



**Substitute Senate Bill No. 447**

**Public Act No. 14-174**

**AN ACT CONCERNING A PROGRAM TO PROVIDE PROPERTY TAX RELIEF FOR BUSINESSES, A HOMEOWNERSHIP INCENTIVE PROGRAM, ADJUSTMENTS TO A PROPERTY TAX SYSTEM AND A MUNICIPAL OPTION FOR ASSESSMENT OF PROPERTY USED FOR WHOLESALE AND RETAIL BUSINESS.**

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

Section 1. (NEW) (*Effective July 1, 2014, and applicable to assessment years commencing on and after October 1, 2014*) (a) The Secretary of the Office of Policy and Management shall establish a pilot program for not more than five municipalities of varying sizes and in different regions of the state to allow for the assessment of a commercial property based on the net profits of the business or businesses occupying such property. Municipalities shall apply to said office in the manner and form directed by the secretary for inclusion in the pilot program.

(b) Notwithstanding any provision of the general statutes, any municipal charter, any special act or any home rule ordinance, each municipality selected to participate in the pilot program shall, by ordinance, provide for the assessment of not more than three commercial properties based upon the net profits from the previous calendar year of the business or businesses occupying each commercial property or, if such commercial property was vacant, on the net profits

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anticipated by a new business tenant of such commercial property. A participating municipality shall include in the ordinance adopting such assessment method (1) a description of commercial properties that are eligible for such assessment method, (2) a requirement that all parties affected by the use of such assessment method, including the owner or owners of the commercial property, the business or businesses occupying such property and the municipality, agree to the use of such assessment method, (3) a description of how the rate of assessment for such commercial properties will be determined, based upon such net profits or anticipated net profits, (4) provision for an application process, including documentation required from the owner of a commercial property to demonstrate the benefits to the municipality and such commercial property of such assessment method, and (5) provision for the phase-out of such assessment method on individual commercial properties, so such properties may be returned to the assessment method otherwise required by chapter 203 of the general statutes.

(c) The Secretary of the Office of Policy and Management shall, not later than January 1, 2015, and annually thereafter, report in accordance with the provisions of section 11-4a of the general statutes, to the joint standing committee of the General Assembly having cognizance of matters relating to finance, revenue and bonding, regarding the program established by this section. Such report shall include a description of (1) efforts made by the office to inform municipalities about the program, (2) the application process developed by the office, (3) inquiries and applications received from municipalities regarding participation in the program, and (4) legislative changes that may be considered to improve the program.

Sec. 2. (*Effective July 1, 2014*) The Office of Policy and Management shall provide information about the program established pursuant to section 1 of this act, and how a municipality may apply for inclusion in

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said program, to various state-wide organizations, including, but not limited to, the Connecticut Association of Assessing Officers, the Connecticut Economic Development Association and the Connecticut Tax Collectors Association, Inc.

Sec. 3. (NEW) (*Effective July 1, 2015*) (a) For purposes of this section:

(1) "Owner-occupied home" means a building containing three or fewer dwelling units, one of which units is occupied as a primary residence by the owner of the building or, with respect to a common interest community, as defined in section 47-202 of the general statutes, "owner-occupied home" means a dwelling unit occupied as a primary residence by the owner of the unit, within a common interest community containing three or fewer dwelling units; and

(2) "Eligible renter" means a person leasing and occupying a dwelling unit as a primary residence who graduated from a four-year college, provided such person graduated not earlier than two years prior to the date a lease is signed.

(b) A municipality that has adopted the property tax system under section 12-62r of the general statutes, as amended by this act, shall institute a program to promote homeownership in certain areas of such municipality. Such program shall be applicable to two designated census blocks that have owner-occupied home rates of fifteen per cent or less, and shall abate property taxes for the owners of owner-occupied homes within such designated census blocks and provide an exemption from personal income taxes for the owners of owner-occupied homes and for eligible renters within such designated census blocks. For purposes of this subsection, "census block" means the smallest geographic unit used by the United States Census Bureau.

(c) A municipality required to proceed under this section shall determine which of the census blocks within such municipality have a

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number of owner-occupied homes equaling fifteen per cent or less of the dwelling units in such census block, and shall designate two of such census blocks as a homeownership incentive block. The municipality shall abate one hundred per cent of the property taxes on any owner-occupied home within a homeownership incentive block.

(d) The Department of Revenue Services shall exempt each owner of an owner-occupied home and each eligible renter within a homeownership incentive block from the taxes due under chapter 229 of the general statutes, other than the liability imposed by section 12-707 of the general statutes, provided such owner and eligible renter shall continue to be eligible for the credit under section 12-704e of the general statutes. Such tax exemption shall be available to each eligible renter who occupies a dwelling unit within a homeownership incentive block as a primary residence. The municipality shall provide the department with any information needed by the department to allow such exemption.

