To: Members of the Finance, Revenue and Bonding Committee, Connecticut General Assembly  
Re: Raised SB # 1135: AAC The Municipal Interest Rate Applicable to Delinquent Property Taxes  
Date: May 1, 2019

This testimony concerns Raised Senate Bill 1135, An Act Concerning the Municipal Interest Rate Applicable to Delinquent Property Taxes. The Connecticut Tax Collectors’ Association, Inc., and its members, including me, 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 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 obligations, with our sworn obligation to follow the law and collect what is due. Our difficult jobs are made somewhat easier by strict reliance on statutes which give no room for favoritism. 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. Taxpayers know that when they are charged interest, they are being treated exactly the same as others similarly situated. Nobody gets 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. 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. 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.

Connecticut tax collectors are generally opposed to reducing the statutory interest rate. The current rate encourages taxpayers to pay on time. This is fundamental to the municipal budget cycle 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. Lowering the statutory interest rate on delinquent taxes may appear to be helpful, but will actually add to the burden borne by the on time taxpayer. A lower interest rate makes it ‘easier’ to be delinquent. Delinquent taxpayers will take longer to pay, because there is less incentive to do so. This results in 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.