

To: Members of the Planning and Development Committee, Connecticut General Assembly
From: Lisa Biagiarelli, CCMC, Esq., Tax Collector, City of Norwalk
Re: Raised Senate Bill # 91: An Act Concerning the Interest Rate on Delinquent Property Taxes
Date: February 18, 2016

This testimony concerns **Raised Senate Bill 91**, An Act Concerning the Interest Rate on Delinquent Property Taxes. The Connecticut Tax Collectors' Association Inc., and its members oppose this bill.

Connecticut municipalities rely upon property tax collections to fund municipal budgets and provide the services constituents have come to expect, most notably, public education and public safety. Municipal tax collectors bear the responsibility for collecting in some cases up to 95% of a municipality's annual operating revenue. Tax collectors, both elected and appointed, strive to achieve a high level of professionalism, brought about by uniform application of the laws and a commitment to efficiency and effectiveness.

Every day, we balance compassion for our constituents who are having a difficult time meeting their tax obligations, with our sworn obligation to follow the law and collect what is due.

Our difficult jobs are made somewhat easier by our strict reliance on statutes which clearly give no room for favoritism or special treatment. The 'ad valorem' ('according to value') property tax structure is based upon the concept of equity; that a taxpayer is responsible for his 'fair share,' and that we collect only that which is rightly due. We revalue property at statutory intervals in order to ensure equity. We are required to bill and to make demand for payment and follow strict rules when enforcing collection. Taxpayers know that when they are charged interest because they are late in paying, that they are being treated exactly the same as others similarly situated. Nobody is going to get special treatment or a 'break.'

To allow municipalities to establish their own interest rates is contrary to equity. It would pit towns against one another, potentially allow political considerations to enter into the equation, and imperil the integrity of the taxation function. This proposal would basically allow the General Assembly to abdicate responsibility for the statutory interest rate, but only at the sizeable cost of jeopardizing the revenue stream upon which municipalities depend and calling into question the integrity of the entire process. Municipalities would be able to change their interest rate for any reason at any time. It is not hard to foresee changes being made to coincide with local election cycles, or for politics to enter into the process. The potential for conflicts of interest and erosion of public trust is enormous. Uniformity and equity are key, and a local option interest rate undermines these core values.

As a general rule, Connecticut tax collectors are opposed to any proposal to reduce the statutory interest rate. The 18% rate of interest encourages taxpayers to pay on time, which is a key factor in the crafting of municipal budgets and the establishment of local mill rates. Every municipal budget recognizes that a portion of the tax levy will be 'uncollectible,' and compensates for that uncollected portion by slightly increasing the current mill rate. This imposes an additional burden on the on time taxpayer, who is forced to pay a little bit more than his or her 'fair share,' in the form of a slightly higher mill rate.

The higher the amount uncollected goes, the higher the mill rate must go to compensate. Lowering the statutory interest rate on delinquent taxes may initially appear to be helpful, but does the exact opposite of its stated purpose. In fact, it serves to punish the on time taxpayer. A lower interest rate makes it 'easier' to be delinquent. When back taxes are ultimately paid, the amount collected in interest penalty will be less, and, the delinquent taxpayer will take longer to bring his or her account current because there is less incentive to do so. Both of these factors serve to impose higher taxes on the on time responsible taxpayer, who is forced to make up the difference. This is inequitable, and erodes the public's confidence in the tax system.

Our members respectfully ask this Committee and all our legislators to reconsider these ideas. Allow us to treat our taxpayers equitably, uniformly and fairly. Do not place upon us the burden of attempting to navigate a potential myriad of variable local option interest rates that would change with the political tides.