



General Assembly

February Session, 2006

Raised Bill No. 535

LCO No. 2668



Referred to Committee on

Introduced by: **PLANNING & DEVELOPMENT**
(PD)

AN ACT AUTHORIZING THE PHASE-IN OF PROPERTY TAX ASSESSMENTS AND EXTENDING THE TIME FOR REVALUATIONS.

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

- 1 Section 1. Section 12-62c of the general statutes is repealed and the
- 2 following is substituted in lieu thereof (*Effective October 1, 2006, and*
- 3 *applicable to assessment years commencing on or after October 1, 2006*):

- 4 [(a) Any municipality may, with respect to the assessment list in
- 5 such municipality in a year in which a revaluation becomes effective,
- 6 as required under section 12-62, for the assessment years commencing
- 7 on or after October 1, 1987, by vote of its legislative body provide for a
- 8 gradual increase in assessed values of real property for purposes of
- 9 property tax, commencing with the year in which such revaluation
- 10 becomes effective and continuing for a certain number of years as
- 11 elected by such municipality, not exceeding three years immediately
- 12 following the year of such revaluation. Such gradual increase in
- 13 assessed values shall be the result of incremental increases in the rate
- 14 of assessment of real property, to be added as provided in subsection
- 15 (b) of this section to the assessment ratio determined under section 10-
- 16 261a for the year immediately preceding revaluation in such

17 municipality.

18 (b) Upon electing to increase assessed values in the manner allowed
19 in this section, there shall be determined, with respect to said
20 assessment ratio for the year immediately preceding such revaluation,
21 the difference between the assessment rate at seventy per cent of
22 present true and actual value, as required under subsection (b) of
23 section 12-62a, and said ratio of assessed value of real property to fair
24 market value in the year immediately preceding revaluation for such
25 municipality. Such difference shall represent the portion of the
26 assessment rate at seventy per cent to be added to said ratio for such
27 municipality in attaining the required assessment rate of seventy per
28 cent of present true and actual value. Such amount shall be added to
29 said ratio in equal increments, as determined in accordance with this
30 subsection, over the number of years elected by such municipality,
31 provided the total number of years for such purpose may not exceed
32 four years including the year of such revaluation. For the purposes of
33 this subsection, increments shall be considered equal if such
34 increments are equal (1) in terms of the absolute amount of the
35 increase in the assessment ratio for each of the years of such gradual
36 increase in assessed value or (2) in terms of the percentage of increase
37 in the assessment ratio from year to year which is applicable to such
38 gradual increase in assessed value, for each year of the term of such
39 gradual increase in assessed value.

40 (c) In a municipality which has adopted the assessment procedure
41 allowed in this section, new construction which is first assessed for
42 purposes of property tax, after the assessment date on which such
43 revaluation becomes effective but before the assessment rate has been
44 increased to seventy per cent of present true and actual value, shall be
45 assessed initially at the rate applicable in the procedure as adopted by
46 such municipality at the time of such initial assessment, and thereafter
47 at the rate of assessment applicable with respect to all real property on
48 the assessment list in such municipality.]

49 (a) (1) A municipality implementing a revaluation of all real
 50 property may phase-in a real property assessment increase resulting
 51 from such revaluation, by requiring the assessor to gradually increase
 52 the assessment or the rate of assessment applicable to all such property
 53 or to any of the classes of real property listed in subdivision (3) of
 54 subsection (b) of this section which has increased in value by fifty per
 55 cent or more in the assessment year preceding that in which the
 56 revaluation is implemented, in accordance with one of the methods set
 57 forth in said subsection (b). The legislative body of the municipality
 58 shall approve the decision to provide for such phase-in, the method by
 59 which it is accomplished and its term, provided the number of
 60 assessment years over which such gradual increases are reflected shall
 61 not exceed five assessment years, including the assessment year for
 62 which the revaluation is effective. If the legislative body is a town
 63 meeting, the board of selectmen shall approve such decision, method
 64 and term. Whenever used in this section, "municipality" means any
 65 town, borough, consolidated town and city, consolidated town and
 66 borough or any city not consolidated with a town.

