



# House of Representatives

General Assembly

**File No. 654**

January Session, 2021

Substitute House Bill No. 6655

*House of Representatives, May 10, 2021*

The Committee on Finance, Revenue and Bonding reported through REP. SCANLON of the 98th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

## ***AN ACT CONCERNING MUNICIPAL TAXATION AND INCENTIVIZING REGIONALIZATION.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

- 1 Section 1. (NEW) (*Effective July 1, 2022*) (a) As used in this section:
- 2 (1) "Debt payment" means the payment of principal and interest on  
3 bonds, notes or certificates of indebtedness, excluding revenue bonds,  
4 issued by a municipality;
- 5 (2) "Legislative body" means (A) the board of selectmen in a town that  
6 does not have a charter, special act or home rule ordinance relating to  
7 its government, (B) the council, board of aldermen, representative town  
8 meeting, board of selectmen or other elected legislative body described  
9 in a charter, special act or home rule ordinance relating to government  
10 in a city, consolidated town and city, consolidated town and borough or  
11 a town having a charter, special act, consolidation ordinance or home  
12 rule ordinance relating to its government, (C) the board of burgesses or

13 other elected legislative body in a borough, or (D) the district committee  
14 or other elected legislative body in a district or other municipal  
15 corporation;

16 (3) "Municipality" means any town, city, borough, consolidated town  
17 and city, consolidated town and borough, district as defined in section  
18 7-324 of the general statutes and any other municipal corporation  
19 having the power to levy a tax on property pursuant to chapter 204 of  
20 the general statutes;

21 (4) "Total tax levied" means the total amount of property taxes a  
22 municipality levies under chapter 204 of the general statutes with  
23 respect to all real property, personal property and motor vehicles; and

24 (5) "Voter" means any person who is (A) an elector of a municipality,  
25 or (B) a citizen of the United States of the age of eighteen years or more  
26 who, jointly or severally, (i) is liable to the municipality for taxes against  
27 such person on an assessment of not less than one thousand dollars on  
28 the last-completed grand list of such municipality, or (ii) would be so  
29 liable if not entitled to an exemption under subdivision (17), (19), (22),  
30 (23), (25) or (26) of section 12-81 of the general statutes.

31 (b) (1) For each fiscal year commencing on or after July 1, 2022, the  
32 total tax levied by a municipality shall not exceed two and one-half per  
33 cent of the net grand list of such municipality.

34 (2) Any municipality in which the total tax levied exceeds the limit  
35 set forth in subdivision (1) of this subsection shall be subject to the  
36 provisions of subsection (c) of this section.

37 (c) (1) Any municipality in which the total tax levied exceeds the limit  
38 allowed under subsection (b) of this section shall reduce such levy for  
39 each successive fiscal year by not less than fifteen per cent of the total  
40 tax levy for the preceding fiscal year, until such levy does not exceed the  
41 limit allowed under said subsection, except that no municipality shall  
42 be required to reduce the total tax levied to below the limit allowed  
43 under said subsection. The municipality may adjust any reductions

44 under this subsection in accordance with the provisions of subdivisions  
45 (2) and (3) of this subsection.

46 (2) Notwithstanding the provisions of any municipal charter, special  
47 act or home rule ordinance, the legislative body of any municipality  
48 subject to the provisions of subdivision (1) of this subsection may, by a  
49 two-thirds vote of the members present and voting, hold a referendum  
50 to seek voter approval of the levy of additional taxes by a specified  
51 amount in excess of the amount allowed under subdivision (1) of this  
52 subsection. Such referendum shall be by a "yes" or "no" vote on paper  
53 ballots or on the voting machines of the municipality. The question  
54 submitted to the voters shall be: "Shall the \_\_\_\_ (insert name of the  
55 taxing entity) be allowed to levy an additional \$\_\_\_\_ (insert the amount)  
56 in real and personal property taxes for the fiscal year commencing July  
57 1, \_\_\_\_ (insert the year)?".

58 (3) If the amount specified in such question is not greater than one-  
59 half of the reduction required pursuant to subdivision (1) of this  
60 subsection, the proposal shall be deemed approved if a majority of the  
61 voters casting votes thereon cast "yes" votes. If the amount specified in  
62 such question is greater than one-half of the reduction required  
63 pursuant to subdivision (1) of this subsection, the proposal shall be  
64 deemed approved if two-thirds of the voters casting votes thereon cast  
65 "yes" votes. In no event shall the amount specified be greater than the  
66 reduction required pursuant to subdivision (1) of this subsection.

