



Scott M. Ferguson, President
Connecticut Tax Collectors' Association, Inc.
155 Deer Hill Avenue
Danbury, CT 06810
T (203) 797-4540
F (203) 796-1547
EMAIL s.ferguson@danbury-ct.gov

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Banking Committee, Connecticut General Assembly

Re: Senate Bill 408, "An Act Concerning The Protection Of Delinquent Homeowners"

This testimony is being submitted in opposition of Senate Bill 408, An Act Concerning The Protection Of Delinquent Homeowners.

As President of the Connecticut Tax Collectors' Association, Inc, and as tax collector for the City of Danbury, I respectfully request that you reject Senate Bill 408. This bill would create a lower rate of interest on delinquent real estate taxes during the term of a judicial foreclosure by a municipality, and eliminate the interest accrual entirely upon the assignment of real estate liens to a third party.

The purpose of statutory interest is to compensate a municipality for the budget shortfall it incurs while trying to collect these unpaid taxes, and to help fund the manpower it takes to pursue and collect these balances. It also used to protect the higher taxes other property owners would pay due to this shortfall. Interest is also an incentive to pay on time, and is applied uniformly across the state. Most taxpayers do not pay interest as they do pay their taxes in a timely manner.

Reducing interest rates during foreclosure would reduce the incentive a taxpayer has to quickly resolve their debt, causing the process to lag. All delinquent taxes should be charged a uniform rate of interest, as this is the fairest way.

With regards to interest accruals on third party lien assignments, General Statute Section 12-195h, many municipalities including cities such as Hartford, Bridgeport, and Danbury rely on this collection tool as its primary method of recovering delinquent taxes. These assignments are purchased by corporate investors who are bound by contract with the municipality, protecting delinquent taxpayers. These investors are interested in

these liens so that they may earn the post-assignment interest. This is both as a profit, and to cover the costs of time and expense in taking over the responsibility of collecting. To eliminate this interest, would basically repeal General Statute Section 12-195h and remove this collection tool from use, effecting municipal budgets dramatically. Municipalities would then need to turn to foreclosures and tax sales within a 24 month period of delinquency, in order to fund the budget shortfalls they will definitely incur.

Senate Bill 408 would cause extreme changes to the tax collection laws and have a detrimental impact on municipalities and their ability to collect delinquent taxes. I respectfully request that you reject Senate Bill 408.