67 (2) The legislative body or board of selectmen, as the case may be,
 68 may approve the discontinuance of a phase-in of real property
 69 assessment increases resulting from the implementation of a
 70 revaluation, at any time prior to the completion of the phase-in term
 71 originally approved, provided such approval shall be made on or
 72 before the assessment date that is the commencement of the
 73 assessment year in which such discontinuance is effective. In the
 74 assessment year following the completion or discontinuance of phase-
 75 in, assessments shall reflect the valuation of real property established
 76 for such revaluation, subject to additions for new construction and
 77 reductions for demolitions occurring subsequent to the date of
 78 revaluation and on or prior to the date of its completion or
 79 discontinuance, and the rate of assessment applicable in such year as
 80 required by section 12-62a.

81 (b) A municipality shall use one of the following methods to

82 determine the phase-in of real property assessment increases resulting
 83 from the implementation of a revaluation:

84 (1) The assessment of each parcel of real property for the assessment
 85 year preceding that in which such revaluation is effective shall be
 86 subtracted from the assessment of each such parcel in the effective year
 87 of said revaluation, and the annual amount of incremental assessment
 88 increase for each such parcel shall be the total of such subtraction
 89 divided by the number of years of the phase-in term;

90 (2) The ratio of the total assessed value of all taxable real property
 91 for the assessment year preceding that in which a revaluation is
 92 effective and the total fair market value of such property as
 93 determined from records of actual sales in said year, shall be
 94 subtracted from the rate of assessment set forth in section 12-62a, and
 95 the annual incremental rate of assessment increase applicable to all
 96 parcels of real property shall be the result of such subtraction divided
 97 by the number of years of the phase-in term;

98 (3) The ratio of the total assessed value of all taxable real property in
 99 each of the following property classes for the assessment year
 100 preceding that in which a revaluation is effective and the total fair
 101 market value of such property in each class as determined from
 102 records of actual sales in said year, shall be subtracted from the rate of
 103 assessment set forth in section 12-62a, and the annual incremental rate
 104 of assessment increase applicable to all parcels of real property in each
 105 such class shall be the result of such subtraction divided by the
 106 number of years of the phase-in term: (A) Residential property; (B)
 107 commercial property, including apartments containing five or more
 108 dwelling units, industrial property and public utility property; and (C)
 109 vacant land. In the event the assessor determines that there are no
 110 records of actual sales of real property in any such property class in
 111 said year or that the number of such actual sales is insufficient for
 112 purposes of determining a rate of increase under this subdivision, the
 113 annual incremental rate of assessment increase determined under

114 subdivision (2) of this subsection shall be used for said property class.
115 (c) The assessment of any new construction that first becomes
116 subject to taxation during an assessment year encompassed within the
117 term of a phase-in shall be determined in the same manner as the
118 assessment of all other comparable real property in said assessment
119 year, such that the total of incremental increases applicable to such
120 other comparable real property are reflected in the assessment of such
121 new construction prior to the proration of such assessment pursuant to
122 section 12-53a.

123 (d) Not later than thirty business days following the date a
124 municipality's legislative body or board of selectmen, as the case may
125 be, votes to phase-in real property assessment increases resulting from
126 such revaluation, or votes to discontinue such a phase-in, the chief
127 executive officer of the municipality shall notify the Secretary of the
128 Office of Policy and Management, in writing, of the action taken. Any
129 chief executive officer failing to submit a notification to said secretary,
130 as required by this subsection, shall forfeit one hundred dollars to the
131 state for each such failure.

