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STATEMENT OF MATTHEW KNICKERBOCKER
FIRST SELECTMAN, TOWN OF BETHEL

**IN OPPOSITION TO SB 38 – AN ACT CONCERNING THE INTEREST RATE ON
DELINQUENT TAXES**

February 24, 2014

Dear Committee Members:

I am writing to you today to convey my opposition to SB-38, which would have the effect of lowering the interest rate charged by municipalities on delinquent tax, public utility usage and benefit assessment bills. This proposal has been marketed as a “tax relief” bill, yet in practice it does nothing to address the factors that drive local property taxes to unsustainable levels, such as Connecticut’s historic overreliance on property taxes to fund education or the highly regressive and unfair vehicle property tax.

This proposal instead weakens the powerful incentive municipalities use to insure an adequate cash flow to fund critical town services. Collection efforts take up a significant block of staff time. The interest on past due balances provides a vital revenue stream that is currently used to fund our collection efforts. Lowering the interest rate by any amount reduces this revenue, with virtually no means of replacement, as well as almost certainly increasing the rate of late payments. Not only does this place additional burden on taxpayers to make up the difference, it also increases the cost of collection.

Supporters of this bill will undoubtedly point to the fact that lowering the interest rate would be voluntary, yet this is a false choice. Our state continues to struggle to lift itself out of the worst recession in generations. If this bill were to become law, towns in Connecticut, which are already under enormous pressure to constrain property taxes and create new tax incentives for businesses, would instantly be in competition with one another over this issue. In practice, every municipality in the state would be forced to drop its interest rate to the lowest allowed by law.

It is certainly true that some homeowners are still struggling to find jobs and restore income that was lost during the recession, and there is broad agreement that meaningful property tax reform is needed. But SB-38 is far off the mark. It hurts more than it helps. I urge the committee to maintain our strong and uniform incentive that encourages on-time payment of taxes.

Sincerely,

Matthew S. Knickerbocker, First Selectman, Bethel

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