



House of Representatives

General Assembly

File No. 510

February Session, 2014

Substitute House Bill No. 5583

House of Representatives, April 10, 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 CONCERNING THE PAYMENT OF REAL PROPERTY TAXES BY CERTAIN INSTITUTIONS OF HIGHER LEARNING AND HOSPITAL FACILITIES.

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

1 Section 1. Section 12-20a of the general statutes is repealed and the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) For purposes of this section:

5 (1) "Hospital facility" means any nonprofit general hospital facility
6 or freestanding chronic disease hospital or any urgent care facility that
7 operates for at least twelve hours a day and had been the location of a
8 nonprofit general hospital for at least a portion of calendar year 1996,
9 exclusive of any such facility operated by the federal government,
10 except a campus of the United States Department of Veterans Affairs
11 Connecticut Healthcare Systems, or the state of Connecticut or any

12 subdivision thereof;

13 (2) "Private nonprofit institution of higher learning" means any such
14 institution, as defined in subsection (a) of section 10a-34, or any
15 independent college or university that is engaged primarily in
16 education beyond the high school level, and offers courses of
17 instruction for which college or university-level credit may be given or
18 may be received by transfer;

19 (3) "Independent college or university" means a nonprofit institution
20 established in this state that has degree-granting authority and a
21 campus located in this state and is not (A) included in the Connecticut
22 system of public higher education, or (B) an institution whose primary
23 function is the preparation of students for religious vocation;

24 (4) "Nonprofit general hospital facility" means any facility that is
25 used primarily for the purpose of general medical care and treatment,
26 exclusive of any hospital facility used primarily for the care and
27 treatment of special types of disease or physical or mental conditions;

28 (5) "Freestanding chronic disease hospital" means a facility that
29 provides for the care and treatment of chronic diseases, excluding any
30 such facility having an ownership affiliation with and operated in the
31 same location as a chronic and convalescent nursing home; and

32 (6) "Municipality" means any town, consolidated town and city,
33 consolidated town and borough, borough, district, as defined in
34 section 7-324, and any city not consolidated with a town.

35 (b) (1) Any private nonprofit institution of higher learning or any
36 hospital facility shall be liable for the payment of real property taxes as
37 follows: (A) For the assessment year commencing October 1, 2014,
38 twenty per cent of real property taxes; (B) for the assessment year
39 commencing October 1, 2015, forty per cent of real property taxes; (C)
40 for the assessment year commencing October 1, 2016, sixty per cent of
41 real property taxes; (D) for the assessment year commencing October
42 1, 2017, eighty per cent of real property taxes; and (E) for assessment

43 years commencing on and after October 1, 2018, one hundred per cent
44 of real property taxes. Except as provided in subdivision (3) of this
45 subsection, nothing in this subsection shall apply to any private
46 nonprofit institution of higher learning or any hospital facility that has
47 entered into an agreement with the municipality in which it is located
48 for the payment of real property taxes for the current assessment year.

49 [(a)] (2) On or before [January first, annually] September 1, 2015,
50 and annually thereafter, the Secretary of the Office of Policy and
51 Management shall determine the amount due to each [municipality]
52 private nonprofit institution of higher learning or hospital facility in
53 the state, in accordance with this [section] subsection and section 12-
54 20b, as amended by this act, as a state grant [in lieu] for reimbursement
55 of taxes with respect to real property owned by [any] such private
56 nonprofit institution of higher learning or [any nonprofit general]
57 hospital facility. [or freestanding chronic disease hospital or an urgent
58 care facility that operates for at least twelve hours a day and that had
59 been the location of a nonprofit general hospital for at least a portion of
60 calendar year 1996 to receive payments in lieu of taxes for such
61 property, exclusive of any such facility operated by the federal
62 government, except a campus of the United States Department of
63 Veterans Affairs Connecticut Healthcare Systems, or the state of
64 Connecticut or any subdivision thereof. As used in this section "private
65 nonprofit institution of higher learning" means any such institution, as
66 defined in subsection (a) of section 10a-34, or any independent college
67 or university, as defined in section 10a-37, that is engaged primarily in
68 education beyond the high school level, and offers courses of
69 instruction for which college or university-level credit may be given or
70 may be received by transfer, the property of which is exempt from
71 property tax under any of the subdivisions of section 12-81; "nonprofit
72 general hospital facility" means any such facility which is used
73 primarily for the purpose of general medical care and treatment,
74 exclusive of any hospital facility used primarily for the care and
75 treatment of special types of disease or physical or mental conditions;
76 and "freestanding chronic disease hospital" means a facility which
77 provides for the care and treatment of chronic diseases, excluding any