(e) The tax abatements and exemptions offered to owners of owner-occupied homes and eligible renters within a homeownership incentive block pursuant to this section shall continue until the number of owner-occupied homes within such block meets or exceeds forty-nine per cent of the dwelling units in such block. Upon reaching such percentage, the municipality shall notify such owners and eligible renters, and the abatement and exemptions allowed pursuant to this section shall phase out over a five-year period. (1) The municipality shall charge the owner of each owner-occupied home within such block twenty per cent of the property tax otherwise owing during the first assessment year commencing after the forty-nine-per-cent goal is reached, and an additional twenty per cent each year thereafter, until the owner is liable for all property tax owed on such owner-occupied home. (2) Owners of an owner-occupied home and eligible renters within such block shall be liable for twenty per cent of the income tax

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otherwise due, as described in subsection (d) of this section, in the first taxable year commencing after the forty-nine-per-cent goal is reached, and shall be liable for an additional twenty per cent each year thereafter, until such owner and eligible renter is liable for all income taxes owed. The municipality shall provide the department with any information needed by the department to process such phase-out.

Sec. 4. Section 12-62r of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2014*):

(a) For the purposes of this section:

(1) "Apartment property" means a building containing four or more dwelling units used for human habitation, the parcel of land on which such building is situated, and any accessory buildings or other improvements located on such parcel;

(2) "Residential property" means (A) a building containing three or fewer dwelling units used for human habitation, the parcel of land on which such building is situated, and any accessory buildings or other improvements located on such parcel, (B) common interest communities, as defined in section 47-202, or (C) condominiums, as defined in section 47-68a, that are used for residential purposes;

(3) "Base year" means the assessment year commencing October 1, 2010; [and]

(4) "Adjusted tax levy" means the total amount of taxes raised by taxation in a fiscal year by a municipality; [.] and

(5) "Owner-occupied residential property" means a dwelling unit in a residential property that is occupied as a primary residence by the owner of the property.

(b) Notwithstanding any provision of the general statutes or any

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special act, municipal charter or any home rule ordinance, any municipality in which the provisions of section 12-62n were effective for the assessment year commencing October 1, 2010, shall make annual adjustments to the assessment rate charged to apartment and residential property in accordance with the provisions of this section, but in no event shall the assessment rate for any class of property be in excess of seventy per cent.

(c) For the assessment year commencing October 1, 2011, in any municipality that adopts the property tax system under this section, apartment property shall be assessed at a rate of fifty per cent. For assessment years commencing on and after October 1, 2012, the assessor shall determine a rate of assessment for apartment property that will have the effect of phasing in proportionate increases in the rate so that, by the assessment year commencing October 1, 2015, the assessment rate for apartment property shall be seventy per cent.

(d) In any municipality that adopts the property tax system under this section, for the assessment year commencing October 1, 2011, and only for said assessment year, the assessor shall determine a rate of assessment for residential property that will have the effect of increasing the average property tax for residential property as a result of revaluation by three and one-half per cent over the property tax for such property class in the base year, but in no event shall the assessment rate be less than twenty-three per cent. For assessment years commencing on and after October 1, 2011, the assessor shall then calculate an adjustment to the rate of assessment for residential property in accordance with subsection (e) of this section.

(e) Not later than January thirty-first or the completion of the grand list, whichever is later, the assessor shall annually calculate the [difference in the adjusted tax levy by such municipality in the current fiscal year and the prior fiscal year. The assessor shall then adjust the adjusted tax levy for the current fiscal year in accordance with any

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change in the consumer price index for all urban consumers in the northeast region in the preceding fiscal year] residential assessment ratio. The assessor shall first adjust the adjusted tax levy for the preceding fiscal year in accordance with any change in the consumer price index for all urban consumers in the northeast region in the preceding fiscal year, as reported generally in February for the year-over-year January index. If, after such adjustment, (1) the adjusted tax levy in the current fiscal year exceeds the adjusted tax levy in the prior fiscal year by more than one hundred per cent of the rate of inflation, as determined in accordance with such consumer price index, the assessor, in his or her calculation of the assessment ratios for the next grand list, shall increase the rate of assessment for residential properties from the prior grand list year by five per cent; (2) the adjusted tax levy in the current fiscal year exceeds the adjusted tax levy in the prior fiscal year by more than fifty per cent, but not more than one hundred per cent, of such rate of inflation, the assessor shall increase such rate of assessment by three and one-half per cent; (3) the adjusted tax levy in the current fiscal year exceeds the adjusted tax levy in the prior fiscal year by not more than fifty per cent of such rate of inflation, the assessor shall increase such rate of assessment by two and one-half per cent; (4) the adjusted tax levy in the current fiscal year is equal to the adjusted tax levy in the prior fiscal year, or is less than one-half per cent less than the adjusted tax levy in the prior fiscal year, the assessor shall increase such rate of assessment by one and one-half per cent; and (5) the adjusted tax levy in the current fiscal year is less than the adjusted tax levy in the prior fiscal year by at least one-half per cent, the assessor shall make no change in such rate of assessment.