132 Sec. 2. Section 12-62 of the general statutes is amended by adding
133 subsection (l) as follows (*Effective October 1, 2006, and applicable to*
134 *assessment years commencing on or after October 1, 2006*):

135 (NEW) (l) Notwithstanding the provisions of this subsection, the
136 Secretary of the Office of Policy and Management may exempt any
137 town from performing its next scheduled revaluation in accordance
138 with regulations adopted by the secretary in accordance with the
139 provisions of chapter 54. The regulations shall include, but not be
140 limited to, (1) standards and criteria for an exemption, which shall
141 include, but not be limited to, a demonstration of fiscal stability and
142 responsibility, and (2) application procedures. Any exemption granted
143 under this section shall be for a period of five years. At the end of such
144 five-year period a town may apply for an extension. The secretary shall
145 approve such extension if the town continues to meet the standards

146 and criteria established in regulations adopted under this subsection.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2006, and applicable to assessment years commencing on or after October 1, 2006</i>	12-62c
Sec. 2	<i>October 1, 2006, and applicable to assessment years commencing on or after October 1, 2006</i>	12-62

Statement of Purpose:

To authorize municipalities implementing a revaluation to phase-in property tax assessments increase and to require the Secretary of the Office of Policy and Management to establish criteria for exempting towns from revaluation for a period of five years.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]



General Assembly

File No. 302

February Session, 2006

Substitute Senate Bill No. 535

Senate, April 3, 2006

The Committee on Planning and Development reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT AUTHORIZING THE PHASE-IN OF PROPERTY TAX ASSESSMENTS AND EXTENDING THE TIME FOR REVALUATIONS.

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

1 Section 1. Section 12-62c of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2006, and*
3 *applicable to assessment years commencing on or after October 1, 2006*):

4 [(a) Any municipality may, with respect to the assessment list in
5 such municipality in a year in which a revaluation becomes effective,
6 as required under section 12-62, for the assessment years commencing
7 on or after October 1, 1987, by vote of its legislative body provide for a
8 gradual increase in assessed values of real property for purposes of
9 property tax, commencing with the year in which such revaluation
10 becomes effective and continuing for a certain number of years as
11 elected by such municipality, not exceeding three years immediately
12 following the year of such revaluation. Such gradual increase in
13 assessed values shall be the result of incremental increases in the rate

14 of assessment of real property, to be added as provided in subsection
15 (b) of this section to the assessment ratio determined under section 10-
16 261a for the year immediately preceding revaluation in such
17 municipality.

18 (b) Upon electing to increase assessed values in the manner allowed
19 in this section, there shall be determined, with respect to said
20 assessment ratio for the year immediately preceding such revaluation,
21 the difference between the assessment rate at seventy per cent of
22 present true and actual value, as required under subsection (b) of
23 section 12-62a, and said ratio of assessed value of real property to fair
24 market value in the year immediately preceding revaluation for such
25 municipality. Such difference shall represent the portion of the
26 assessment rate at seventy per cent to be added to said ratio for such
27 municipality in attaining the required assessment rate of seventy per
28 cent of present true and actual value. Such amount shall be added to
29 said ratio in equal increments, as determined in accordance with this
30 subsection, over the number of years elected by such municipality,
31 provided the total number of years for such purpose may not exceed
32 four years including the year of such revaluation. For the purposes of
33 this subsection, increments shall be considered equal if such
34 increments are equal (1) in terms of the absolute amount of the
35 increase in the assessment ratio for each of the years of such gradual
36 increase in assessed value or (2) in terms of the percentage of increase
37 in the assessment ratio from year to year which is applicable to such
38 gradual increase in assessed value, for each year of the term of such
39 gradual increase in assessed value.

40 (c) In a municipality which has adopted the assessment procedure
41 allowed in this section, new construction which is first assessed for
42 purposes of property tax, after the assessment date on which such
43 revaluation becomes effective but before the assessment rate has been
44 increased to seventy per cent of present true and actual value, shall be
45 assessed initially at the rate applicable in the procedure as adopted by
46 such municipality at the time of such initial assessment, and thereafter
47 at the rate of assessment applicable with respect to all real property on

48 the assessment list in such municipality.]

