Senate

General Assembly **File No. 782**

January Session, 2015 Substitute Senate Bill No. 1131

Senate, May 7, 2015

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING GRAND LIST GROWTH.

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

Section 1. (NEW) (*Effective October 1, 2016, and applicable to assessment years commencing on or after October 1, 2016*) (a) (1) Notwithstanding any provision of the general statutes or any special act, charter or home rule ordinance, and subject to the requirements of subsection (b) of this section, a municipality which contains an enterprise zone designated pursuant to section 32-70 of the general statutes may, by vote of its legislative body, or in a municipality where the legislative body is a town meeting, by vote of the board of selectmen, provide that, for any improvement to commercial or industrial property that results in an increased assessed value of the property of ten thousand dollars or more as compared to the base year, (A) the assessment of such improvement shall be reduced as provided in subdivision (2) of this subsection, and (B) at least fifty per cent of the increase in tax revenue attributable to such improvement shall be allocated to reduce the assessments and total tax imposed on each commercial or industrial property located within the municipality, provided such property is not subject to any other form of property tax relief. The reduced assessment shall be applicable for a period determined by such vote of the legislative body or the board of selectmen.

(2) (A) The tax collector of any municipality that has voted to reduce such assessment pursuant to subdivision (1) of this subsection or the tax collector of any municipality that is subject to the requirements of subsection (b) of this section shall annually calculate the average regional mill rate based on the average mill rate of the planning region of the state, as designated under the provisions of section 16a-4a of the general statutes, in which the municipality is located.

(B) The assessor of each such municipality shall annually (i) calculate the increase from the base year for any improvement that results in an increased assessed value of the property of ten thousand dollars or more as compared to the base year, and (ii) reduce the assessment of such improvement to an amount that yields a total tax on the improvement equal to the tax that would be imposed at the applicable average regional mill rate. Except as provided in subparagraph (B) of subdivision (1) of subsection (b) of this section, such municipality shall allocate at least fifty per cent of any increase in tax revenue attributable to such improvements to reduce the assessments and total tax imposed on each commercial and industrial property located within the municipality, provided such property is not subject to any other form of property tax relief.

(b) (1) Each municipality having a population of not less than one hundred twenty thousand as shown by the last United States census and having a total area of eighteen square miles or less shall (A) reduce the assessment for any improvement to commercial or industrial property that results in an increased assessed value of the property of ten thousand dollars or more as compared to the base year in accordance with subsection (a) of this section, and (B) allocate at least fifty per cent of any increase in tax revenue attributable to such improvement to reduce the assessments and total tax imposed on each commercial or industrial property having a total assessment of less than fifteen million dollars, provided such property is not subject to any other form of property tax relief.

(2) The reduced assessment set forth in this subsection shall continue until the assessment year in which the mill rate for the municipality is no more than ten per cent greater than the average regional mill rate calculated pursuant to subdivision (2) of subsection (a) of this section.

(c) For the purposes of this section, "base year" means the assessment year commencing October 1, 2014, "increase from the base year" means the assessed value of the commercial or industrial property for the current assessment year plus the current assessment year assessed value of any personal property acquired after the base year to be used exclusively for commercial or industrial purposes, less the assessed value of the commercial or industrial property for the base year, and "improvement to commercial or industrial property" includes, but is not limited to, any acquisition of personal property to be used exclusively for commercial or industrial purposes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	*October 1, 2016, and applicable to assessment years commencing on or after October 1, 2016*	New section

FIN *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 $	The Out Years
Various Municipalities	Revenue Loss	None	None	Potential

Explanation

The bill requires the City of Hartford, and allows certain other municipalities, to: 1) reduce the assessment on new commercial and industrial property; and 2) allocate 50% of the taxes on such assessments to reduce the taxes imposed on other commercial and industrial properties in the municipality.

As an illustration, if a company built a new building in Hartford, that building would be subject to a reduced assessment. Under the bill's provisions, if the typical assessment on the building is $1 million, that assessment would be reduced to $447,570.

Under this illustration, this results in a revenue loss to the City of Hartford of approximately $41,000, as the tax bill on this property is reduced from $74,290 to $33,250. Of the remaining $33,250, at least $16,625 (50%) must be used to reduce the tax bills of certain other commercial properties. This results in a total revenue loss of $57,625.

The Out Years

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

OLR Bill Analysis
sSB 1131

AN ACT CONCERNING GRAND LIST GROWTH.

SUMMARY:

This bill establishes a mechanism to provide property tax relief to qualifying commercial and industrial property owners in certain municipalities. The mechanism must be used in Hartford and may be used in certain other municipalities.