78 such facility having an ownership affiliation with and operated in the
79 same location as a chronic and convalescent nursing home.] The grant
80 payable to any private nonprofit institution of higher learning or
81 hospital facility under the provisions of this subsection in the state
82 fiscal year commencing July 1, 2015, and in each fiscal year thereafter,
83 shall be equal to seventy-seven per cent of such property taxes,
84 provided in any year in which the private nonprofit institution of
85 higher learning or hospital facility pays a percentage of taxes to a
86 municipality that is lower than seventy-seven per cent of such
87 property taxes, as provided in subdivision (1) of this subsection, the
88 grant amount payable to such institution or facility shall be equal to
89 the percentage actually paid, and any amount over such percentage
90 shall be paid to the municipality in which such institution or facility is
91 located as a grant in lieu of taxes. The amount of the grant payable to
92 each institution or facility in any year, or to the municipality, in
93 accordance with this section shall be reduced proportionately in the
94 event that the total of such grants in such year exceeds the amount
95 appropriated for the purposes of this section with respect to such year.

96 (3) Any private nonprofit institution of higher learning or any
97 hospital facility that has entered into an agreement with the
98 municipality in which it is located for the payment of real property
99 taxes for the current assessment year shall be eligible to receive a state
100 grant for reimbursement of taxes pursuant to subdivision (2) of this
101 subsection if such agreement requires such institution or facility to pay
102 an amount that exceeds the amount of the grant such institution or
103 facility would have received pursuant to said subdivision in the
104 absence of such agreement.

105 [(b) The grant payable to any municipality under the provisions of
106 this section in the state fiscal year commencing July 1, 1999, and in
107 each fiscal year thereafter, shall be equal to seventy-seven per cent of
108 the property taxes which, except for any exemption applicable to any
109 such institution of higher education or general hospital facility under
110 the provisions of section 12-81, would have been paid with respect to
111 such exempt real property on the assessment list in such municipality

112 for the assessment date two years prior to the commencement of the
113 state fiscal year in which such grant is payable. The amount of the
114 grant payable to each municipality in any year in accordance with this
115 section shall be reduced proportionately in the event that the total of
116 such grants in such year exceeds the amount appropriated for the
117 purposes of this section with respect to such year.]

118 (c) [Notwithstanding the provisions of subsection (b) of this section,
119 the] The amount of the grant in lieu of taxes payable to any
120 municipality [under the provisions of this section] with respect to a
121 campus of the United States Department of Veterans Affairs
122 Connecticut Healthcare Systems shall be [as follows: (1) For the fiscal
123 year ending June 30, 2007, twenty per cent of the amount payable in
124 accordance with said subsection (b); (2) for the fiscal year ending June
125 30, 2008, forty per cent of such amount; (3) for the fiscal year ending
126 June 30, 2009, sixty per cent of such amount; (4) for the fiscal year
127 ending June 30, 2010, eighty per cent of such amount; (5) for the fiscal
128 year ending June 30, 2011, and each fiscal year thereafter,] one
129 hundred per cent of [such amount] the property taxes that, except for
130 the exemption applicable to such campus, would have been paid with
131 respect to such exempt real property.

132 [(d) As used in this section and section 12-20b, the word
133 "municipality" means any town, consolidated town and city,
134 consolidated town and borough, borough, district, as defined in
135 section 7-324, and any city not consolidated with a town.]

