



City of Milford, Connecticut

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Office of
Tax Collector

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Testimony

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Tax Collector – City of Milford

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

I am 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 uniformity of the 18% interest rate encourages tax payments to be made timely. The collection of taxes must be uniform and consistent in nature to be fair to the taxpayers of each municipality. Collections must be unbiased and give each taxpayer the opportunity to make payment in an equitable manner whether their delinquent tax has been part of a lien assignment or that delinquent account remains with the municipality.

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 pay their property taxes in a timely manner.

Reducing interest on delinquent property taxes would adversely impact the municipal revenue. Collections are conducted for: Current Year collection, Prior Year collection, and Interest and Liens collection. The three aforementioned items compose the Property Tax Revenue for the municipality. Reduced interest would cause a loss of the interest portion of Interest and Lien collection. For the Fiscal Year 2021, the City of Milford has budgeted for the collection of \$1,900,000 Interest and Liens. The City of Milford relies on the revenue collected through lien assignment. Any reduction in interest would be a significant loss to the City of Milford that would need to be made up.

Tax Liens are often purchased by institutional investors under municipal contracts. The investors are keen on purchasing delinquent tax liens due to the post-assignment interest accruals they can earn. This is compensation for the significant time, expense, and risk of assuming responsibility for the collection efforts. For the Fiscal Year 2021, the City of Milford has budgeted for the collection of \$2,500,000 Prior Year taxes. The City of Milford relies on the revenue collected through lien assignment. If a lien assignment investor loses interest to purchase, then that would be another significant revenue loss.

The proposed change would hinder municipalities, such as Milford, of a key collection technique and vital revenue to support the budget. I am opposed to Raised Bill No. 941.