect to lower the delinquent portion of the property tax to be subject to a rate of

twelve (12%) per centum. But, in my opinion, a twelve percentage rate is still too extreme and poses undue burdens on those trying to catch up and make good on their delinquency.

I suggest that the State mandate the maximum tax to be twelve (12%) percent per annum, while allowing municipalities to lower the rate to as low as six percent. In the instant case that I describe in a little over 4 years the debt, with compounded interest at 18%, will double. This is an elderly couple trying to survive and a doubling of this debt cannot help but be deleterious and diminishes the possibility of catching up and paying off the tax arrearage.

I recognize that most municipalities are “short” of money—there are myriad projects that we would all like to have in our towns and cities. But I submit to take this out on the backs of struggling homeowners is really unfair.

I am sure there are other ideas that could be offered, such as tying the rate to a certain percentage over the prime rate. I urge the Committee to think of practical alternatives. But, if a fixed maximum rate is to be set, then, as stated, I urge this Committee to suggest to both bodies of the Connecticut legislature to lower the rate from the current eighteen (18%) per cent to twelve (12%), while allowing municipalities in their legislative wisdom to perhaps set the rate to as low as six (6%) per cent per annum. Indeed, I argue that even twelve percent is somewhat confiscatory in this economic client. I believe the lower the rate the more likely the delinquent taxpayer will be able to recover enough to pay off the arrearage and avoid foreclosure. Foreclosure actions add tremendously to the costs when and if the taxpayer manages to redeem.

Thank you for allowing me to address you on this issue—one that I find to be quite critical to many struggling homeowners. I have known many over the years who have tried their best to stay current but, from time to time, fall behind and only ask to be treated fairly. I am copying several Representatives and Senators in the Stamford-Norwalk-Greenwich area that I know and respect and hope they will take an interest in finding a way to reduce this onerous eighteen (18%) per centum rate.

Sincerely,

Paul S. Nakian

cc: Representatives William Tong, Gerald Fox III, Daniel Fox, Michael Molgano, Patricia Miller, Livvy Floren and Senators L. Scott Frantz, Carlo Leone and Bob Duff