



FEBRUARY 26, 2021

Testimony

Teresa M. Babon, C.C.M.C.
Director of Assessment & Revenue – Town of Southington
Connecticut Tax Collector's Association - President

Raised Bill No. 941 An Act Concerning The Assignment of Certain Property, Tax, Water and Sewer Liens.

The Connecticut Tax Collectors' Association is opposed to Raised Bill No. 941 which would reduce the interest on any tax liens filed by a municipality that have been assigned by the municipality.

The mission of CTx, in part, is to promote uniformity in practice and application of statutory procedures. The proposed legislation would create a different, lower rate of interest on delinquent real property commencing on the date of the assignment. 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.

Municipal tax collections must be efficient, effective and equitable. By authorizing municipalities to reduce the current interest rate on tax liens that have been assigned 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, reducing the amount of interest they are to collect in the fiscal year. Any reduction of interest revenue may be significant to every municipality.

Raised Bill No. 941 would reduce interest accruals on tax liens to the rate of six per cent per annum once they are assigned to a third party in accordance with the municipal option to do so provided by General Statutes 12-195h. A number of Connecticut municipalities rely on lien assignments as their primary method for recovering delinquent real property tax delinquencies. It is also a particularly important collection technique whenever bankruptcy proceedings, environmental contamination, or other special circumstances make direct enforcement by the municipality itself, impossible or impractical. Tax Liens are often purchased by institutional investors under municipal contracts containing protections for delinquent taxpayers. In all lien assignments, the sole reason investors are interested in purchasing delinquent tax liens is the post-assignment interest accruals they can earn. This compensation is for the significant time, expense, and risk, of assuming responsibility for collection efforts. Eliminating the purchaser's right to recover interest would effectively repeal General Statutes Section 12-195h. This proposed change would deprive municipalities of a key collection technique on which they depend for ensuring that their budgets are funded.

The Connecticut Tax Collectors' Association is opposed to Raised Bill No. 941