



# Senate

General Assembly

**File No. 681**

February Session, 2016

Senate Bill No. 450

*Senate, April 19, 2016*

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 bill ought to pass.

## ***AN ACT CONCERNING MUNICIPAL PROPERTY TAX ABATEMENT.***

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

1 Section 1. Section 12-65b of the 2016 supplement to the general  
2 statutes is repealed and the following is substituted in lieu thereof  
3 (*Effective October 1, 2016, and applicable to assessment years commencing on*  
4 *or after October 1, 2016*):

5 (a) Any municipality may, by affirmative vote of its legislative body,  
6 enter into a written agreement, for a period of not more than ten years,  
7 with any party owning or proposing to acquire an interest in real  
8 property in such municipality, or with any party owning or proposing  
9 to acquire an interest in air space in such municipality, or with any  
10 party who is the lessee of, or who proposes to be the lessee of, air space  
11 in such municipality in such a manner that the air space leased or  
12 proposed to be leased shall be assessed to the lessee pursuant to  
13 section 12-64, fixing the assessment of the real property or air space  
14 which is the subject of the agreement, and all improvements thereon or  
15 therein and to be constructed thereon or therein, subject to the

16 provisions of subsection (b) of this section. [ (1) for a period of not  
 17 more than seven years, provided the cost of such improvements to be  
 18 constructed is not less than three million dollars, (2) for a period of not  
 19 more than two years, provided the cost of such improvements to be  
 20 constructed is not less than five hundred thousand dollars, (3) to the  
 21 extent of not more than fifty per cent of such increased assessment, for  
 22 a period of not more than three years, provided the cost of such  
 23 improvements to be constructed is not less than ten thousand dollars,  
 24 or (4) for a period of years specified in an ordinance, for improvements  
 25 to be constructed on land used or to be used for any retail business in  
 26 an area designated in such ordinance.] For purposes of this section,  
 27 "improvements to be constructed" includes the rehabilitation of  
 28 existing structures for retail business use.

29 (b) The provisions of subsection (a) of this section shall only apply if  
 30 the improvements are for at least one of the following: (1) Office use;  
 31 (2) retail use; (3) permanent residential use in connection with a  
 32 residential property consisting of four or more dwelling units; (4)  
 33 transient residential use in connection with a residential property  
 34 consisting of four or more dwelling units; (5) manufacturing use; (6)  
 35 warehouse, storage or distribution use; (7) structured multilevel  
 36 parking use necessary in connection with a mass transit system; (8)  
 37 information technology; (9) recreation facilities; (10) transportation  
 38 facilities; (11) mixed-use development, as defined in section 8-13m; or  
 39 (12) use by or on behalf of a health system, as defined in section 19a-  
 40 508c.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2016, and applicable to assessment years commencing on or after October 1, 2016</i>	12-65b

**FIN**            *Joint Favorable*

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:**

<b>Municipalities</b>	<b>Effect</b>	<b>FY 17 \$</b>	<b>FY 18 \$</b>
Various Municipalities	Potential Revenue Gain/Loss	None	See Below

**Explanation**

The bill 1) expands an optional freeze on certain property assessments to include the entire assessment of certain property for 10 years, which results in a grand list reduction, and 2) it restricts the freeze, specifying that only residential property consisting of four or more dwelling units can be eligible for the program, which results in a grand list expansion.

The net revenue gain/loss as a result of the bill will vary based on the municipality.

**The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to municipal grand lists and mill rates.

**OLR Bill Analysis****SB 450****AN ACT CONCERNING MUNICIPAL PROPERTY TAX ABATEMENT.****SUMMARY:**

By law, municipalities must assess property for taxes based on 70% of its fair market value, which often increases after it is developed or improved. But current law sets conditions under which municipalities can exempt some or all of the increase in the fair market value of a property after it was developed or improved for various uses (i.e., fixing the assessment), thus reducing the taxes the property's owner would otherwise pay.

This bill gives municipalities more latitude to set the terms and conditions for fixing an assessment on such property by eliminating the statutory criteria for doing so. Those criteria base the exemption amount and its duration on an amount spent to develop or improve the property. Consequently, the bill allows municipalities to determine the amount and duration of the exemption and the criteria that must be met to obtain it. It also allows them to provide this benefit for up to 10 years.

The bill also limits municipalities' ability to fix the assessment for residential and transient residential property improvements to those with at least four units.

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

**CRITERIA FOR FIXING PROPERTY ASSESSMENTS**

The bill eliminates the statutory criteria specifying the terms and conditions fixing an assessment. As Table 1 shows, the statutory

criteria for fixing the assessments are based on the value of the improvement.

Table 1: Schedule for Fixing the Assessment on Improved Property Eliminated by Bill

<i>Minimum Value of the Improvement</i>	<i>Percent of the Increase in Assessed Value Exempt from Taxation</i>	<i>Period for Fixing the Assessment</i>
\$3 million	Up to seven years	100%
\$500,000	Up to two years	100%
\$10,000	Up to three years	Up to 50%

Current law allows municipalities to set the terms and conditions for fixing the assessment on improved retail property if they adopt an ordinance designating an area where this benefit is available. The bill allows them to fix the assessment without having to adopt such an ordinance.

In addition to property developed or improved for retail uses, the law, which the bill does not change, allows municipalities to fix the assessments on property developed or improved for the following uses: offices; residential and transient residential uses; manufacturing; warehouse, storage, or distribution uses; structure multilevel parking supporting a mass transit system; information technology; recreation facilities; transportation facilities; incentive housing zones; and health systems.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 48 Nay 0 (04/05/2016)