



Senate

General Assembly

File No. 642

February Session, 2016

Substitute Senate Bill No. 472

Senate, April 14, 2016

The Committee on Judiciary reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING THE ASSIGNMENT OF LIENS FILED BY A MUNICIPAL TAX COLLECTOR AND A STUDY OF THE MUNICIPAL TAX LIEN FORECLOSURE PROCESS BY THE CONNECTICUT LAW REVISION COMMISSION.

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

1 Section 1. Section 12-195h of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2016*):

3 (a) Any municipality, by resolution of its legislative body, as
4 defined in section 1-1, may assign, for consideration, any and all liens
5 filed by the tax collector to secure unpaid taxes on real property as
6 provided under the provisions of this chapter. The consideration
7 received by the municipality shall be negotiated between the
8 municipality and the assignee. The assignee or assignees of such liens
9 shall have and possess the same powers and rights at law or in equity
10 as such municipality and municipality's tax collector would have had
11 if the lien had not been assigned with regard to the precedence and
12 priority of such lien, the accrual of interest and the fees and expenses

13 of collection and of preparing and recording the assignment. The
14 assignee shall have the same rights to enforce such liens as any private
15 party holding a lien on real property including, but not limited to,
16 foreclosure and a suit on the debt.

17 (b) The assignee, or any subsequent assignee, shall provide written
18 notice of an assignment, not later than thirty days after the date of such
19 assignment, to: [any]

20 (1) Any holder of a mortgage, on the real property that is the subject
21 of the assignment, provided such holder is of record as of the date of
22 such assignment. Such notice shall include information sufficient to
23 identify [(1)] (A) the property that is subject to the lien and in which
24 the holder has an interest, [(2)] (B) the name and addresses of the
25 assignee, and [(3)] (C) the amount of unpaid taxes, interest and fees
26 being assigned relative to the subject property as of the date of the
27 assignment; and

28 (2) The taxpayer against whom such lien has been filed. Such notice
29 shall include information sufficient to identify (A) the property that is
30 subject to the lien, (B) the name and address of the assignee, (C) the
31 amount of unpaid taxes, interest and fees being assigned relative to the
32 subject property as of the date of the assignment, and (D) the terms of
33 any proposed payment plan offered by the assignee that delineates the
34 amount of the unpaid taxes, the interest owing on the unpaid taxes
35 and any fees that are to be paid by the taxpayer to the assignee. Such
36 notice shall also inform the taxpayer that the assignee may seek to
37 recover any costs and reasonable attorneys' fees from the taxpayer in
38 the event that the assignee initiates a foreclosure action or other legal
39 proceeding pursuant to this section to collect on the debt.

40 Sec. 2. (*Effective from passage*) The Connecticut Law Revision
41 Commission shall study the adequacy of state processes governing the
42 foreclosure of tax liens by a municipality. Such study shall include, but
43 not be limited to: (1) The feasibility of establishing an expedited
44 process for tax foreclosures on small parcels of land on which taxes
45 have not been paid for ten years or more; (2) an examination of the

46 constraints that municipalities encounter when foreclosing on such tax
47 liens; and (3) an examination of the due process issues which affect
48 municipalities and interested parties when foreclosing on such tax
49 liens. On or before January 1, 2017, the commission shall present its
50 recommendations, including recommendations for proposed statutory
51 revisions, if any, to the joint standing committees of the General
52 Assembly having cognizance of matters relating to municipalities and
53 the judiciary and to the Chief Court Administrator.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2016</i>	12-195h
Sec. 2	<i>from passage</i>	New section

JUD *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:*** None***Explanation***

The bill requires the Connecticut Law Revision Commission to conduct a study into the adequacy of state processes governing the foreclosure of tax liens by a municipality and present its recommendations to the judiciary and planning and development committees by January 1, 2017. There is no fiscal impact as prior studies for the commission have utilized legislative staff.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**sSB 472*****AN ACT CONCERNING THE ASSIGNMENT OF LIENS FILED BY A MUNICIPAL TAX COLLECTOR AND A STUDY OF THE MUNICIPAL TAX LIEN FORECLOSURE PROCESS BY THE CONNECTICUT LAW REVISION COMMISSION.*****SUMMARY:**

Existing law requires the party to whom a municipality has assigned a real property tax lien, or any subsequent assignee, to provide written notice to any mortgagee within 30 days after the assignment. The notice must include (1) the name and address of the party to whom the tax lien was assigned; (2) the amount of unpaid taxes, interest, and fees as of the date of the assignment; and (3) information to identify the property. The bill requires assignees to provide the same information to the delinquent taxpayer within 30 days after the assignment.

The bill additionally requires the notice to delinquent taxpayers to include (1) the terms of any proposed payment plan offered by the assignee that delineates the amount of unpaid taxes, interest owed, and applicable fees and (2) information on the assignee's right to recover costs and reasonable attorney's fees from the taxpayer when initiating a foreclosure action or other legal proceeding to collect the debt.

The bill also requires the Connecticut Law Revision Commission to study the adequacy of state processes governing municipalities' tax lien foreclosures, including:

1. the feasibility of establishing an expedited process for tax foreclosures on small parcels for which taxes have not been paid in at least 10 years,

2. constraints that municipalities encounter when foreclosing such tax liens, and
3. due process issues affecting municipalities and interested parties when foreclosing such tax liens. (It is unclear if all three study requirements apply only to foreclosures on small parcels.)

By January 1, 2017, the commission must submit its recommendations, including any proposed statutory changes, to the Planning and Development and Judiciary committees and the chief court administrator.

EFFECTIVE DATE: October 1, 2016, except the provision regarding the Connecticut Law Revision Commission takes effect upon passage.

BACKGROUND

Assignment of Municipal Tax Liens

CGS § 12-195h permits municipalities to assign their property tax liens to third parties. The municipality's legislative body must exercise this authority by resolution and may do so for any and all liens. Payment for the assignment is a matter of negotiation between the municipality and the assignee. The assignee has the same powers and rights as the municipality and its tax collector regarding the lien's priority interest and collection fees. The assignee may also enforce the lien in the same manner as any private lienholder.

COMMITTEE ACTION

Judiciary Committee

Joint Favorable Substitute

Yea 45 Nay 0 (03/30/2016)