67 (d) (1) In any municipality in which the total tax levied results in a  
68 percentage that is less than or equal to the limit allowed under  
69 subsection (b) of this section, the total tax levied for any fiscal year shall  
70 not exceed an amount equal to one hundred two and one-half per cent  
71 of the maximum levy limit for the preceding fiscal year, except that any  
72 municipality may increase the total tax levied (A) in accordance with the  
73 provisions of subdivision (2) of this subsection, and (B) for the then-  
74 current fiscal year, by an amount equal to the tax rate for the preceding  
75 fiscal year multiplied by the amount of increase in the assessed  
76 valuation of any real or personal property over the assessed valuation

77 during the preceding fiscal year, which real or personal property (i) shall  
78 become subject to the tax under chapter 204 of the general statutes for  
79 the first time or taxed as a separate parcel for the first time, during the  
80 then-current fiscal year, or (ii) has had an increase in its assessed  
81 valuation over the preceding fiscal year, provided such increase in  
82 assessed valuation is not due to revaluation of the entire municipality.

83 (2) Notwithstanding the provisions of any municipal charter, special  
84 act or home rule ordinance, the legislative body of any municipality  
85 may, by a two-thirds vote of the members present and voting, hold a  
86 referendum to seek voter approval to levy additional taxes on real and  
87 personal property by a specified amount in excess of the limit allowed  
88 under subdivision (1) of this subsection. Such vote shall be by a "yes" or  
89 "no" vote on paper ballots or on the voting machines of the municipality.  
90 The question submitted to the voters shall be: "Shall the \_\_\_\_ (insert  
91 name of the taxing entity) be allowed to levy an additional \$\_\_\_\_ (insert  
92 the amount) in real and personal property taxes for the purposes of \_\_\_\_  
93 (insert the intended purpose or purposes for which the moneys from the  
94 levy will be used) for the fiscal year commencing July 1, \_\_\_\_ (insert the  
95 year)?" The proposal shall be deemed approved if a majority of the  
96 voters casting votes thereon cast "yes" votes.

97 (e) Notwithstanding the provisions of any municipal charter, special  
98 act or home rule ordinance, if a majority of the legislative body of any  
99 municipality shall so require or on application of at least fifty voters,  
100 such legislative body shall call a meeting, in accordance with the  
101 provisions of section 7-7 of the general statutes, to submit a question to  
102 voters whether to require the municipality to reduce the taxes levied by  
103 a specified amount below the limit allowed under subdivision (1) of  
104 subsection (d) of this section. Such vote shall be by a "yes" or "no" vote  
105 on paper ballots or on the voting machines of the municipality. The  
106 question submitted to the voters shall be: "Shall the \_\_\_\_ (insert name of  
107 the taxing entity) be required to reduce the amount of real and personal  
108 property taxes to be assessed for the fiscal year commencing July 1, \_\_\_\_  
109 (insert the year) by an amount equal to \$\_\_\_\_ (insert the amount)?" The  
110 proposal shall be deemed approved if a majority of the voters casting

111 votes thereon cast "yes" votes and the tax levy shall be decreased  
112 accordingly.

113 (f) (1) Notwithstanding the provisions of any municipal charter,  
114 special act or home rule ordinance, the legislative body of any  
115 municipality may, by a two-thirds vote of the members present and  
116 voting, place a question on the ballot:

117 (A) At any regular or special state or municipal election held before  
118 the setting of the annual tax rate, for voter approval to levy additional  
119 taxes on real and personal property by a specified amount in excess of  
120 the limit allowed under subsection (b) or subdivision (1) of subsection  
121 (d) of this section for capital outlay expenditures, provided such  
122 expenditures may only be authorized under this subdivision for a  
123 municipal purpose for which the municipality would be authorized to  
124 borrow money under the provisions of title 7 of the general statutes.  
125 Such vote shall be by a "yes" or "no" vote on paper ballots or on the  
126 voting machines of the municipality. The question submitted to the  
127 voters shall be: "Shall the \_\_\_\_ (insert name of the taxing entity) be  
128 allowed to levy an additional \$\_\_\_\_ (insert the amount) in real and  
129 personal property taxes for the purposes of \_\_\_\_ (insert the intended  
130 purpose or purposes for which the moneys from the levy will be used)  
131 for the fiscal year commencing July 1, \_\_\_\_ (insert the year)?" The  
132 proposal shall be deemed approved if a majority of the voters casting  
133 votes thereon cast "yes" votes;

