OFFICE OF LEGISLATIVE RESEARCH
Objective Research for Connecticut's Legislature

ResearchReport

Property Tax Assessment Ratios

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Issue

First, provide the policy reasons given for, and legislative history of, CGS § 12-62a, specifically the provision which establishes fractional assessment (i.e., an assessment ratio of less than 100%) and sets the assessment ratio for purposes of the property tax at 70%. (Note: Hartford now uses a different ratio for residential property.)

Second, describe approaches being taken in other states to implement a progressive (or graduated) assessment ratio schedule for residential property or another class of property.

Summary

In 1974, the legislature passed a law requiring all municipalities to assess property at 70% of its fair market value (i.e., a 70% assessment ratio). Under prior law, each municipality set its own ratio. Municipalities across the country began assessing property at less than fair market value during the 1930s, when homes, factories, and other property sold for less than their assessed values. Taxing only a percentage of a property's value hedged against declines in a property's value, especially when revaluations were not completed frequently. By the early 1970s, tax reform commissions were recommending that the legislature set a uniform statewide assessment ratio, which, they claimed, would help taxpayers identify increases in assessed values and the state target funds to fiscally strapped municipalities.

Public Act 74-299 implemented this recommendation, setting the assessment ratio at 70% of fair market value. (Municipalities were permitted to phase in the 70% ratio.) Proponents claimed this change was supported by a broad working group of legislators, state tax officials, local tax assessors, and professional associations. They also claimed that it was in line with most

municipalities' ratios. During floor debate, it was noted that during the 1973 session, a bill setting the ratio at 100% failed; 70% was deemed a compromise between varying ratios and a statewide 100% ratio. Further information on the legislative history of PA 74-299 can be found in OLR Report 2011-R-0064. (Nationally, using 2021 tax year data available from the Lincoln Institute of Land Policy, we did not identify any other states that uniformly apply a 70% assessment ratio to all property.)

Regarding states using a progressive assessment ratio schedule, we did not identify any state using this approach within a class of properties. We reached out to the Lincoln Institute of Land Policy, among other entities, to confirm our findings, and to date have not received any contradictory information. Under a progressive assessment ratio schedule policy, within a class of properties (e.g., residential), the assessment ratio would increase as properties' value increases (i.e., owners of higher value properties would be taxed on a greater portion of their property's fair market value). This approach can be distinguished from widely used classification systems, in which different classes of property are subject to different tax rates or assessment ratios.

In an email to our office, the Lincoln Institute of Land Policy noted that the policy option in use that is most similar to a progressive assessment ratio schedule is an income-based percentage tax credit policy, sometimes known as a "sliding-scale circuit breaker." Under this type of policy, several income brackets are delineated and taxpayers within each bracket receive the same percentage reduction in property taxes on their home, regardless of how high or low their property tax bills are (see the Institute's "Property Tax Relief for Homeowners" (2021), pp. 38-39). The Institute noted that sliding-scale circuit breaker programs use income, rather than property value, to determine the relative amount of tax relief granted. (Connecticut's Elderly/Disabled Circuit Breaker Program is an example of a sliding-scale circuit breaker program (see CGS § 12-170aa *et seq*., as amended by PA 22-74, § 13 and PA 22-110, § 10).)

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