



House of Representatives

General Assembly

File No. 666

January Session, 2015

Substitute House Bill No. 6965

House of Representatives, April 16, 2015

The Committee on Planning and Development reported through REP. MILLER, P. of the 36th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING THE PRESERVATION OF MUNICIPAL TAX BASES.

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

1 Section 1. (NEW) (*Effective from passage*) Notwithstanding any
2 provision of the general statutes, any property, real or personal,
3 acquired on or after July 1, 2015, by any of the following entities, as
4 defined or described in section 12-20a of the general statutes, as
5 amended by this act, shall be taxable by a municipality in accordance
6 with the provisions of chapters 201, 203 and 204 of the general statutes:
7 (1) A private nonprofit institution of higher learning, (2) a nonprofit
8 general hospital facility, (3) a freestanding chronic disease hospital, or
9 (4) an urgent care facility that operates for at least twelve hours a day
10 and that was the location of a nonprofit general hospital for a portion
11 of calendar year 1996.

12 Sec. 2. Subsection (a) of section 12-20a of the general statutes is
13 repealed and the following is substituted in lieu thereof (*Effective from*

14 *passage*):

15 (a) On or before January first, annually, the Secretary of the Office of
16 Policy and Management shall determine the amount due to each
17 municipality in the state, in accordance with this section, as a state
18 grant in lieu of taxes with respect to real property acquired prior to
19 July 1, 2015, and owned by any private nonprofit institution of higher
20 learning or any nonprofit general hospital facility or freestanding
21 chronic disease hospital or an urgent care facility that operates for at
22 least twelve hours a day and that had been the location of a nonprofit
23 general hospital for at least a portion of calendar year 1996 to receive
24 payments in lieu of taxes for such property, exclusive of any such
25 facility operated by the federal government, except a campus of the
26 United States Department of Veterans Affairs Connecticut Healthcare
27 Systems, or the state of Connecticut or any subdivision thereof. As
28 used in this section "private nonprofit institution of higher learning"
29 means any such institution, as defined in subsection (a) of section 10a-
30 34, or any independent institution of higher education, as defined in
31 subsection (a) of section 10a-173, that is engaged primarily in
32 education beyond the high school level, and offers courses of
33 instruction for which college or university-level credit may be given or
34 may be received by transfer, the property of which is exempt from
35 property tax under any of the subdivisions of section 12-81, as
36 amended by this act; "nonprofit general hospital facility" means any
37 such facility that is used primarily for the purpose of general medical
38 care and treatment, exclusive of any hospital facility used primarily for
39 the care and treatment of special types of disease or physical or mental
40 conditions; and "freestanding chronic disease hospital" means a facility
41 that provides for the care and treatment of chronic diseases, excluding
42 any such facility having an ownership affiliation with and operated in
43 the same location as a chronic and convalescent nursing home.

44 Sec. 3. Subdivision (7) of section 12-81 of the general statutes is
45 repealed and the following is substituted in lieu thereof (*Effective*
46 *October 1, 2015, and applicable to assessment years commencing on or after*
47 *October 1, 2015*):

48 (7) (A) Subject to the provisions of section 1 of this act and sections
49 12-87 and 12-88, the real property of, or held in trust for, a corporation
50 organized exclusively for scientific, educational, literary, historical or
51 charitable purposes or for two or more such purposes and used
52 exclusively for carrying out one or more of such purposes or for the
53 purpose of preserving open space land, as defined in section 12-107b,
54 for any of the uses specified in said section, that is owned by any such
55 corporation, and the personal property of, or held in trust for, any such
56 corporation, provided (i) any officer, member or employee thereof
57 does not receive or at any future time shall not receive any pecuniary
58 profit from the operations thereof, except reasonable compensation for
59 services in effecting one or more of such purposes or as proper
60 beneficiary of its strictly charitable purposes, and (ii) in 1965, and
61 quadrennially thereafter, a statement shall be filed on or before the first
62 day of November with the assessor or board of assessors of any town,
63 consolidated town and city or consolidated town and borough, in
64 which any of its property claimed to be exempt is situated. Such
65 statement shall be filed on a form provided by such assessor or board
66 of assessors. The real property shall be eligible for the exemption
67 regardless of whether it is used by another corporation organized
68 exclusively for scientific, educational, literary, historical or charitable
69 purposes or for two or more such purposes;

70 (B) On and after July 1, 1967, housing subsidized, in whole or in
71 part, by federal, state or local government and housing for persons or
72 families of low and moderate income shall not constitute a charitable
73 purpose under this section. As used in this subdivision, "housing" shall
74 not include real property used for temporary housing belonging to, or
75 held in trust for, any corporation organized exclusively for charitable
76 purposes and exempt from taxation for federal income tax purposes,
77 the primary use of which property is one or more of the following: (i)
78 An orphanage; (ii) a drug or alcohol treatment or rehabilitation facility;
79 (iii) housing for homeless individuals, mentally or physically
80 handicapped individuals or persons with intellectual disability, or for
81 victims of domestic violence; (iv) housing for ex-offenders or for
82 individuals participating in a program sponsored by the state

