
OLR Bill Analysis

SHB 5583 (as amended by House "A")*

AN ACT CONCERNING THE PAYMENT OF REAL PROPERTY TAXES BY CERTAIN INSTITUTIONS OF HIGHER LEARNING AND HOSPITAL FACILITIES.

SUMMARY:

This bill sets conditions under which nonprofit hospitals and colleges must pay property taxes on certain real property, but allows municipalities to adopt ordinances exempting them from paying taxes on such property.

Under the bill, a private nonprofit college or hospital must pay property taxes on (1) any property it acquires on or after July 1, 2014 that was on a taxable grand list for the 2013 assessment year and (2) structures, buildings, or other improvements existing or subsequently constructed on such property (see COMMENT). The college or hospital must pay taxes on the property if the state made a payment in lieu of taxes (PILOT) in the prior fiscal year to the municipality on any property the institution owns.

Under current law, nonprofit college and hospital property is generally exempt under the state's tax exemption for nonprofit educational property (CGS § 12-81 (7)), specified college property (CGS § 12-81 (8)), or hospital and sanatorium property (CGS § 12-81 (16)). By law, under the college and hospital PILOT program, the state reimburses municipalities for a portion of the taxes that would have been paid on such property. The bill excludes from the PILOT program any property subject to property taxes under its provisions.

*House Amendment "A" replaces the underlying bill, which (1) generally subjected private nonprofit colleges and hospitals to real property taxes over a five-year phase-in period and (2) with certain exceptions, over time eliminated the state college and hospital PILOT

program.

EFFECTIVE DATE: October 1, 2014, and applicable to assessment years starting on and after that date, except for the changes to the property tax and PILOT program statutes, which are effective October 1, 2014.

COLLEGES AND HOSPITALS SUBJECT TO TAXATION

The bill applies to the nonprofit institutions covered under the state's existing PILOT program for tax-exempt college and hospital property:

1. general and chronic disease hospitals and certain urgent care facilities and
2. educational institutions that offer, or accept transfer of, college-level credit and are either licensed or accredited by the Office of Higher Education to offer degrees, or are independent colleges or universities.

By law, independent colleges or universities are nonprofit institutions established in Connecticut that (1) have degree-granting authority and their home campuses here, (2) are not part of the state public higher education system, and (3) do not have the primary function of preparing students for a religious vocation.

BACKGROUND

Related Bill

sSB 467, favorably reported by the Finance, Revenue and Bonding Committee, restructures the statutory formulas for the college and hospital and state-owned property PILOT programs.

COMMENT

Conflict Between Statutory and Special Act Property Tax Exemptions for Certain Colleges and Universities

The bill modifies the statutory tax exemption for certain educational institutions, but does not repeal parallel tax exemptions in their special act charters.

Although most colleges and universities are exempt from property taxes under the state's general tax exemption for nonprofit educational property (CGS § 12-81(7)), seven institutions are exempt under a separate statutory provision (CGS § 12-81(8)). They are: Connecticut College for Women; Hartford Seminary Foundation; Trinity College; Wesleyan University; Yale College; and Berkeley Divinity School and Sheffield Scientific School, which are part of Yale. With the exception of the Hartford Seminary Foundation, these institutions' special act charters contain provisions that parallel the statutory tax exemption. In addition, Yale's charter is confirmed in the state constitution (Article Eighth, § 3).

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 14 Nay 5 (03/25/2014)