Beginning with the 2016 assessment year, the bill requires a municipality with at least 120,000 residents and a total area of less than 18 square miles (i.e., Hartford) to (1) reduce property tax assessments on improvements to commercial and industrial property over a specified threshold and (2) direct 50% of the property tax revenue from such improvements to reduce the assessment and taxes on commercial and industrial property in the municipality.

The bill specifies the method assessors must use to reduce assessments on commercial and industrial property improvements and personal property used for commercial and industrial purposes that exceed the specified threshold value. Hartford must maintain the reduced assessments until an assessment year in which its mill rate drops to below 10% of the average mill rate for the municipalities in its planning region (average regional mill rate) (see BACKGROUND).

The bill authorizes any of the municipalities with a state-designated enterprise zone, by a vote of its legislative body, to implement a substantially similar program (see BACKGROUND). Any such municipalities implementing the reduced assessments must determine the period during which the assessment reductions apply.

EFFECTIVE DATE: October 1, 2016, and applicable to assessment years beginning on or after that date.

ELIGIBLE MUNICIPALITIES AND PROPERTY

Under the bill, the reduced assessment program is required for Hartford but optional for any municipality with a state-designated enterprise zone. (Currently, 17 towns have such zones and two more are slated to have them.) For such municipalities, the legislative body (or board of selectmen, in a municipality where the legislative body is a town meeting) must vote to establish the program and determine its duration.

The reduced assessments apply to commercial and industrial property improvements, including personal property acquired after 2014 used exclusively for commercial or industrial purposes, that increase a property's value by more than $10,000 over its assessment in 2014, which the bill designates as the base year.

CALCULATING THE REDUCED ASSESSMENTS

The start year for reducing commercial and industrial real property assessments is the October 1, 2016 assessment year. Although the bill does not specify the date by which the assessors must calculate the reduced assessments, October 1 is the date by which assessors must annually determine the assessed value of property. Property assessed on October 1 is subject to taxation at the rate the municipality adopts for the fiscal year starting nine months later on July 1.

Assessors in Hartford, and any other municipality eligible to implement the program, must annually calculate the reduced assessments in three steps. First, the assessors must determine the amount by which each property improvement's assessment for the current year exceeds its 2014 assessment. In doing so, they must include the current assessed value of any personal property acquired after the 2014 assessment year that is used exclusively for commercial or industrial purposes.

Next, they must calculate the average regional mill rate. (Based on FY 15 data, the average mill rate in Hartford's planning region is 33.25, compared to Hartford's mill rate of 74.29.) The bill does not specify whether they must calculate the average for the fiscal year that includes the October 1 assessment date or the fiscal year that starts the subsequent July 1. Because most municipalities set the mill rate for the next fiscal year in April or May, it appears that the assessors would have to reduce the October 1 assessments based on the current year's mill rates.

The assessors must then reduce each improvement's assessment so that the total tax on the improvement equals the tax that would have been imposed at the average mill rate for the municipality's planning region. For example, assume that the improvement's assessed value is $100,000. Given a regional average mill rate of 33.25, the tax on this $100,000 assessment would be $3,325 (as opposed to $7,429 at a municipal mill rate of 74.29). The bill requires the assessor to reduce the $100,000 assessment so that the tax would equal $3,325 based on the municipality's 74.29 mill rate. This would yield an assessment of $44,757.

PROPERTY TAX RELIEF FOR OTHER TAXPAYERS

The bill requires Hartford and any other municipality implementing the program to use 50% of the property tax revenue attributed to the eligible improvements to reduce the assessments and total tax levied on specified properties in the municipalities. Hartford must limit this property tax relief to commercial and industrial properties assessed at less than $15 million, while the other municipalities must direct it to all commercial and industrial properties. In either case, properties receiving any other form of property tax relief are not eligible for relief under the bill.

BACKGROUND

Planning Regions

By law, the Office of Policy and Management secretary designates the state's local planning regions. There are currently nine regions: Capitol, Greater Bridgeport, Lower CT River Valley, Naugatuck Valley, Northeastern, Northwest Hills, South Central, Southeastern, and Western.

Municipalities with Enterprise Zones

Connecticut currently has 17 state-designated enterprise zones, located in Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Waterbury, and Windham. PA 14-217 (§ 177) also requires the Department of Economic and Community Development commissioner to approve enterprise zones in Wallingford and Thomaston beginning July 1, 2014.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 45 Nay 1 (04/24/2015)