OLR Bill Analysis
sHB 6643

AN ACT CONCERNING MUNICIPAL TAXATION ASSISTANCE PROGRAMS AND THE MUNICIPAL PROPERTY TAX WAIVER.

SUMMARY

This bill raises the maximum total property tax bill that a municipality’s legislative body may waive, from $25 to $100.

It additionally allows municipalities and taxing districts to annually adopt programs that provide temporary property tax or municipal utility charge relief to residents, businesses, and nonprofits (i.e., taxpayers). The municipality’s legislative body, or taxing district’s board of directors, must approve the programs each year. Under the bill, municipalities and taxing districts may establish programs:

1. allowing taxpayers to defer payments for 90 days from the date they are due (presumably without incurring interest) or

2. lowering the interest rate (generally from 1.5% to 0.25% per month) on late payments for 90 days from the date they become due.

Under both programs the relief may apply to property taxes (including those owed on real and personal property and motor vehicles) or municipal water, sewer, or electric rates, charges, or assessments (i.e., municipal utility charges). (For property taxes or municipal utility charges that are billed in installments, the bill presumably provides the relief for each installment.)

Under the bill, a taxing district is any fire district; sewer district; village, beach, or improvement association; or any other district (except a school district) or association wholly within a town that may make appropriations or levy taxes.
EFFECTIVE DATE: October 1, 2021, and applicable to assessment years beginning on or after that date.

OPTIONAL RELIEF PROGRAMS

Payment Deferral

Municipalities and districts that offer a payment deferral program must allow taxpayers to defer property tax or municipal utility payments for 90 days after the due date. Under existing law, taxpayers generally have a one-month grace period, after which interest accrues from the due date (CGS § 12-146). (The bill does not specify whether amounts that remain unpaid after the deferral period expires will similarly accrue interest from the original due date.)

Lowered Interest Rate

Municipalities and districts that adopt a program to lower interest rates must subject delinquent property tax and municipal utility payments to an interest rate of 0.25% per month (3% per year) for 90 days after they become due, unless the full amount is paid sooner or the interest rate under existing law is lower. After the 90-day period expires, any unpaid amount is subject to the penalties and interest rate specified under existing law.

Under current law, municipal property taxes accrue interest at a rate of 1.5% per month (18% per year) for each month or part of a month that elapses between the due date and the payment date (CGS § 12-146). The same rate typically applies to municipal utility charges.

Additionally, delinquent payments are subject to a minimum interest charge of $2 per installment under existing law and unchanged by the bill, but a municipality’s legislative body may vote to not impose it (CGS 12-146).

BACKGROUND

Existing Authority to Waive Interest

Under existing law, municipalities’ statutory authority to waive interest on delinquent property taxes is limited to certain specific situations (e.g., if the tax collector and assessor jointly determine that
the tax delinquency is the result of an error by either official (CGS § 12-145)). Additionally, they must waive the interest for a taxpayer who is a crime victim and who has received compensation from the state’s Criminal Injuries Compensation Fund, and for certain active military members (CGS §§ 12-146 and 12-146e).

**Related Bill**

sHB 1064, favorably reported by the Planning and Development Committee, allows municipalities to waive the interest on property taxes due for the 2020 tax year on property used for manufacturing or commercial purposes and lowers the mandatory property tax interest rate to 1% per month (from 1.5%).

**Related Executive Orders (EOs)**

EOs 7S, §6, and 7W, §1, established a similar deferment program and low interest rate program and required municipalities to participate in one or both programs.

**COMMITTEE ACTION**

Planning and Development Committee

Joint Favorable Substitute

Yea 26 Nay 0 (03/31/2021)