



# House of Representatives

General Assembly

**File No. 357**

February Session, 2014

Substitute House Bill No. 5510

*House of Representatives, April 3, 2014*

The Committee on Planning and Development reported through REP. ROJAS of the 9th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## ***AN ACT PROVIDING A LIMITED PROPERTY TAX EXEMPTION FOR HOMES UNDER CONSTRUCTION.***

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

1 Section 1. Section 12-53a of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective October 1, 2014, and*  
3 *applicable to assessment years commencing on and after said date*):

4 (a) (1) [Completed] Except as provided in subdivision (3) of this  
5 subsection, completed new construction of real estate completed after  
6 any assessment date shall be liable for the payment of municipal taxes  
7 based on the assessed value of such completed new construction from  
8 the date the certificate of occupancy is issued or the date on which  
9 such new construction is first used for the purpose for which same was  
10 constructed, whichever is the earlier, prorated for the assessment year  
11 in which the new construction is completed. Said prorated tax shall be  
12 computed on the basis of the rate of tax applicable with respect to such  
13 property, including the applicable rate of tax in any tax district in

14 which such property is subject to tax following completion of such  
15 new construction, on the date such property becomes liable for such  
16 prorated tax in accordance with this section.

17 (2) [Partially] Except as provided in subdivision (3) of this  
18 subsection, partially completed new construction of real estate shall be  
19 liable for the payment of municipal taxes based on the assessed value  
20 of such partially completed new construction as of October first of the  
21 assessment year.

22 (3) Notwithstanding the provisions of sections 12-63 and 12-64,  
23 completed or partially completed new construction of any one-to-four-  
24 family residential real estate shall not be liable for the payment of  
25 municipal taxes until the earlier of (A) the date one year after the date  
26 on which a building permit is issued, or (B) the date on which a  
27 certificate of occupancy is issued. Any such liability shall be prorated  
28 for the assessment year in which such new construction becomes liable  
29 for such payment. Real estate shall be assessed exclusive of such new  
30 construction until such new construction is liable for such payment.

31 (b) The building inspector issuing the certificate shall, within ten  
32 days after issuing the same, notify, in writing, the assessor of the town  
33 in which the property is situated.

34 (c) Not later than ninety days after receipt by the assessor of such  
35 notice from the building inspector or from a determination by the  
36 assessor that such new construction is being used for the purpose for  
37 which same was constructed or that such new construction is  
38 otherwise liable for the payment of municipal taxes pursuant to  
39 subdivision (3) of subsection (a) of this section, the assessor shall  
40 determine the increment by which assessment for the completed  
41 construction exceeds the assessment on the taxable grand list for the  
42 immediately preceding assessment date. [He] The assessor shall  
43 prorate such amount from the date of issuance of the certificate of  
44 occupancy, [or] the date on which such new construction was first  
45 used for the purpose for which same was constructed or the date on  
46 which such new construction otherwise became liable for the payment

47 of municipal taxes pursuant to subdivision (3) of subsection (a) of this  
48 section, as the case may be, to the assessment date immediately  
49 following and shall add said increment as so prorated to the taxable  
50 grand list for the immediately preceding assessment date. [and] The  
51 assessor shall within five days notify the record owner as appearing on  
52 such grand list and the tax collector of the municipality of such  
53 additional assessment. Such notice shall include information  
54 describing the manner in which an appeal may be filed with the board  
55 of assessment appeals. Notwithstanding the provisions of this  
56 subsection, for new construction completed after October first but  
57 before February first in any assessment year, the assessor shall, not  
58 later than ninety days after completion of the duties of the board of  
59 assessment appeals, determine the increment in accordance with this  
60 subsection.

61 (d) Any person claiming to be aggrieved by the action of the  
62 assessor hereunder may appeal the doings of the assessor to the board  
63 of assessment appeals and the Superior Court as otherwise provided in  
64 this chapter; provided such appeal shall be extended in time to the  
65 next succeeding board of assessment appeals, if the statutory period  
66 for the meeting of such board has passed. Any person, intending to so  
67 appeal, may indicate that taxes paid by [him] such person upon the  
68 prorated increment herein specified during the pendency of such  
69 appeal are paid "Under Protest" and thereupon [he] such person shall  
70 not be liable for any interest on the taxes based upon such prorated  
71 increment, provided [he] such person shall have paid not less than  
72 seventy-five per cent of the amount of such taxes within the time  
73 specified.

74 (e) Upon receipt of such notice from the assessor, the tax collector of  
75 the town shall, if such notice is received after the normal billing date,  
76 within thirty days thereafter mail or hand a bill to the owner based  
77 upon an amount prorated by the assessor. Such tax shall be due and  
78 payable and collectible as other municipal taxes and subject to the  
79 same liens and processes of collection; provided such tax shall be due  
80 and payable in an initial or single installment due and payable not

81 sooner than thirty days after the date such bill is mailed or handed to  
82 the owner, and in any remaining, regular installments, as the same are  
83 due and payable, and the several installments of a tax so due and  
84 payable shall be equal.

85 (f) Nothing herein shall be deemed to authorize the collection of  
86 taxes twice in respect of the land upon which the new construction is  
87 located.

|   |  |        |
|---|--|--------|
| This act shall take effect as follows and shall amend the following sections: |  |        |
| Section 1   | <i>October 1, 2014, and applicable to assessment years commencing on and after said date</i> | 12-53a |

**PD**      *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 15 \$ | FY 16 \$  |
|--------------------|----------------------|----------|-----------|
| All Municipalities | Grand List Reduction | None     | Potential |

**Explanation**

The bill exempts from property taxes partially completed one-to-four family residential property for up to one year during its construction and makes newly constructed residential property subject to taxes on the earlier of; 1) one year after its building permit is issued, or 2) the date its certificate of occupancy is issued.

This bill results in a grand list reduction in all municipalities, as municipalities currently assess construction projects from start to finish. This results in a loss of tax levy, given a constant mill rate. As the bill's effective date is October 1, 2014, any grand list reduction would first occur in FY 16.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

**OLR Bill Analysis****sHB 5510*****AN ACT PROVIDING A LIMITED PROPERTY TAX EXEMPTION FOR HOMES UNDER CONSTRUCTION.*****SUMMARY:**

This bill (1) exempts partially completed one-to-four family residential property from property taxes for up to one year during its construction and (2) makes such newly constructed residential property subject to taxes as of the date its certificate of occupancy (CO) is issued.

Under current law, partially completed structures are subject to property taxes during their construction, based on their assessed value at the start of the assessment year (October 1). New construction completed after October 1 is subject to taxes on the earlier of the date (1) the CO is issued or (2) it is first used for its intended purpose, prorated for the assessment year in which it is completed.

The bill makes partially or newly constructed one-to-four family residential real property subject to property taxes on the earlier of (1) one year after its building permit was issued or (2) the date its CO is issued. It requires assessors to prorate the property taxes for the assessment year in which the property becomes subject to taxes, using the same procedure for prorating taxes under existing law.

EFFECTIVE DATE: October 1, 2014, and applicable to assessment years starting on or after that date.

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 19 Nay 0 (03/21/2014)