136 Sec. 2. Section 12-20b of the general statutes is repealed and the
137 following is substituted in lieu thereof (*Effective October 1, 2014, and*
138 *applicable to assessment years commencing on and after said date*):

139 (a) Not later than April first in each year, any municipality to which
140 a grant is payable under the provisions of section 12-20a, as amended
141 by this act, shall provide the Secretary of the Office of Policy and
142 Management with the assessed valuation of the tax-exempt real
143 property as of the immediately preceding October first, adjusted in
144 accordance with any gradual increase in or deferment of assessed

145 values of real property implemented in accordance with section 12-62c,
146 [which] that is required for computation of such grant. Any
147 municipality [which] that neglects to transmit to the Secretary of the
148 Office of Policy and Management the assessed valuation as required
149 by this [section] subsection shall forfeit two hundred fifty dollars to the
150 state, provided the secretary may waive such forfeiture in accordance
151 with procedures and standards adopted by regulation in accordance
152 with chapter 54. Said secretary may, on or before the first day of
153 August of the state fiscal year in which such grant is payable,
154 reevaluate any such property when, in his or her judgment, the
155 valuation is inaccurate and shall notify such municipality of such
156 reevaluation. Any municipality aggrieved by the action of said
157 secretary under the provisions of this section may, not later than ten
158 business days following receipt of such notice, appeal to the secretary
159 for a hearing concerning such reevaluation, provided such appeal shall
160 be in writing and shall include a statement as to the reasons for such
161 appeal. The secretary shall, not later than ten business days following
162 receipt of such appeal, grant or deny such hearing by notification in
163 writing, including in the event of a denial, a statement as to the reasons
164 for such denial. If any municipality is aggrieved by the action of the
165 secretary following such hearing or in denying any such hearing, the
166 municipality may not later than two weeks after such notice, appeal to
167 the superior court for the judicial district in which the municipality is
168 located. Any such appeal shall be privileged. Said secretary shall
169 certify to the Comptroller the amount due each municipality under the
170 provisions of section 12-20a, as amended by this act, or under any
171 recomputation occurring prior to September fifteenth [which] that may
172 be effected as the result of the provisions of this section, and the
173 Comptroller shall draw his or her order on the Treasurer on or before
174 the fifth business day following September fifteenth and the Treasurer
175 shall pay the amount thereof to such municipality on or before the
176 thirtieth day of September following. If any recomputation is effected
177 as the result of the provisions of this section on or after the January
178 first following the date on which the municipality has provided the
179 assessed valuation in question, any adjustments to the amount due to

180 any municipality for the period for which such adjustments were made
181 shall be made in the next payment the Treasurer shall make to such
182 municipality pursuant to this section.

183 (b) Not later than August first in each year, any private nonprofit
184 institution of higher learning, as defined in section 12-20a, as amended
185 by this act, and any hospital facility, as defined in section 12-20a, as
186 amended by this act, to which a grant is payable under the provisions
187 of said section, shall provide the Secretary of the Office of Policy and
188 Management with documentation showing (1) the assessed value of
189 the real property for which such institution or facility is liable to pay
190 taxes, and (2) the amount of the taxes paid by such institution or
191 facility for the assessment year commencing the immediately
192 preceding October first. Any institution or facility that neglects to
193 transmit to the Secretary of the Office of Policy and Management the
194 documentation required by this subsection shall forfeit two hundred
195 fifty dollars to the state, provided the secretary may waive such
196 forfeiture in accordance with procedures and standards adopted by
197 regulation in accordance with chapter 54. Said secretary shall certify to
198 the Comptroller the amount due each institution or facility under the
199 provisions of section 12-20a, as amended by this act, and the
200 Comptroller shall draw his or her order on the Treasurer on or before
201 the fifth business day following September fifteenth and the Treasurer
202 shall pay the amount thereof to such institution or facility on or before
203 the thirtieth day of September following.