49 (a) (1) A municipality implementing a revaluation of all real
 50 property may phase-in a real property assessment increase resulting
 51 from such revaluation, by requiring the assessor to gradually increase
 52 the assessment or the rate of assessment applicable to all such property
 53 or to any of the classes of real property listed in subdivision (3) of
 54 subsection (b) of this section which has increased in value by fifty per
 55 cent or more in the assessment year preceding that in which the
 56 revaluation is implemented, in accordance with one of the methods set
 57 forth in said subsection (b). The legislative body of the municipality
 58 shall approve the decision to provide for such phase-in, the method by
 59 which it is accomplished and its term, provided the number of
 60 assessment years over which such gradual increases are reflected shall
 61 not exceed five assessment years, including the assessment year for
 62 which the revaluation is effective. A municipality shall not have in
 63 effect a phase-in of the real property assessment pursuant to this
 64 section if such municipality has in effect a tax relief plan and surcharge
 65 pursuant to section 12-62d. If the legislative body is a town meeting,
 66 the board of selectmen shall approve such decision, method and term.
 67 Whenever used in this section, "municipality" means any town,
 68 borough, consolidated town and city, consolidated town and borough
 69 or any city not consolidated with a town.

70 (2) The legislative body or board of selectmen, as the case may be,
 71 may approve the discontinuance of a phase-in of real property
 72 assessment increases resulting from the implementation of a
 73 revaluation, at any time prior to the completion of the phase-in term
 74 originally approved, provided such approval shall be made on or
 75 before the assessment date that is the commencement of the
 76 assessment year in which such discontinuance is effective. In the
 77 assessment year following the completion or discontinuance of phase-
 78 in, assessments shall reflect the valuation of real property established
 79 for such revaluation, subject to additions for new construction and
 80 reductions for demolitions occurring subsequent to the date of
 81 revaluation and on or prior to the date of its completion or

82 discontinuance, and the rate of assessment applicable in such year as
83 required by section 12-62a.

84 (b) A municipality shall use one of the following methods to
85 determine the phase-in of real property assessment increases resulting
86 from the implementation of a revaluation:

87 (1) The assessment of each parcel of real property for the assessment
88 year preceding that in which such revaluation is effective shall be
89 subtracted from the assessment of each such parcel in the effective year
90 of said revaluation, and the annual amount of incremental assessment
91 increase for each such parcel shall be the total of such subtraction
92 divided by the number of years of the phase-in term;

93 (2) The ratio of the total assessed value of all taxable real property
94 for the assessment year preceding that in which a revaluation is
95 effective and the total fair market value of such property as
96 determined from records of actual sales in said year, shall be
97 subtracted from the rate of assessment set forth in section 12-62a, and
98 the annual incremental rate of assessment increase applicable to all
99 parcels of real property shall be the result of such subtraction divided
100 by the number of years of the phase-in term;

101 (3) The ratio of the total assessed value of all taxable real property in
102 each of the following property classes for the assessment year
103 preceding that in which a revaluation is effective and the total fair
104 market value of such property in each class as determined from
105 records of actual sales in said year, shall be subtracted from the rate of
106 assessment set forth in section 12-62a, and the annual incremental rate
107 of assessment increase applicable to all parcels of real property in each
108 such class shall be the result of such subtraction divided by the
109 number of years of the phase-in term: (A) Residential property; (B)
110 commercial property, including apartments containing five or more
111 dwelling units, industrial property and public utility property; and (C)
112 vacant land. In the event the assessor determines that there are no
113 records of actual sales of real property in any such property class in
114 said year or that the number of such actual sales is insufficient for

1067

115 purposes of determining a rate of increase under this subdivision, the
116 annual incremental rate of assessment increase determined under
117 subdivision (2) of this subsection shall be used for said property class.

