



Senate

General Assembly

File No. 207

January Session, 2025

Substitute Senate Bill No. 1316

Senate, March 25, 2025

The Committee on Planning and Development reported through SEN. RAHMAN of the 4th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT REDUCING INTEREST DUE ON CERTAIN DELINQUENT MUNICIPAL PROPERTY TAXES.

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

1 Section 1. Section 12-195h of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2025*):

3 (a) Any municipality, by resolution of its legislative body, as defined
4 in section 1-1, may assign, for consideration, any and all liens filed by
5 the tax collector to secure unpaid taxes on real property as provided
6 under the provisions of this chapter. The consideration received by the
7 municipality shall be negotiated between the municipality and the
8 assignee.

9 (b) The assignee or assignees of such liens shall have and possess the
10 same powers and rights at law or in equity that such municipality and
11 municipality's tax collector would have had if the lien had not been
12 assigned with regard to the precedence and priority of such lien, the

13 accrual of interest and the fees and expenses of collection and of
14 preparing and recording the assignment, except that (1)
15 notwithstanding the provisions of sections 12-145 and 12-146, for
16 assignments executed on and after July 1, 2026, commencing on the date
17 of assignment, interest shall accrue on the delinquent portion of the
18 principal of the assigned tax obligation at the rate of twelve per cent per
19 annum, and (2) any such assignee [(1)] (A) shall not be insulated from
20 liability for its conduct by virtue of the provisions of section 42-110c, and
21 [(2)] (B) shall be obligated to provide a payoff statement, as defined in
22 section 49-8a, in the same manner as a mortgagee in accordance with the
23 requirements of section 49-10a. The assignee shall have the same rights
24 to enforce such liens as any private party holding a lien on real property
25 including, but not limited to, foreclosure and a suit on the debt.

26 (c) No such assignment executed on or after July 1, 2022, shall be valid
27 or enforceable unless memorialized in a contract executed by the
28 municipality and the assignee that is in writing and provides: (1) The
29 manner in which the assignee will provide to the owner of the real
30 property that is the subject of the assignment one or more addresses and
31 telephone numbers that may be used for correspondence with the
32 assignee about the debt and payment thereof; (2) the earliest and latest
33 dates by which the assignee shall commence any foreclosure or suit on
34 the debt or the manner for determining such dates, except as may be
35 impacted by any payment arrangement, bankruptcy petition or other
36 circumstance, provided in no event shall the assignee commence a
37 foreclosure suit before one year has elapsed since the assignee's
38 purchase of the lien; (3) the structure and rates of attorney's fees that the
39 assignee may claim against the owner or owners of such real property
40 in any foreclosure, suit on the debt or otherwise, and a prohibition from
41 using as foreclosure counsel any attorney or law office that is owned by,
42 employs or contracts with any person having an interest in such
43 assignee; (4) confirmation that the owner of the real property for which
44 the lien has been filed shall be a third-party beneficiary entitled to
45 enforce the covenants and responsibilities of the assignee as contained
46 in the contract; (5) a prohibition on the assignee assigning the lien
47 without the municipality's prior written consent; (6) the detail and

48 frequency of reports provided to the municipality's tax collector
49 regarding the status of the assigned liens; (7) confirmation that the
50 assignee is not ineligible, pursuant to section 31-57b, to be assigned the
51 lien because of occupational safety and health law violations; (8)
52 disclosure of (A) all resolved and pending arbitrations and litigation
53 matters in which the assignee or any of its principals have been involved
54 within the last ten years, except foreclosure actions involving liens
55 purchased from or assigned by governmental entities, (B) all criminal
56 proceedings that the assignee or any of its principals has ever been the
57 subject, (C) any interest in the subject property held by the assignee or
58 any of its principals, officers or agents, and (D) each instance in which
59 the assignee or any of its principals was found to have violated any state
60 or local ethics law, regulation, ordinance, code, policy or standard, or to
61 have committed any other offense arising out of the submission of
62 proposals or bids or the performance of work on public contract; and (9)
63 such additional terms to which the municipality and the assignee
64 mutually agree, consistent with applicable law.