134 (B) At any regular or special state or municipal election, for voter  
135 approval to levy additional taxes on real and personal property in excess  
136 of the limit allowed under subsection (b) or subdivision (1) of subsection  
137 (d) of this section for debt payments that are outstanding as of July 1,  
138 2022. Such vote shall be by a "yes" or "no" vote on paper ballots or on the  
139 voting machines of the municipality. The question submitted to the  
140 voters shall be: "Shall \_\_\_\_ (insert the municipality) be allowed to  
141 exempt from \_\_\_\_'s (insert municipality) levy limit the total amounts  
142 required to pay for bonded indebtedness incurred prior to July 1, 2022?".  
143 The proposal shall be deemed approved if a majority of the voters

144 casting votes thereon cast "yes" votes; and

145 (C) At any regular or special state or municipal election, for voter  
146 approval to levy additional taxes on real and personal property in excess  
147 of the limit allowed under subsection (b) or subdivision (1) of subsection  
148 (d) of this section for debt payments incurred on or after July 1, 2022.  
149 Such vote shall be by a "yes" or "no" vote on paper ballots or on the  
150 voting machines of the municipality. The question submitted to the  
151 voters shall be: "Shall \_\_\_\_ (insert the municipality) be allowed to  
152 exempt from \_\_\_\_'s (insert municipality) levy limit the total amounts  
153 required to pay for the bonds issued in order to \_\_\_\_ (insert the purpose  
154 or purposes for which the moneys from the bonds issued will be used)?".  
155 The proposal shall be deemed approved if a majority of the voters  
156 casting votes thereon cast "yes" votes.

157 (2) The amounts exempted and additional taxes levied under  
158 subdivision (1) of this subsection and subsection (h) of this section shall  
159 be excluded from the calculation of the total tax levied under subsection  
160 (b) of this section or the maximum levy amount under subdivision (1)  
161 of subsection (d) of this section.

162 (g) The legislative body of any municipality may direct that the  
163 question or questions authorized for a referendum under this section be  
164 placed on the ballot at any regular or special state or municipal election  
165 or may call a meeting in accordance with the provisions of section 7-7 of  
166 the general statutes to submit such question or questions to voters.

167 (h) Notwithstanding the provisions of this section or any municipal  
168 charter, special act or home rule ordinance, the legislative body of any  
169 municipality may levy additional taxes in excess of the maximum limit  
170 under subsection (b) or subdivision (1) of subsection (d) of this section  
171 solely for the payment, in whole or in part, of water or sewer debt  
172 charges, provided the aggregate amount of water and sewer charges are  
173 reduced by the aggregate amount of any such additional taxes levied. In  
174 the case of a municipality whose water and sewer service is provided by  
175 an independent commission, authority or district that separately bills  
176 water and sewer users, the municipality may enter into an agreement

177 with such commission, authority or district to effectuate the purposes of  
178 this subsection. The tax collector or the treasurer of the municipality  
179 shall immediately pay over the taxes collected pursuant to this  
180 subsection, without appropriation by the municipality, to such  
181 commission, authority or district, less any amounts agreed upon by the  
182 parties for administrative costs incurred in carrying out the agreement.  
183 Nothing in this subsection shall be construed to affect the eligibility of  
184 such commission, authority or district to receive loans and grants for  
185 water pollution control projects or eligible drinking water projects.

186 (i) Notwithstanding the provisions of this section, the legislative body  
187 of any municipality may adjust the limit allowed under subsection (b)  
188 or subdivision (1) of subsection (d) of this section to counterbalance the  
189 effects of extraordinary, nonrecurring events that occurred during the  
190 base year that were not within the purview of normal municipal  
191 financial practices and would otherwise cause a limit to be set that  
192 would be inconsistent with the limits intended under this section,  
193 provided notice of any such adjustment is provided to voters, in writing,  
194 and explained in detail.

195 Sec. 2. (NEW) (*Effective from passage*) Notwithstanding the provisions  
196 of any municipal charter, special act or home rule ordinance, any  
197 municipality may impose, by ordinance, a local tax on income, goods,  
198 services or other tangible or intangible assets, or any combination  
199 thereof, as determined by the legislative body of the municipality to be  
200 desirable or necessary to meet the public services and other needs of the  
201 municipality. No such tax shall be effective until notice has been  
202 provided to the residents of the municipality and the general public  
203 about the imposition of such tax, through the posting of information on  
204 the municipality's Internet web page and other appropriate means, as  
205 determined by the legislative body of the municipality. Such ordinance  
206 shall include, but not be limited to, the specific items or amounts on  
207 which such tax will be imposed, the rate and effective date of such tax,  
208 the rate of interest and penalty imposed on the amount of such tax that  
209 is delinquent, the method of collection and remittance of such tax and  
210 the provisions for a taxpayer's right of appeal.