118 (c) The assessment of any new construction that first becomes
119 subject to taxation during an assessment year encompassed within the
120 term of a phase-in shall be determined in the same manner as the
121 assessment of all other comparable real property in said assessment
122 year, such that the total of incremental increases applicable to such
123 other comparable real property are reflected in the assessment of such
124 new construction prior to the proration of such assessment pursuant to
125 section 12-53a.

126 (d) Not later than thirty business days following the date a
127 municipality's legislative body or board of selectmen, as the case may
128 be, votes to phase-in real property assessment increases resulting from
129 such revaluation, or votes to discontinue such a phase-in, the chief
130 executive officer of the municipality shall notify the Secretary of the
131 Office of Policy and Management, in writing, of the action taken. Any
132 chief executive officer failing to submit a notification to said secretary,
133 as required by this subsection, shall forfeit one hundred dollars to the
134 state for each such failure.

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136 subsection (l) as follows (*Effective October 1, 2006, and applicable to*
137 *assessment years commencing on or after October 1, 2006*):

138 (NEW) (l) Notwithstanding the provisions of this subsection, the
139 Secretary of the Office of Policy and Management may exempt any
140 town from performing its next scheduled revaluation in accordance
141 with regulations adopted by the secretary in accordance with the
142 provisions of chapter 54. The regulations shall include, but not be
143 limited to, (1) standards and criteria for an exemption, which shall
144 include, but not be limited to, a demonstration of fiscal stability and
145 responsibility, and (2) application procedures. Any exemption granted
146 under this section shall be for a period of five years. At the end of such
147 five-year period a town may apply for an extension. The secretary shall

148 approve such extension if the town continues to meet the standards
149 and criteria established in regulations adopted under this subsection.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2006, and applicable to assessment years commencing on or after October 1, 2006</i>	12-62c
Sec. 2	<i>October 1, 2006, and applicable to assessment years commencing on or after October 1, 2006</i>	12-62

PD *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 07 \$	FY 08 \$
Various Municipalities	See Below	See Below	See Below

Explanation

The bill allows municipalities to perform a gradual phase-in of real property revaluation assessment increases over a time period not exceeding five years if they choose property which has increased more than 50% in value since the last revaluation. The bill also allows a subsequent revaluation of real property during the phase-in of the initial incremental revaluation assessment or discontinues such adjustments, if the municipality chooses to do so. Therefore, municipalities opting to perform a gradual phase-in of incremental assessment values would see their grand list increase accordingly over the same time period of the phase-in. Also, the bill will result in properties not eligible for the phase-in to carry a greater portion of the tax burden.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis**sSB 535****AN ACT AUTHORIZING THE PHASE-IN OF PROPERTY TAX ASSESSMENTS AND EXTENDING THE TIME FOR REVALUATIONS.****SUMMARY:**

This bill repeals a provision that allows municipalities to phase-in the effects of their property revaluations over as many as three years. It instead allows them to adopt a phase-in for up to five years. The new phase-in is not available to municipalities that have adopted a tax relief plan funded by a surcharge on non-residential property pursuant to statute. (To date, only Hartford has adopted such a plan.)

The current phase-in applies to all real property in the municipality. The bill additionally allows a municipality to adopt a phase-in that applies only to properties in one, two, or all three classes of property (residential, commercial/industrial/utility, and vacant land) whose assessed value increased by 50% or more.

The bill gives municipalities more options on how to implement the phase-in. Under current law, the municipality's legislative body must authorize the phase-in and set its term. The bill additionally requires the legislative body to select the implementation option. It assigns these responsibilities to the board of selectmen in town meeting towns.

The bill modifies how property built during the phase-in is assessed. It requires the municipality's chief elected official to notify the Office of Policy and Management (OPM) secretary within 30 days after the legislative body decides to implement or discontinue the phase-in. Failure to do so subjects the official to a \$100 fine.

Finally, the bill allows the OPM secretary to adopt regulations to

0067

exempt towns from performing their next revaluation.