204 [(b)] (c) Notwithstanding the provisions of section 12-20a, as
205 amended by this act, or subsection (a) of this section, the amount due
206 the municipality of Branford, on or before the thirtieth day of
207 September, annually, with respect to the Connecticut Hospice, in
208 Branford, shall be one hundred thousand dollars, which amount shall
209 be paid from the annual appropriation, from the General Fund, for
210 reimbursement to towns for loss of taxes on private tax-exempt
211 property.

212 [(c)] (d) Notwithstanding the provisions of section 12-20a, as

213 amended by this act, or subsection (a) of this section, the amount due
214 the city of New London, on or before the thirtieth day of September,
215 annually, with respect to the United States Coast Guard Academy in
216 New London, shall be one million dollars, which amount shall be paid
217 from the annual appropriation, from the General Fund, for
218 reimbursement to towns for loss of taxes on private tax-exempt
219 property.

220 Sec. 3. Subsections (c) and (d) of section 3-55j of the general statutes
221 are repealed and the following is substituted in lieu thereof (*Effective*
222 *October 1, 2014, and applicable to assessment years commencing on and after*
223 *said date*):

224 (c) Twenty million one hundred twenty-three thousand nine
225 hundred sixteen dollars of the moneys available in the Mashantucket
226 Pequot and Mohegan Fund established by section 3-55i shall be paid to
227 [municipalities] private nonprofit institutions of higher learning, as
228 defined in section 12-20a, as amended by this act, and hospital
229 facilities, as defined in section 12-20a, as amended by this act, eligible
230 for a state grant [in lieu] for reimbursement of taxes paid pursuant to
231 section 12-20a, as amended by this act, in addition to and in the same
232 proportion as the grants payable to such [municipalities] institutions
233 and facilities pursuant to section 12-20a, as amended by this act,
234 subject to the provisions of subsection (d) of this section. [Any eligible
235 special services district shall receive a portion of the grant payable
236 under this subsection to the town in which such district is located. The
237 portion payable to any such district under this subsection shall be the
238 amount of the grant to the town under this subsection which results
239 from application of the district mill rate to exempt property in the
240 district.]

241 (d) Notwithstanding the provisions of subsection (c) of this section,
242 no [municipality] private nonprofit institution of higher learning or
243 hospital facility shall receive a grant pursuant to said subsection
244 which, when added to the amount of the grant payable to such
245 [municipality] institution or facility pursuant to section 12-20a, as

246 amended by this act, would exceed one hundred per cent of the
247 property taxes [which, except for any exemption applicable to any
248 private nonprofit institution of higher education, nonprofit general
249 hospital facility or freestanding chronic disease hospital under the
250 provisions of section 12-81, would have been paid with respect to such
251 exempt real property on the assessment list in such municipality for
252 the assessment date two years prior to the commencement of the state
253 fiscal year in which such grants are payable] paid by such institution
254 or facility. In any year in which a private nonprofit institution of
255 higher learning or a hospital facility is liable for less than one hundred
256 per cent of real property taxes, any moneys remaining after making a
257 grant to any such institution or facility pursuant to subsection (c) of
258 this section shall be paid proportionately to the municipality in which
259 such institution or facility is located as a grant in lieu of taxes.

260 Sec. 4. Subdivision (7) of section 12-81 of the 2014 supplement to the
261 general statutes is repealed and the following is substituted in lieu
262 thereof (*Effective October 1, 2014, and applicable to assessment years*
263 *commencing on and after said date*):

264 (7) (A) Subject to the provisions of sections 12-20a, as amended by
265 this act, 12-87 and 12-88, the real property of, or held in trust for, a
266 corporation organized exclusively for scientific, educational, literary,
267 historical or charitable purposes or for two or more such purposes and
268 used exclusively for carrying out one or more of such purposes or for
269 the purpose of preserving open space land, as defined in section 12-
270 107b, for any of the uses specified in said section, that is owned by any
271 such corporation, and the personal property of, or held in trust for, any
272 such corporation, provided (i) any officer, member or employee
273 thereof does not receive or at any future time shall not receive any
274 pecuniary profit from the operations thereof, except reasonable
275 compensation for services in effecting one or more of such purposes or
276 as proper beneficiary of its strictly charitable purposes, and (ii) in 1965,
277 and quadrennially thereafter, a statement shall be filed on or before the
278 first day of November with the assessor or board of assessors of any
279 town, consolidated town and city or consolidated town and borough,