211 Sec. 3. (NEW) (*Effective July 1, 2021*) (a) (1) Each municipality that  
212 enters into an interlocal agreement, on or after July 1, 2021, with one or  
213 more municipalities pursuant to section 7-148cc of the general statutes,  
214 for the provision of a service that each such municipality currently  
215 provides separately shall be eligible for a grant in the following amounts  
216 for each year such municipality remains a party to such agreement and  
217 the applicable service is provided on a regional basis:

218 (A) For the provision of education, ten per cent of the amount  
219 budgeted for education in the municipality's most recently approved  
220 budget;

221 (B) For the provision of police services, fire-fighting services or  
222 emergency medical services, five per cent of the amount budgeted in the  
223 municipality's most recently approved budget and attributable to the  
224 specific service being provided on a regional basis; and

225 (C) For the provision of any other service, two and one-half per cent  
226 of the amount budgeted in the municipality's most recently approved  
227 budget and attributable to the specific service being provided on a  
228 regional basis.

229 (2) Any municipality eligible to receive a grant under subdivision (1)  
230 of this subsection may receive more than one grant under said  
231 subdivision. Any grant received under this section shall be in addition  
232 to any other grants or funds such municipality is eligible to receive.

233 (b) Each municipality eligible to receive a grant under subsection (a)  
234 of this section shall submit an application annually to the Secretary of  
235 the Office of Policy and Management, in such form and manner as the  
236 secretary prescribes. The application shall include, but not be limited to,  
237 a description of the specific service being provided on a regional basis,  
238 the other municipality or municipalities that are a party to the  
239 agreement entered into under subsection (a) of this section and  
240 documentation of the amount budgeted in the municipality's most  
241 recently approved budget and attributable to the specific service being  
242 provided on a regional basis. The secretary shall review each application



243 to verify the provision of the service claimed in such application and  
244 calculate the amount of the grant or grants due to a municipality under  
245 this section. Payment of such grants shall be made from the municipal  
246 revenue sharing account established under section 4-66l of the general  
247 statutes, as amended by this act.

248 (c) Any municipality that terminates or withdraws from an  
249 agreement entered into under subsection (a) of this section or otherwise  
250 ceases to provide a service on a regional basis shall be ineligible to  
251 receive a grant under this section commencing with the fiscal year in  
252 which such termination or withdrawal occurred.

253 (d) Any provision of a municipal charter, special act or home rule  
254 ordinance that prohibits or limits a municipality from sharing services  
255 with other municipalities is hereby repealed, revoked and rescinded.

256 (e) Any collective bargaining unit may enter into an agreement with  
257 one or more collective bargaining units to establish a coalition  
258 bargaining unit to negotiate with municipalities for the provision of  
259 public services on a regional basis, including, but not limited to,  
260 education, police services, fire-fighting services and emergency medical  
261 services.

262 Sec. 4. Subsection (b) of section 4-66l of the general statutes, as  
263 amended by section 6 of public act 21-3, is repealed and the following is  
264 substituted in lieu thereof (*Effective July 1, 2021*):

265 (b) There is established an account to be known as the "municipal  
266 revenue sharing account" which shall be a separate, nonlapsing account  
267 within the General Fund. The account shall contain any moneys  
268 required by law to be deposited in the account. The secretary shall set  
269 aside and ensure availability of moneys in the account in the following  
270 order of priority and shall transfer or disburse such moneys as follows:

271 (1) Ten million dollars for the fiscal year ending June 30, 2016, shall  
272 be transferred not later than April fifteenth for the purposes of grants  
273 under section 10-262h;

274 (2) For the fiscal year ending June 30, 2018, and each fiscal year  
275 thereafter, moneys sufficient to make motor vehicle property tax grants  
276 payable to municipalities pursuant to subsection (c) of this section shall  
277 be expended not later than August first annually by the secretary;

278 (3) For the fiscal year ending June 30, 2022, and each fiscal year  
279 thereafter, moneys sufficient to make the grants payable pursuant to  
280 subsection (d) of section 12-18b, as amended by [this act] public act 21-  
281 3, shall be expended by the secretary;

282 (4) For the fiscal years ending June 30, 2018, and June 30, 2019,  
283 moneys sufficient to make the municipal revenue sharing grants  
284 payable to municipalities pursuant to subdivision (2) of subsection (d)  
285 of this section shall be expended not later than October thirty-first  
286 annually by the secretary;

287 (5) For the fiscal year ending June 30, 2018, and each fiscal year  
288 thereafter, seven million dollars shall be expended for the purposes of  
289 the regional services grants pursuant to subsection (e) of this section to  
290 the regional councils of governments;

291 (6) For the fiscal year ending June 30, 2018, and each fiscal year  
292 thereafter, moneys may be expended for the purpose of supplemental  
293 motor vehicle property tax grants pursuant to subsection (c) of this  
294 section; [and]