83 Department of Correction or Judicial Branch; and (v) short-term
 84 housing operated by a charitable organization where the average
 85 length of stay is less than six months. The operation of such housing,
 86 including the receipt of any rental payments, by such charitable
 87 organization shall be deemed to be an exclusively charitable purpose;

88 Sec. 4. Subdivision (16) of section 12-81 of the general statutes is
 89 repealed and the following is substituted in lieu thereof (*Effective*
 90 *October 1, 2015, and applicable to assessment years commencing on or after*
 91 *October 1, 2015*):

92 (16) Subject to the provisions of section 1 of this act and section 12-
 93 88, all property of, or held in trust for, any Connecticut hospital society
 94 or corporation or sanatorium, provided (A) no officer, member or
 95 employee thereof receives or, at any future time, shall receive any
 96 pecuniary profit from the operations thereof, except reasonable
 97 compensation for services in the conduct of its affairs, and (B) in 1967,
 98 and quadrennially thereafter, a statement shall be filed by such
 99 hospital society, corporation or sanatorium on or before the first day of
 100 November with the assessor or board of assessors of any town,
 101 consolidated town and city or consolidated town and borough, in
 102 which any of its property claimed to be exempt is situated. Such
 103 statement shall be filed on a form provided by such assessor or board
 104 of assessors;

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>from passage</i>	12-20a(a)
Sec. 3	<i>October 1, 2015, and applicable to assessment years commencing on or after October 1, 2015</i>	12-81(7)
Sec. 4	<i>October 1, 2015, and applicable to assessment years commencing on or after October 1, 2015</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 16 \$	FY 17 \$
Various Municipalities	Grand List Increase	None	Potential Significant

Explanation

The bill requires certain private colleges and hospitals to pay taxes on property purchased after July 1, 2015.

The impact this has to municipalities varies based on the type of property purchased.

If a private college or hospital purchases property that is currently taxable, then the bill precludes any reduction in a municipality's grand list that results when a non-taxable entity purchases taxable property.

If a private college or hospital purchases property that is currently not taxable, the municipality would experience a grand list increase. This grand list increase would result in an increased levy, given a constant mill rate.

The bill also precludes any changes in the College & Hospital PILOT grant resulting from the purchase of property by private colleges and hospitals.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the amount of property purchased

by private colleges and hospitals.

OLR Bill Analysis**sHB 6965****AN ACT CONCERNING THE PRESERVATION OF MUNICIPAL TAX BASES.****SUMMARY:**

This bill requires certain nonprofit colleges and hospitals to pay property taxes on real and personal property they acquire on or after July 1, 2015 (see COMMENT). 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)).

The bill conforms the state's payment in lieu of taxes (PILOT) program to this change. By law, under that program, the state reimburses municipalities for a portion of the taxes that would have been paid on real property owned by such institutions. The bill limits the PILOTs to tax-exempt real property these institutions acquired before July 1, 2015.

EFFECTIVE DATE: Upon passage, except for the conforming changes to existing property tax exemptions, which are effective October 1, 2015 and applicable to assessment years beginning on or after that date.

COLLEGES AND HOSPITALS SUBJECT TO TAXATION

Under the bill, the following types of nonprofit institutions must pay property taxes on real and personal property they acquire on or after July 1, 2015:

1. nonprofit general hospital facilities (i.e., those used primarily for general medical care and treatment, excluding facilities that

- primarily care for and treat specific diseases or physical or mental conditions);
2. freestanding chronic disease hospitals (i.e., those that care for and treat chronic diseases, excluding facilities affiliated with and operated in the same location as a chronic and convalescent nursing home);
 3. urgent care facilities operating for at least 12 hours a day and that were the location of a nonprofit hospital for a portion of the 1996 calendar year; and
 4. educational institutions or independent colleges or universities that (1) provide instruction beyond the high school level; (2) offer, or accept transfer of, college-level credit; (3) are either licensed or accredited by the Office of Higher Education to offer degrees; and (4) are exempt from property taxes under state law.

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

College and Hospital PILOT Program

The state provides PILOTs to municipalities to reimburse them for a portion of the taxes that would have been paid on tax-exempt real property owned by private colleges and hospitals. The statutory PILOT rate for most college and hospital property is 77% of the lost revenue, but the grants are proportionately reduced if the state's annual appropriation is not enough to fully fund them.

Related Bill

sSB 1070, favorably reported by the Planning and Development Committee, restructures the state's PILOT programs by consolidating

the PILOT programs for different types of tax-exempt property and changing the basis for calculating the payments.

COMMENT

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

The bill requires nonprofit colleges and universities to pay property taxes on property they acquire on or after July 1, 2015, but it does not repeal the tax exemptions that certain institutions have been granted 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 different statute (CGS § 12-81(8)) and in most cases, special acts. These 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).

The conflict arises because the bill does not override the special acts, but only the statutes granting the exemption (CGS §§ 12-81(7) and (8)). In overriding the statutes, though, it does not make a conforming technical change that limits the exemption CGS § 12-81(8) grants to the seven institutions to property acquired on or after July 1, 2015.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 13 Nay 7 (03/27/2015)