280 in which any of its property claimed to be exempt is situated. Such
281 statement shall be filed on a form provided by such assessor or board
282 of assessors. The real property shall be eligible for the exemption
283 regardless of whether it is used by another corporation organized
284 exclusively for scientific, educational, literary, historical or charitable
285 purposes or for two or more such purposes;

286 (B) On and after July 1, 1967, housing subsidized, in whole or in
287 part, by federal, state or local government and housing for persons or
288 families of low and moderate income shall not constitute a charitable
289 purpose under this section. As used in this subdivision, "housing" shall
290 not include real property used for temporary housing belonging to, or
291 held in trust for, any corporation organized exclusively for charitable
292 purposes and exempt from taxation for federal income tax purposes,
293 the primary use of which property is one or more of the following: (i)
294 An orphanage; (ii) a drug or alcohol treatment or rehabilitation facility;
295 (iii) housing for homeless individuals, mentally or physically
296 handicapped individuals or persons with intellectual disability, or for
297 victims of domestic violence; (iv) housing for ex-offenders or for
298 individuals participating in a program sponsored by the state
299 Department of Correction or Judicial Branch; and (v) short-term
300 housing operated by a charitable organization where the average
301 length of stay is less than six months. The operation of such housing,
302 including the receipt of any rental payments, by such charitable
303 organization shall be deemed to be an exclusively charitable purpose;

304 Sec. 5. Subdivision (8) of section 12-81 of the 2014 supplement to the
305 general statutes is repealed and the following is substituted in lieu
306 thereof (*Effective October 1, 2014, and applicable to assessment years*
307 *commencing on and after said date*):

308 (8) [The] Subject to the provisions of section 12-20a, as amended by
309 this act, the funds and estate which have been or may be granted,
310 provided by the state, or given by any person or persons to the
311 Trustees of the Berkeley Divinity School, the board of trustees of
312 Connecticut College for Women, the Hartford Seminary Foundation,

313 Sheffield Scientific School, Trinity College, Wesleyan University or The
314 President and Fellows of Yale College in New Haven, and by them
315 respectively invested and held for the use of such institutions, with the
316 income thereof; provided none of said corporations shall hold in this
317 state real estate free from taxation affording an annual income of more
318 than six thousand dollars. Such exemption shall not apply to any real
319 estate which said Trustees of the Berkeley Divinity School own, control
320 or hold in trust, and which is situated in the city of Middletown. No
321 other provision of this section concerning exemption of property used
322 for educational purposes shall be construed to affect any provision of
323 this subdivision;

324 Sec. 6. Subdivision (16) of section 12-81 of the 2014 supplement to
325 the general statutes is repealed and the following is substituted in lieu
326 thereof (*Effective October 1, 2014, and applicable to assessment years*
327 *commencing on and after said date*):

328 (16) Subject to the provisions of [section] sections 12-20a, as
329 amended by this act, and 12-88, all property of, or held in trust for, any
330 Connecticut hospital society or corporation or sanatorium, provided
331 (A) no officer, member or employee thereof receives or, at any future
332 time, shall receive any pecuniary profit from the operations thereof,
333 except reasonable compensation for services in the conduct of its
334 affairs, and (B) in 1967, and quadrennially thereafter, a statement shall
335 be filed by such hospital society, corporation or sanatorium on or
336 before the first day of November with the assessor or board of
337 assessors of any town, consolidated town and city or consolidated
338 town and borough, in which any of its property claimed to be exempt
339 is situated. Such statement shall be filed on a form provided by such
340 assessor or board of assessors;