295 (7) For the fiscal year ending June 30, 2022, and each fiscal year  
296 thereafter, moneys sufficient to make the grants payable to  
297 municipalities pursuant to subsection (b) of section 3 of this act; and

298 [(7)] (8) For the fiscal year ending June 30, 2020, and each fiscal year  
299 thereafter, moneys in the account remaining shall be expended annually  
300 by the secretary for the purposes of the municipal revenue sharing  
301 grants established pursuant to subsection (f) of this section. Any such  
302 moneys deposited in the account for municipal revenue sharing grants  
303 between October first and June thirtieth shall be distributed to  
304 municipalities on the following October first and any such moneys

305 deposited in the account between July first and September thirtieth shall  
 306 be distributed to municipalities on the following January thirty-first.  
 307 Any municipality may apply to the Office of Policy and Management  
 308 on or after July first for early disbursement of a portion of such grant.  
 309 The Office of Policy and Management may approve such an application  
 310 if it finds that early disbursement is required in order for a municipality  
 311 to meet its cash flow needs. No early disbursement approved by said  
 312 office may be issued later than September thirtieth.

This act shall take effect as follows and shall amend the following sections:		
Section 1	July 1, 2022	New section
Sec. 2	from passage	New section
Sec. 3	July 1, 2021	New section
Sec. 4	July 1, 2021	4-661(b)

**Statement of Legislative Commissioners:**

Throughout Section 1, references to subsection (d) were changed to "subdivision (1) of subsection (d)" for clarity; in Section 1 (c)(1), "subdivision (2)" was changed to "subdivisions (2) and (3)" for accuracy; and in Section 4(b)(7), "(c)" was changed to "(b)" for accuracy.

**FIN**            *Joint Favorable Subst. -LCO*

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*The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.*

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## **OFA Fiscal Note**

**State Impact:** None

**Municipal Impact:** See Below

### **Explanation**

The bill results in a shift in municipal revenue away from property taxes beginning in FY 23. It 1) establishes a property tax cap of 2.5% of a municipality's net grand list and establishes a phase in for the cap, (2) allows municipalities to establish taxes on income, goods, services, or other assets, and (3) establishes a grant for municipalities that regionalize various services.

A cap of 2.5% of net grand list is equivalent to a mill rate of 25. Thus, a municipality with a mill rate of 50 would ultimately have to reduce its mill rate by 50%, but would be allowed to do so in 15% increments until the 25 mill cap was reached. The amount of property tax revenue exceeding 25 mills is approximately \$2.7 billion in FY 21. If all municipalities with mill rates over 25 instead phased in the cap by reducing their property tax levy by 15%, the revenue change would be \$1.3 billion in Year 1 of the phase in.

The bill also allows municipalities to impose a local tax on income, goods, services, or other tangible or intangible assets. As the bill does not set a limit on these taxes, the revenue generated from them could offset the reduction of property tax revenue related to the property tax cap.

Lastly, the bill creates a grant for municipalities that regionalize education, public safety, or other services. The grant reimburses

municipalities for a portion of the cost of providing the municipal service that is regionalized, and is funded via the Municipal Revenue Sharing Account (MRSA). To the extent that this facilitates regionalization, there is 1) a potential savings that would vary based on the service being regionalized, and 2) a revenue gain to municipalities that receive state grant funding as a result of such regionalization efforts.

Any grant payments made via MRSA for regionalization grants established by the bill would reduce the amount of funding available for other grants that are intended to be paid from MRSA. As the bill does not change the amount of funding deposited into MRSA, there is no impact to the state.

HB 6439, the FY 22 and FY 23 budget as passed by the Appropriations Committee, assumes that all funding deposited into MRSA in FY 22 and FY 23 will be distributed accordingly: 1) \$196.3 million for certain current General Fund appropriations, 2) \$145 million in additional PILOT grant funding to municipalities, and 3) any remaining MRSA funding based on the formula established in PA 15-244.

### ***The Out Years***

The annualized ongoing fiscal impact identified above would continue into the future subject to changes in municipal grand lists, expenditures, and the provisions of any tax policies municipalities adopt pursuant to the bill.

**OLR Bill Analysis****sHB 6655*****AN ACT CONCERNING MUNICIPAL TAXATION AND INCENTIVIZING REGIONALIZATION.*****SUMMARY**

This bill generally limits the total revenue municipalities may raise through property taxes. It does so by imposing limits that generally cap (1) total taxes levied at 2.5% of the municipality's net grand list (commonly referred to as a "levy ceiling") and (2) annual increases in the tax levy to 2.5% over the preceding fiscal year (commonly referred to as a "levy limit"). The bill allows municipalities to exceed these limits but generally requires voter approval for any additional levies. It also establishes narrow conditions under which municipalities may levy additional taxes or adjust the limits without voter approval.