EFFECTIVE DATE: October 1, 2006, and applicable to assessment years beginning on or after this date

IMPLEMENTATION OPTIONS

Under current law, the phase-in must be based on the property's assessment ratio, i.e., the relationship between its assessed value and its fair market value. It must bring the assessment ratio up to the ratio required by law (70%) in equal increments over the life of the phase-in. The annual increments can be equal in terms of the absolute increase in the assessment ratio or in percentage increase in this ratio. Under the first scenario, the assessment ratio for affected properties could be 50% in the first year of the phase in, 60% in the second, and 70% in the third. Under the second scenario, the assessment ratio could increase by 10% (as opposed to 10 percentage points) each year.

The bill instead gives municipalities three implementation options, two of which are based on the assessment ratio. In the first option, the total assessed value of all taxable property in the year before the revaluation is effective is divided by the total fair market value of the property (based on actual sales records) in that year and that amount is subtracted from the required 70% ratio. For example, if the total assessed value of property in a municipality was \$650 million in the pre-revaluation year and the fair market value was \$1 billion, the difference between the resulting ratio (65%) and the statutory assessment ratio (70%) would be phased in over the term specified by the municipality. If a municipality opted for a five-year phase-in, the assessment ratio would increase by one percentage point each year.

In the second option, the calculation is the same as under the first option, but is made for three classes of property. These are (1) one- to four-unit residential property; (2) five or more unit residential property, other commercial property, industrial property, and utility property; and (3) vacant land. If the assessor determines that there were no records of sales in any of these classes or that the number of

sales wasn't sufficient to determine the rate of increase, he must use the number calculated under the first implementation option to determine the increase for that class.

The third implementation option is to subtract the assessed value in the pre-revaluation year from the assessed value in the revaluation year, and spread the difference over the life of the phase. For example, if a property was assessed at \$200,000 before revaluation and \$250,000 afterwards, and the municipality opted for a five-year phase in, the assessed value would increase \$10,000 in each year.

ASSESSMENT OF PROPERTY BUILT DURING THE PHASE-IN

Under current law, new construction first assessed during the phase-in period must be initially assessed at the rate applicable to the phase-in method the municipality has chosen (percentage point or percentage increase) at the time of the initial assessment. Afterwards, such property is subject to the assessment rate applicable to all real property on the municipality's assessment list.

Under the bill, the assessment of new construction must be determined in the same way as comparable property is assessed, so that the total of incremental increases that apply to the comparable properties are reflected in the assessment of the new construction, prior to the prorating required by law. By law, a property that gets its certificate of occupancy, or that is first used for its intended purposes six months into an assessment year is subject to half of the tax that would apply to a comparable property on the assessment list on the first day of the assessment year.

REVALUATION EXEMPTION

The bill also allows the OPM secretary to exempt any town from performing its next scheduled revaluation in accordance with regulations he adopts. The regulations must at least include (1) standards and criteria for an exemption, which must at least include a demonstration of fiscal stability and responsibility; and (2) application procedures. Any exemption runs for five years. At the end of the five

[106]

years, a town may apply for an extension, which the secretary must approve if the town continues to meet the standards and criteria established in regulations.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/17/2006)

SECRETARY
LEGISLATIVE REFERENCE
SECTION



General Assembly

February Session, 2006

SENATE Amendment

LCO No. 3853



Offered by:
SEN. RORABACK, 30th Dist.

To: Subst. Senate Bill No. 535

File No. 302

Cal. No. 234

"AN ACT AUTHORIZING THE PHASE-IN OF PROPERTY TAX ASSESSMENTS AND EXTENDING THE TIME FOR REVALUATIONS."

- 1 Change the effective date of section 1 to "Effective from passage and
- 2 applicable to assessment years commencing on or after October 1,
- 3 2005"

SENATE AMENDMENT

Calendar: 234

LCR: 3853

Bill: 535

ADOPTED voice REJECTED voice

ADOPTED roll REJECTED roll