



BANKING COMMITTEE

March 8, 2016

The Connecticut Conference of Municipalities (CCM) is Connecticut’s statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 96% of Connecticut’s population. We appreciate the opportunity to testify on bills of interest to towns and cities.

CCM opposes Senate Bill 408 “An Act Concerning the Protection of Delinquent Homeowners.”

SB 408 would reduce the interest rate on delinquent taxpayers, by creating a different and lower rate during judicial foreclosures. This proposal would reduce the interest rate on real property to twelve percent per annum upon the filing of a lis pendens. Twelve percent interest would continue to accrue until said residential real property is paid.

Additionally, the bill would have chilling effect on the ability of a town or city to sell existing tax liens to a third party by removing their ability to collect post sale interest. SB 408 would impose major changes to the tax collection laws and have a significant impact on a municipality’s ability to collect delinquent taxes.

Given the current fiscal conditions faced by the state and local municipalities we would urge the Committee to take no action on SB 408.

FACT: Residents pay higher fees for delinquent state taxes, because towns do not charge a penalty. For instance:

	Delinquency	Penalty	Interest	Amount Owed After One Month
Property Tax	\$10,000	0	1.5% per month	\$150.00
State Income Tax	\$10,000	10%	1% per month	\$1,100.00
State Sales Tax	\$10,000	15% or \$50, whichever is greater	1% per month	\$1,600.00

Municipal officials understand the desire to provide property tax relief during these challenging fiscal times and CCM is a leading advocate for meaningful property tax relief in Connecticut.

CCM has been on the forefront of providing services, but this is not the way to do it. While taxes are high, CCM recommends looking first at the State's rates.

Towns and cities continue to face challenging times, and municipalities continue to make towns difficult budget cuts and spending decisions. In Connecticut's central cities and poorer towns, the situation is increasingly grave and dire. Although, deep cuts in services and significant layoffs have occurred in these communities, municipalities must still provide the services residents depend on for education, public safety and infrastructure maintenance, regardless of the economy.

The logic behind the delinquent interest rate is to encourage on-time payment of taxes, on which the financial health of municipalities depends. It also serves to compensate towns and cities for the financial loss that occurs from not having revenue paid in a timely manner. When you reduce incentives for persons to pay taxes on time, you impact taxpayers who pay their taxes on time – persons who are paying their fair share. These law-abiding taxpayers end up paying higher taxes to make up for those who aren't paying at all.

We all want to reduce property taxes, which, in turn, reduce the likelihood of taxpayer delinquency. The better approach would be to enact meaningful property tax reform.

CCM urges the Committee to **oppose SB 408** and instead focus on comprehensive property tax reform as a way to assist all hard-pressed taxpayers. It's the fairest way to provide relief during this very difficult period.



If you have any questions, please contact Randy Collins, Advocacy Manager of CCM at rcollins@ccm-ct.org or (860) 707-6446.