Separately, the bill allows municipalities to impose, by ordinance, a local tax on income, goods, services, or other tangible or intangible assets that their legislative bodies determine are necessary or desirable to meet the municipality's public service or other needs.

The bill also establishes state grants for municipalities that enter into interlocal agreements to jointly provide services that they currently provide separately. It requires that the grants be funded by the municipal revenue sharing account (MRSA).

The bill deems that any provision of a municipal charter, special act, or home rule ordinance that prohibits or limits a municipality from sharing services with other municipalities is repealed, revoked, and rescinded. It allows collective bargaining units to enter into agreements with other units to establish a coalition bargaining unit to negotiate with multiple municipalities to provide regional public services, including education, police, fire, and emergency medical services.

EFFECTIVE DATE: July 1, 2022, except the local option tax provision is effective upon passage.

## **§ 1 — PROPERTY TAX LIMITS**

### ***General Provisions (§ 1a)***

Beginning in FY 23, the bill establishes property tax limits on “municipalities,” which the bill defines as towns, cities, boroughs, consolidated towns and cities, consolidated towns and boroughs, special taxing districts, and municipal corporations statutorily authorized to levy a property tax. It also establishes a process by which municipal legislative bodies may exceed the limits, generally with voter approval. Under the bill, a municipality’s “legislative body” is the:

1. board of selectmen in any town without a charter, special act, or home rule ordinance relating to its government;
2. council, board of aldermen, representative town meeting, board of selectmen, or other elected legislative body described in a charter, special act, or home rule ordinance relating to government in a city, consolidated town and city, consolidated town and borough, or town having a charter, special act, consolidation ordinance, or home rule ordinance relating to its government;
3. board of burgesses or other elected legislative body in a borough; and
4. district committee or other elected legislative body in a district or other municipal corporation.

The bill defines a “voter” as (1) an elector of the municipality (i.e., a registered voter) or (2) a U.S. citizen older than age 18 who is liable, or would be but for certain tax exemptions, to the municipality for taxes on an assessment of at least \$1,000. (Generally, these are the same individuals who may vote in town meetings.)

### ***Levy Ceiling (§ 1b & 1c)***

The bill limits the amount of property taxes municipalities may levy at 2.5% of their net grand list (i.e., levy ceiling). This limit applies to the “total tax levied” by municipalities (i.e., the amount of property taxes levied on real and personal property and motor vehicles).

If the total tax levied by a municipality exceeds the levy ceiling, the municipality generally must reduce its levy by at least 15% for each successive fiscal year until it no longer exceeds the ceiling. However, the bill allows a municipality’s legislative body, by a two-thirds vote of the members who are present and voting, to hold a referendum seeking voter approval to add taxes back to the levy after the required reduction is made. The amount added back may not exceed the required reduction.

The bill requires a (1) two-thirds majority of the voters casting votes to approve proposals to levy an additional amount that is greater than half of the required reduction and (2) simple majority of the voters casting votes to approve amounts less than or equal to half of the required reduction. Table 1 below lists the questions that must be presented to voters.

### **Levy Limit (§ 1d & 1e)**

The bill generally requires municipalities that levy taxes below the levy ceiling to limit the levy for any given fiscal year to 102.5% of the maximum levy limit for the preceding fiscal year (i.e., no more than a 2.5% increase from the previous year). It allows municipalities to increase this levy limit as a result of new growth in the tax base or voter overrides, as described below. It similarly allows them to decrease the limit as a result of voter underoverrides.

**New Growth.** Under the bill, a municipality may increase the total tax levied for the then-current fiscal year by an amount equal to the tax rate for the preceding fiscal year multiplied by the amount of any increase in the assessed value of specified real or personal property over the preceding fiscal year. For purposes of this calculation, the real or personal property is property (1) that is subject to property tax, or taxed



as a separate parcel, for the first time during the then-current fiscal year or (2) whose assessed valuation increased over the preceding fiscal year. Any increase in property valuation due to revaluation is not included in the calculation.

**Overrides.** The bill authorizes a municipality's legislative body, by a two-thirds vote of the members who are present and voting, to hold a referendum seeking voter approval to levy additional taxes in excess of the levy limit. The question must be submitted to voters, as provided in Table 1, and requires approval by a majority of the voters casting votes.

**Underrides.** The bill allows a municipality's legislative body, by a majority vote, to call a town meeting seeking voter approval to reduce the taxes levied to an amount below the levy limit described above (see BACKGROUND). It also requires the legislative body to hold such a meeting if at least 50 voters request it. The question must be submitted to voters as provided in Table 1. If approved by a majority of the voters casting votes, the proposal is deemed approved, and the municipality must decrease its tax levy accordingly.

