

Local Tax Relief in Response to COVID-19: Deferment and Low Interest Rate Programs

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Issue

Summarize the Deferment and Low Interest Rate programs established in Executive Order (EO) [7S](#), as amended by [EO 7W](#).

Summary

Governor Lamont established two programs to provide temporary property tax and municipal utility charge relief to eligible businesses, nonprofits, residents, and taxpayers. The Deferment Program gives eligible taxpayers a three-month grace period for paying property taxes and municipal utility charges, and the Low Interest Rate Program provides a three-month window of lower interest rates on delinquent tax and municipal utility bills. [EO 7S](#), as amended by [EO 7W](#), establishes general program parameters and requires the Office of Policy and Management (OPM) to issue further guidance.

Under [EO 7S](#), municipalities must elect to participate in one or both programs and report their choices to OPM by April 25, 2020. For this purpose, “municipalities” means towns, cities, boroughs, and quasi-municipal corporations. Each municipality’s legislative body must determine which program they will offer. In municipalities where the legislative body is a town meeting, the board of selectmen choose the program. According to [OPM](#), 110 municipalities elected to offer the Deferment Program, 42 opted for the Low Interest Rate Program, and 17 chose both.

We summarize below the general program requirements established under the EOs and OPM [guidance](#). More information is available on OPM's Intergovernmental Policy and Planning Division [website](#), including a compilation of [frequently asked questions](#).

Deferment Program

Overview

Municipalities offering the Deferment Program must give qualifying taxpayers a three-month deferment (i.e., grace period) of eligible property taxes and other charges from the day the tax or other charge is due, instead of the typical one-month grace period. The program applies to the following taxes or charges that become due from April 1, 2020, through and including July 1, 2020: any real estate, motor vehicle, or personal property taxes; any municipal water, sewer, or electric rates, charges, or assessments; and any benefit assessments under the Green Bank's C-PACE program. The program does not apply to taxes and charges that are already past due.

For example, in municipalities that bill property taxes annually or semi-annually, the next installment is due on July 1, 2020. Under the Deferment Program, the last day to pay would be October 1, 2020, instead of August 3, 2020 (August 1 falls on a Saturday).

Taxpayer Eligibility

[EO 7S](#) required OPM to establish guidance on Deferment Program eligibility. OPM issued this guidance as eligibility criteria on application [OPM M-COVID19](#). Residents are eligible if their household has suffered an income reduction of at least 20% due to COVID-19. The application requires residents to attest that (1) since April 1, 2020, they have been furloughed without pay, had hours significantly reduced, or are unemployed and (2) this has resulted in at least a 20% reduction in household income. Businesses and nonprofits are eligible if the revenue at the property is expected to be 30% lower in the April to June 2020 period compared to the same period in 2019. Landlords are subject to specific rules, which we describe below. According to OPM, local tax officials make the ultimate determination of program eligibility.

Under the EOs, municipalities may extend program eligibility to other categories of taxpayers with approval from the local legislative body or, in any town in which the legislative body is a town meeting, by vote of the board of selectman. According to OPM, of the 127 municipalities that adopted the Deferment Program, 65 extended eligibility to all taxpayers, not just those eligible under OPM guidance. Landlords in these towns are still subject to the eligibility restrictions outlined below.

Special Requirements for Landlords. [EO 7S](#) and OPM guidance establish conditions specific to taxpayers that rent or lease to any commercial, residential, or institutional lessee. Specifically, these taxpayers are eligible for the program only if (1) the property has or will suffer a significant revenue decline or (2) they offered commensurate forbearance to tenants or lessees. For the purposes of the program, commensurate forbearance for residential properties means a 60-day rent extension, as required under [EO 7X](#). For commercial properties, it means (1) a deferral of 25% of the rent payment for three months after its due date, (2) a deferral of one month's rent to be paid over the three-month period, or (3) substantially similar forbearance, as determined by the tax collector. Landlords must meet one of these criteria even in towns that have extended program eligibility to all taxpayers.

Landlords must provide documentation proving their eligibility. According to OPM, residential landlords may qualify by confirming in an email to the tax collector that they will comply with the rent extension requirement in [EO 7X](#). Commercial property landlords may satisfy the requirements with documentation outlined in form [OPM M-COVID19](#).