65 (d) The assignee, or any subsequent assignee, shall provide written
66 notice of an assignment, not later than sixty days after the date of such
67 assignment, to the owner and any holder of a mortgage, on the real
68 property that is the subject of the assignment, provided such owner or
69 holder is of record as of the date of such assignment. Such notice shall
70 include information sufficient to identify (1) the property that is subject
71 to the lien and in which the holder has an interest, (2) the name and
72 addresses of the assignee, and (3) the amount of unpaid taxes, interest
73 and fees being assigned relative to the subject property as of the date of
74 the assignment.

75 (e) Not less than sixty days prior to commencing an action to foreclose
76 a lien under this section, the assignee shall provide a written notice, by
77 first-class mail, to the holders of all first or second security interests on
78 the property subject to the lien that were recorded before the date the
79 assessment the lien sought to be enforced became delinquent. Such
80 notice shall set forth: (1) The amount of unpaid debt owed to the
81 assignee as of the date of the notice; (2) the amount of any attorney's fees

82 and costs incurred by the assignee in the enforcement of the lien as of
 83 the date of the notice; (3) a statement of the assignee's intention to
 84 foreclose the lien if the amounts set forth pursuant to subdivisions (1)
 85 and (2) of this subsection are not paid to the assignee on or before sixty
 86 days after the date the notice is provided; (4) the assignee's contact
 87 information, including, but not limited to, the assignee's name, mailing
 88 address, telephone number and electronic mail address, if any; and (5)
 89 instructions concerning the acceptable means of making a payment on
 90 the amounts owed to the assignee as set forth pursuant to subdivisions
 91 (1) and (2) of this subsection. Any notice required under this subsection
 92 shall be effective upon the date such notice is provided.

93 (f) When providing the written notice required under subsection (e)
 94 of this section, the assignee may rely on the last recorded security
 95 interest of record in identifying the name and mailing address of the
 96 holder of such interest, unless the holder of such interest is the plaintiff
 97 in an action pending in Superior Court to enforce such interest, in which
 98 case the assignee shall provide the written notice to the attorney
 99 appearing on behalf of the plaintiff.

100 (g) Each aspect of a foreclosure, sale or other disposition under this
 101 section, including, but not limited to, the costs, attorney fees, method,
 102 advertising, time, date, place and terms, shall be commercially
 103 reasonable.

| | | |
|---|-----------------|---------|
| This act shall take effect as follows and shall amend the following sections: | | |
| Section 1 | October 1, 2025 | 12-195h |

Statement of Legislative Commissioners:

In Subsec. (b), a reference to section 12-145 of the general statutes was added for consistency.

PD *Joint Favorable Subst. -LCO*

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.

OFA Fiscal Note

State Impact: None

Municipal Impact: See Below

Explanation

The bill reduces the interest due on municipal tax liens that are sold to a third party from eighteen per cent to twelve per cent in FY 27. This potentially reduces the number of third parties willing to purchase municipal tax liens. To the extent that this occurs, it restricts a municipality's option to sell tax liens to recoup outstanding debt beginning in FY 27.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to the number of liens assigned by municipalities.

OLR Bill Analysis**sSB 1316*****AN ACT REDUCING INTEREST DUE ON CERTAIN DELINQUENT MUNICIPAL PROPERTY TAXES.*****SUMMARY**

This bill reduces, from 18% to 12%, the annual interest rate on delinquent property taxes when a municipal tax collector files a lien on the property and assigns the lien (i.e. sells it to an outside party). Currently, delinquent property taxes generally accrue interest at a rate of 18% per year.

By law, an assignee of a municipal tax lien (i.e. party who bought the lien) has the same powers and rights as the municipality and its tax collector would have if the lien had not been assigned. Under current law, this includes charging the 18% annual interest rate. However, for assignments executed on or after July 1, 2026, and beginning on the date a lien is assigned, the bill reduces this amount to 12% on the delinquent portion of the principal of the assigned taxes.

By law, the interest rate on other delinquent taxes and assessments is linked to the interest rate municipalities charge on delinquent property taxes (e.g., sewer assessments, special taxing district taxes, and special assessments on blighted housing). By lowering the delinquent property tax interest rate for properties with assigned liens, the bill also potentially reduces the interest rate charged on these other delinquent taxes and assessments when the lien is assigned.

EFFECTIVE DATE: October 1, 2025

BACKGROUND***Related Bill***

SB 1339, favorably reported by the Banking Committee, also reduces

the interest rate on these assigned liens to 12% and, among other things, additionally caps certain attorney's fees associated with them.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable

Yea 20 Nay 0 (03/07/2025)