### **Special Exclusions (§ 1f)**

The bill authorizes municipalities to exempt taxes levied for specified purposes, as described below, from the levy ceiling or levy limit. Amounts exempted from the levy ceiling must be excluded from the calculation of the total tax levied, while the amounts excluded from the levy limit must be excluded from the calculation of the maximum levy amount.

**Capital and Debt Expenditures.** The bill authorizes municipalities to assess taxes for certain debt and capital outlay expenditures in excess of either the levy limit or levy ceiling if voters approve the expenditures. Specifically, the bill allows a municipality's legislative body, by a two-thirds vote of the members present and voting, to place questions on the ballot at a regular or special state or municipal election, as provided in Table 1 (see BACKGROUND). The proposed exclusions require approval by a majority of the voters casting votes.

Specifically, at any regular or special state or municipal election held before the annual tax rate is set, municipalities may seek voter approval to levy additional taxes for capital outlay expenditures, as long as the expenditures are for a municipal purpose for which the municipality would be authorized to borrow money under title 7 of the statutes.

At any regular or special state or municipal election, municipalities may also seek voter approval to levy additional taxes for debt payments (1) that are outstanding as of July 1, 2022, or (2) incurred on or after July 1, 2022. The bill defines “debt payment” as the payment of principal and interest on bonds or notes or certificates of indebtedness issued by a municipality, excluding revenue bonds.

#### ***Water and Sewer Debt (§ 1h)***

The bill authorizes a municipality’s legislative body to levy taxes exceeding the levy ceiling or levy limit solely to pay water or sewer debt charges, in whole or in part, as long as the total amount of water and sewer charges are reduced by the same amount.

Under the bill, any municipality with water and sewer service provided and separately billed by an independent commission, authority, or district may enter into an agreement with the provider to similarly pay the debt charges and reduce the rates. The municipality’s tax collector or treasurer must immediately pay the taxes collected under this provision to the provider, without appropriation by the municipality, minus any amounts agreed upon by the parties for administrative costs. The bill specifies that this provision does not affect the commission’s, authority’s, or district’s eligibility for loans and grants for water pollution control projects or eligible drinking water projects.

#### ***Extraordinary Events (§ 1i)***

The bill authorizes a municipality’s legislative body to adjust the levy ceiling and levy limit to counterbalance the effects of extraordinary, nonrecurring events that (1) occurred during the base year, (2) were not within the purview of normal financial practices, and (3) would otherwise cause a limit to be set that would be inconsistent with those

intended under the bill’s provisions. The municipality must provide written and detailed notice of such an adjustment to voters.

**General Requirements for Voter Approvals (§ 1)**

**Home Rule Charters and Ordinances Superseded.** The bill’s voter approval provisions apply regardless of any municipal charter, special act, or home rule ordinance.

**Placing Questions Before Voters.** The bill generally allows the municipality’s legislative body to (1) direct the question or questions authorized for a referendum under the bill to be placed on the ballot at any regular or special state or municipal election or (2) call a town meeting to submit the question or questions to voters. However, for certain questions (e.g., overrides), the bill specifically provides for one of these methods only, as shown in Table 1 below.

Under existing law, local questions voted on at an election generally must be approved for submission at least 60 days before the election (CGS § 9-370).

**Form of Questions.** The bill specifies the form of the questions to be submitted to voters, as listed in Table 1. The votes must be by a “yes” or “no” vote by paper ballots or voting machines.

**Threshold for Voter Approval.** As described above, each question, other than certain exceptions to the 15% levy reduction, requires approval by a majority of the voters casting votes.

**Table 1: Form of Questions Submitted to Voters**

<b>Type of Voter Approval</b>	<b>Question</b>	<b>Submission to Voters</b>
Exception to 15% levy reduction (applies to municipalities whose total levy exceeds the ceiling) (§ 1c)	"Shall the ____ (insert name of the taxing entity) be allowed to levy an additional \$____ (insert the amount) in real and personal property taxes for the fiscal year commencing July 1, ____ (insert the year)?"	(1) Regular or special state or municipal election or (2) town meeting