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>	12-20a
Sec. 2	<i>October 1, 2014, and applicable to assessment years commencing on and after said date</i>	12-20b
Sec. 3	<i>October 1, 2014, and applicable to assessment years commencing on and after said date</i>	3-55j(c) and (d)
Sec. 4	<i>October 1, 2014, and applicable to assessment years commencing on and after said date</i>	12-81(7)
Sec. 5	<i>October 1, 2014, and applicable to assessment years commencing on and after said date</i>	12-81(8)
Sec. 6	<i>October 1, 2014, and applicable to assessment years commencing on and after said date</i>	12-81(16)

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 \$
Various Municipalities	Net Revenue Gain	None	Significant

Explanation

The bill requires private colleges and hospitals to pay property taxes, and requires the state to reimburse these institutions 77%, subject to proration, via the College & Hospital PILOT grant. The bill phases in these changes over five years, from FY 16 to FY 20, when colleges and hospitals will be liable for 100% of property taxes owed to municipalities. In FY 14, 59 municipalities and 11 taxing districts had tax exempt private college and hospital property.

If private colleges and hospitals had not been exempt from property taxes in FY 14, they would have been responsible for approximately \$347.8 million to municipalities. Payments to municipalities in lieu of such taxes totaled approximately \$108.7 million¹ in that same fiscal year. Under the bill, the total revenue gain to municipalities, based on FY 14 figures, is \$239.1 million, phased in from FY 16 to FY 20. Below is a table demonstrating this phase-in.

Municipal Revenue Gain Due to Phase-in of Requirement for

^{1,2} The FY 14 appropriation for the College & Hospital PILOT grant was \$115.8 million. However, certain payments are not subject to proration and are carved out of the initial appropriation, with the remaining funds available for distribution to all municipalities eligible for reimbursement.

Private Colleges and Hospitals to Pay Property Taxes

Fiscal Year	Current C&H Appropriation²	Est. Payments to Town Under sHB 5583	Est. Revenue beyond current appropriation
FY 16	108,705,432	150,027,596	41,322,164
FY 17	108,705,432	191,349,760	82,644,328
FY 18	108,705,432	232,671,924	123,966,492
FY 19	108,705,432	278,229,365	169,523,933
FY 20	108,705,432	347,786,706	239,081,274

This revenue gain to municipalities is partially offset by the redirect of a portion of the Pequot grant to private colleges and hospitals. The Pequot formula currently distributes \$20.1 million to municipalities based on each town's College & Hospital PILOT payment in a given year, though the amount distributed is effectively less than \$20.1 million, as the grant is not fully funded. It is unclear, based on the bill's language, how payments to private colleges and hospitals would be factored into the overall Pequot formula.

The bill has no impact to the state, as it allows for the continued proration of the College & Hospital PILOT grant.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to changes in the assessed value of college and hospital property and municipal mill rates.

OLR Bill Analysis

sHB 5583

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

SUMMARY:

This bill revamps how the state treats nonprofit college and hospital property for property tax purposes and reimburses towns for part of the lost revenue from tax-exempt college and hospital property.

The bill subjects private nonprofit colleges and hospitals to real property taxes over a five-year phase-in period, from the 2014 through 2018 assessment years. It also allows such institutions to enter into agreements with their host municipalities for the payment of real property taxes and exempts those that do so from the bill's phase-in schedule.

With certain exceptions, the bill over time eliminates the state payment in lieu of taxes (PILOT) program that reimburses municipalities for a portion of the taxes that would have been paid on tax-exempt college and hospital property and replaces it with a new state grant program that reimburses private colleges and hospitals for a portion of the taxes they pay to their host municipalities.

The bill also redirects the part of the Mashantucket Pequot and Mohegan Fund currently allocated to municipalities receiving college and hospital PILOTs to the colleges and hospitals eligible for property tax reimbursement grants.

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

PROPERTY TAXES ON COLLEGE AND HOSPITAL REAL PROPERTY

Beginning with the 2014 assessment year, the bill eliminates the property tax exemption for real property owned by nonprofit colleges, universities, and hospitals (see COMMENT) and phases-in their tax liability over a five-year period. With certain exceptions, it increases their tax liability by 20% per year, from the 2014 through 2018 assessment years, until such property is fully taxed.

