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### Testimony

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## **SB 1135 – AAC Municipal Interest Rate Applicable to Delinquent Property Taxes.**

The Connecticut Tax Collectors' Association is opposed to SB-1135 which would provide municipalities with a local option to charge interest on delinquent property taxes at an interest rate less than the current statutory rate of 18%.

CTx mission, in part, is to promote uniformity in practice and application of statutory procedures. The proposed legislation would pit one town against another if they were allowed to reduce the interest rate from the current 18%. The uniformity of the 18% interest rate is designed to encourage property tax payments to be made on time. The current interest rate serves to compensate municipalities for the loss that occurs when revenue is not paid in a timely manner.

The lowering of interest rates on unpaid delinquent taxes discourages the large majority of taxpayers who pay their taxes on time from paying them on time. Municipalities (and municipal water/sewer providers) rely on timely payments to provide services for all citizens. Lowering the interest rate on delinquencies reduces municipal revenue and ultimately causes higher tax bills on taxpayers who struggle - but ultimately do - make timely tax payments to avoid interest.

Municipal tax collections must be efficient, effective and equitable. By authorizing municipalities to reduce the current interest rate, this legislation would provide a benefit to the delinquent taxpayer at the expense of residents and businesses who do pay their property taxes on time.

Interest on delinquent property taxes is also a revenue concern. In a municipal budget, under the revenue category of Property Tax, there are three accounts. The first is the CURRENT YEAR property tax collection. The second account is the PRIOR YEAR collections. The last account is INTEREST & LIENS. The sum of these three accounts makes up PROPERTY TAX REVENUE. If a municipality was to reduce their interest rate, they would be in effect being reducing the amount of interest they are to collect in the fiscal year. Any reduction of interest revenue may be significant to many municipalities.

The Connecticut Tax Collectors' Association, Inc is opposed to SB-1135.