Override (§ 1d)	“Shall the ____ (insert name of the taxing entity) be allowed to levy an additional \$____ (insert the amount) in real and personal property taxes for the purposes of ____ (insert the intended purpose or purposes for which the moneys from the levy will be used) for the fiscal year commencing July 1, ____ (insert the year)?”	(1) Regular or special state or municipal election or (2) town meeting
Underride (§ 1e)	“Shall the ____ (insert name of the taxing entity) be required to reduce the amount of real and personal property taxes to be assessed for the fiscal year commencing July 1, ____ (insert the year) by an amount equal to \$____ (insert the amount)?”	Town meeting
Exclusion for capital outlay expenditures (§ 1f)	“Shall the ____ (insert name of the taxing entity) be allowed to levy an additional \$____ (insert the amount) in real and personal property taxes for the purposes of ____ (insert intended purpose or purposes for which the moneys from the levy will be used) for the fiscal year commencing July 1, ____ (insert the year)?”	Regular or special state or municipal election before the tax rate is set
Exclusion for debt payments outstanding as of July 1, 2022 (§ 1f)	“Shall ____ (insert the municipality) be allowed to exempt from ____’s (insert municipality) levy limit the total amounts required to pay for bonded indebtedness incurred prior to July 1, 2022?”	Regular or special state or municipal election
Exclusion for debt payments incurred on or after July 1, 2022 (§ 1f)	“Shall ____ (insert the municipality) be allowed to exempt from ____’s (insert municipality) levy limit the total amounts required to pay for the bonds issued in order to ____ (insert the purpose or purposes for which the moneys from the bonds issued will	Regular or special state or municipal election

	be used)?”	
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**§ 2 — LOCAL OPTION TAXES**

The bill authorizes municipalities to impose, by ordinance, a local tax on income, goods, services, or other tangible or intangible assets, or any combination of these, as its legislative body determines is desirable or necessary to meet the municipality’s public services and other needs. The tax is not effective until the municipality has notified the municipality’s residents and general public about the tax by posting information on the municipality’s website and other appropriate means, as determined by the legislative body.

The ordinance must include the (1) specific items or amounts on which the tax will be imposed, (2) tax’s rate and effective date, (3) interest and penalty imposed on delinquent taxes, (4) collection and remittance method, and (5) provisions for a taxpayer’s right of appeal.

Under the bill, this authorization supersedes the provisions of any municipal charter, special act, or home rule ordinance.

**§§ 3 & 4 — GRANTS FOR REGIONAL SERVICES**

***Eligible Municipalities***

The bill establishes new state grants for any municipality that enters into an interlocal agreement on or after July 1, 2021, with one or more municipalities to provide a service that each municipality currently provides separately. Under the bill, each such municipality is eligible for a grant for each year in which it remains a party to the agreement and the applicable service is provided regionally. Municipalities that terminate or withdraw from an agreement, or otherwise cease to provide a regional service, become ineligible for these grants beginning in the fiscal year of the termination or withdrawal.

***Grant Amounts***

The bill sets the grant amounts at a specified percentage of the amount the municipality budgeted for the service in its most recently approved budget. They are (1) 10% for education services; (2) 5% for

police, fire, or emergency medical services; and (3) 2.5% for any other service. In the case of non-education services, the grants are based only on the budgeted amount that is attributable to the specific service being provided regionally.

### ***Application Process***

Under the bill, eligible municipalities must apply annually to the Office of Policy and Management (OPM) secretary in the form and manner she prescribes. The application must include the following:

1. a description of the specific service being provided regionally,
2. the other municipality or municipalities that are a party to the interlocal agreement, and
3. documentation of the amount budgeted in the municipality's most recently approved budget that is attributable to the service.

The OPM secretary must review each application to verify the service claimed and calculate the grant (or grants) due to the municipality.

### ***Funding Source***

Current law establishes a schedule for distributing the sales tax revenue directed to MRSA. The bill requires that an amount sufficient to pay the grants for regional services be distributed before the municipal revenue sharing grants to municipalities but after the distributions for (1) motor vehicle property tax grants, (2) payment in lieu of taxes (PILOT) grants, and (3) regional services grants to councils of government.

## **BACKGROUND**

### ***Town Meetings***

By law, questions submitted to a town meeting may be taken up at the meeting, or the board of selectmen may decide at least five days before the meeting date to hold the vote on a question at an adjourned town meeting. Alternatively, at least 200 voters or 10% of the qualified voters, whichever is less, may petition to hold the vote on a question at

an adjourned town meeting, where eligible voters go to the polls on a day set between seven and 14 days after the date of the town meeting and cast ballots on the question (CGS § 7-7).

**Questions Submitted at State or Municipal Election**

By law, only electors of a municipality may vote in an election. However, when a question is submitted to voters who are not electors of a municipality, the municipality may submit it to a vote by electors and voters held in conjunction with an election. Voters who are not electors must vote at a separate location using separate tabulators or paper ballots containing solely the question, or by separate absentee ballot containing solely the question (CGS § 9-369d).

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 32 Nay 16 (04/22/2021)