(f) For assessment years commencing on and after October 1, 2016, any municipality that adopts the property tax system under this section may, by vote of its legislative body, enact an ordinance to establish a program to encourage homeownership by adjusting the annual assessment rate for nonowner-occupied residential properties

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so that, while the annual assessment rate for owner-occupied residential properties shall be calculated at all times in accordance with subsection (e) of this section, the annual assessment rate for nonowner-occupied residential properties shall be calculated at a rate that shall keep the annual assessment rate for owner-occupied residential properties lower than that of nonowner-occupied residential properties. Any ordinance enacted pursuant to this subsection may be amended only in a year in which such municipality conducts a revaluation of real property pursuant to section 12-62.

[(f)] (g) Not later than June fifteenth in any year in which the adjusted tax levy in the current fiscal year increases by more than two and six-tenths per cent over the adjusted tax levy in the prior fiscal year, one per cent of the total number of electors of such municipality may petition in writing for a referendum on the budget establishing such increase. Any such referendum shall be held not more than ten days after receipt of such petition by the town clerk and shall be conducted in accordance with the provisions of chapter 90. Such budget shall not become effective unless a majority of the electors voting in such referendum vote in favor thereof. Only one referendum may be held, and, if the vote is against the budget, such municipality shall so adjust the budget as to limit any increase to be equal to or less than two and six-tenths per cent.

Sec. 5. Section 12-65b of the 2014 supplement to the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2014*):

(a) Any municipality may, by affirmative vote of its legislative body, enter into a written agreement with any party owning or proposing to acquire an interest in real property in such municipality, or with any party owning or proposing to acquire an interest in air space in such municipality, or with any party who is the lessee of, or who proposes to be the lessee of, air space in such municipality in such a manner that

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the air space leased or proposed to be leased shall be assessed to the lessee pursuant to section 12-64, fixing the assessment of the real property or air space which is the subject of the agreement, and all improvements thereon or therein and to be constructed thereon or therein, subject to the provisions of subsection (b) of this section, (1) for a period of not more than seven years, provided the cost of such improvements to be constructed is not less than three million dollars, (2) for a period of not more than two years, provided the cost of such improvements to be constructed is not less than five hundred thousand dollars, [or] (3) to the extent of not more than fifty per cent of such increased assessment, for a period of not more than three years, provided the cost of such improvements to be constructed is not less than ten thousand dollars, or (4) for a period of years specified in an ordinance, for improvements to be constructed on land used or to be used for any retail business in an area designated in such ordinance. For purposes of this section, "improvements to be constructed" includes the rehabilitation of existing structures for retail business use.

(b) The provisions of subsection (a) of this section shall only apply if the improvements are for at least one of the following: (1) Office use; (2) retail use; (3) permanent residential use; (4) transient residential use; (5) manufacturing use; (6) warehouse, storage or distribution use; (7) structured multilevel parking use necessary in connection with a mass transit system; (8) information technology; (9) recreation facilities; (10) transportation facilities; or (11) mixed-use development, as defined in section 8-13m.

Sec. 6. Section 12-65h of the general statutes is repealed and the following is substituted in lieu thereof (*Effective October 1, 2014*):

Any municipality may, by affirmative vote of its legislative body, enter into a written agreement with any party owning or proposing to acquire an interest in real property in such municipality, or with any party owning or proposing to acquire an interest in air space in such

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municipality, or with any party who is the lessee of, or who proposes to be the lessee of, air space in such municipality in such a manner that the air space leased or proposed to be leased shall be assessed to the lessee pursuant to section 12-64, upon which is located or proposed to be located a manufacturing facility, as defined in subdivision (72) of section 12-81, or a wholesale and retail business, as defined in subdivision (54) of section 12-81, fixing the assessment of the personal property located in the facility [which] that is the subject of the agreement, (1) for a period of not more than seven years, provided the increase in the assessed value of such personal property in such facility or wholesale and retail business is not less than three million dollars, (2) for a period of not more than two years, provided the increase in the assessed value of such personal property in such facility or wholesale and retail business is not less than five hundred thousand dollars, or (3) to the extent of not more than fifty per cent of such increased assessment, for a period of not more than three years, provided the increase in the assessed value of such personal property in such facility or wholesale and retail business is not less than twenty-five thousand dollars.

Approved June 11, 2014