

FEBRUARY 26, 2021

Testimony

Patricia Kratochvil, C.C.M.C.
Tax Collector – Town of East Windsor

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.

Municipal tax collection 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.

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.

I am opposed to Raised Bill No. 941.