The bill allows colleges and hospitals to enter into agreements with their host municipalities for the payment of real property taxes and exempts the institutions that do so from paying property taxes according to the bill's schedule. Under the bill, a municipality is any (1) town, city, borough, consolidated town and city, or consolidated town and borough and (2) village, fire, sewer, or combination fire and sewer district or other municipal organization authorized to levy and collect taxes.

The bill applies to the nonprofit institutions currently covered under the state's college and hospital PILOT program:

1. general and chronic disease hospitals and certain urgent care facilities ("hospital facilities") and
2. education 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 ("private nonprofit institutions of higher learning").

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.

STATE REIMBURSEMENT FOR COLLEGES AND HOSPITALS

Under current law, the state provides PILOTs to municipalities to reimburse them for 77% of the taxes that would have been paid on tax-exempt real property owned by private colleges and hospitals. The PILOTs are proportionately reduced if the appropriation for them is less than their full cost. With certain exceptions, the bill eliminates the college and hospital PILOT program and replaces it with a state grant program to reimburse these institutions for the property taxes they must pay under the bill.

Grant Amounts

The grant payments, which begin in FY 16 (for taxes paid on the 2014 assessment year), are generally equal to 77% of the property taxes the institutions paid. But in any year in which an institution pays less than 77% of the property taxes on its real property (i.e., during the first three years of the phase-in period), the grant is equal to the amount the institution actually paid. The institution's host municipality receives any amount (up to 77%) that exceeds this reduced grant amount as a grant in lieu of taxes. Thus, in the program's first year, the institution would pay 20% of the taxes and the grant to the municipality would cover the additional 57%.

Institutions that have entered into agreements with their host municipalities for the payment of real property taxes may also receive a state grant reimbursing them for the property taxes they paid pursuant to the agreement, but only if the amount specified in the agreement exceeds the grant amount they would have otherwise received (generally 77% of real property taxes).

As with the PILOTs under current law, the bill requires the grants to institutions and municipalities to be proportionately reduced in any year in which the state appropriation for the grant is not sufficient to pay the full amount of such grants.

Procedure for Claiming and Paying Grants

The bill establishes a procedure institutions must follow to claim a grant payment that parallels the current process towns must follow to

claim a PILOT.

Each August 1, the institutions must submit to OPM the (1) assessed value of their real property subject to property taxes and (2) amount of property taxes paid for the current assessment year. Those that fail to do so forfeit \$250 to the state, but may ask the secretary to waive the penalty according to procedures and standards he adopts in regulations.

The secretary must determine the grant amount due to each institution by September 1 and certify the amount to the comptroller. The comptroller must order payment within five business days after September 15 and the treasurer must make the payment by September 30.

The bill does not specify a process municipalities must follow in order to claim a grant in lieu of taxes under the program.

PILOTS FOR SPECIFIED COLLEGES AND HOSPITALS

The bill retains the following annual PILOTs for municipalities that host specific colleges and hospitals:

1. 100% PILOT for U.S. Department of Veterans Affairs Connecticut Healthcare Systems campuses (Newington and West Haven),
2. \$100,000 PILOT to Branford for Connecticut Hospice, and
3. \$1 million PILOT to New London for the U.S. Coast Guard Academy.

MASHANTUCKET PEQUOT AND MOHEGAN FUND DISTRIBUTION

Current law annually allocates \$20,123,916 of the Mashantucket Pequot and Mohegan Fund to municipalities according to the distribution formula for college and hospital PILOTs. The bill redirects these funds to colleges and hospitals eligible for property tax reimbursement grants. The grant, when added to the institution's property tax reimbursement grant, cannot exceed 100% of the property

taxes the institution paid.

In any year in which a college or hospital is liable for less than 100% of real property taxes, any funds remaining after making the property tax reimbursement grants are proportionately paid to the institution's host municipality as a grant in lieu of taxes.

COMMENT

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

The bill eliminates 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).

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.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 14 Nay 5 (03/25/2014)