Application Process

In most cases, taxpayers must apply to their municipality to defer taxes or other charges under the Deferment Program. Municipalities may set their own application due date, but OPM suggests that they collect the applications by the bill's original due date. After July 1, no taxpayer can apply for the program. According to OPM, municipalities that opt to offer the program to all taxpayers can choose to not require an application, except in the case of landlords who must confirm their eligibility in writing.

According to OPM, municipalities should use the OPM-provided application form (M-COVID19), which should not be altered except to the extent the municipality chooses to expand eligibility. The form requires taxpayers to provide proof of residency or ownership, but municipalities may determine what proof is acceptable.

Low Interest Rate Program

Overview

Municipalities participating in the Low Interest Rate Program must charge reduced interest on delinquent property tax and utility bills for a three-month period. By law, delinquent property tax bills are subject to interest at a rate of 1.5% per month (18% per year) from the due date of the tax ([CGS § 12-146](#)). (A partial month is considered a full month.) The same rate typically applies to municipal utility charges.

Under the Low Interest Rate Program, for any property taxes or other eligible charges that are due any time from April 1, 2020, through and including July 1, 2020, taxpayers who pay late will be charged interest at a rate of 0.25% per month (3% per year) for three months from the bill's due date, unless a lower rate otherwise applies. Like the Deferment Program, the Low Interest Rate Program applies to any real estate, motor vehicle, or personal property taxes; any municipal water, sewer, or electric rates, charges, or assessments; and any benefit assessments under the Green Bank C-PACE program.

Unlike the Deferment Program, the Low Interest Rate Program also applies to past due taxes and charges. Past due taxes and charges that were delinquent on April 1, 2020, are subject to the 0.25% per month (3% per year) interest rate for a period of three months from the EO's date (i.e., April, May, and June). The lower interest rate applies only to those months; it does not change interest that has already accrued.

If any tax or other charge remains unpaid at the end of the three-month low-interest period, the unpaid portion is subject to the initial interest rate, and interest for those three months is retroactively charged at the rate of 1.5% per month (18% per year). OPM provides several examples of how this is calculated under different scenarios in its [FAQs](#).

Eligibility

Unlike the Deferment Program, the Low Interest Rate Program does not require taxpayers to meet specified eligibility criteria to qualify, so taxpayers do not need to apply to the municipality for relief under the program. The exception is for landlords, who qualify only if they offer commensurate forbearance (as described above) to tenants or lessees upon their request.

Provisions Applicable to Both Programs

Charges Not Included

According to OPM, relief under either program is not available for trash and sanitation charges; landlord rental fees; fines; and other kinds of municipal assessments, penalties, and charges, regardless of when they come due. The programs also do not apply to water, sewer, and electrical charges by private providers.

Taxpayer Notice Requirements

EOs [7S](#) and [7W](#) do not establish requirements regarding how municipalities must notify taxpayers of the selected program and application process.

OPM states that a municipality's tax collector and other leadership must choose a means of notification that works for the municipality. For example, a municipality could post information on its website, publish a press release, provide notice in the town newspaper, send an email, post on social media, or place inserts in billing statements (provided the bill is issued with enough time given the application deadline).

Quasi-Municipal Corporations

Quasi-municipal corporations that are located wholly within one municipality must follow the same program (or programs) and eligibility determinations as the municipality. Quasi-municipal corporations located in multiple towns must either (1) choose their own district-wide program or (2) follow those chosen by the towns for their respective portions. According to OPM, 10 quasi-municipal corporations are participating in the Deferment Program and four are participating in the Low Interest Rate Program.

Quasi-municipal corporations include special taxing districts, special services districts, and all other entities which have the power to make appropriations or levy taxes or assessments.

Escrow Payments

Financial institutions and mortgage servicers that hold property tax payments in escrow on a borrower's behalf must continue to remit taxes to a municipality, as long as the borrower remains current on his or her mortgage or is in a forbearance or deferment program, regardless of the borrower's eligibility for or participation in the Deferment or Low Interest Rate programs ([EO 7S](#), § 6e).

Validity of Liens

Under [EO 7S](#) (§ 6e), nothing in the EOs affects any statutory provision relating to the continuing, recording, and releasing of property tax liens. The precedence and enforcement of taxes, rates, charges, and assessments remain applicable to any deferred tax, rate, charge, or assessment or installment or portion thereof. According to OPM, this means that even if a tax is deferred under the Deferment Program, the priority of the property tax remains in effect, is not lessened or reduced by virtue of program participation, and will be subject to normal collection enforcement procedures once the deferment period ends.

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