Planning and Development Committee
JOINT FAVORABLE REPORT

Bill No.: SB-1316
Title: AN ACT REDUCING INTEREST DUE ON CERTAIN DELINQUENT MUNICIPAL PROPERTY TAXES.
Vote Date: 3/7/2025
Vote Action: Joint Favorable
PH Date: 2/19/2025
File No.:

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SPONSORS OF BILL:

Rep. Gregory Haddad, 54th district.
Sen. Mae Flexer, 29th district.

REASONS FOR BILL:

This bill provides municipalities with the ability to assign unpaid tax liens on real property to third parties, allowing them to collect unpaid taxes more efficiently. The assignees are granted the same legal powers as the municipality, including the ability to foreclose and charge interest. The bill ensures transparency and accountability by requiring written contracts between the municipality and assignee, with clear terms regarding fees, foreclosure timelines, and disclosure of any legal or ethical issues. Property owners and mortgage holders must be notified about the lien assignment within 60 days, and all parties involved must be informed before foreclosure actions. The process is designed to be fair and commercially reasonable, preventing abusive practices and ensuring that foreclosure or sale procedures are transparent and consistent with industry standards.

RESPONSE FROM ADMINISTRATION/AGENCY:

The Connecticut Conference of Municipalities (CCM): CCM argued that the current interest rate encourages timely tax payments and compensates municipalities for late payments. Reducing the interest rates would harm municipalities' financial health, especially in poorer towns and cities facing budget cuts, inflation, and flat state funding. CCM suggests that reducing taxes should focus on broader property tax reforms, including revenue diversification and service-sharing, rather than cutting delinquent tax interest rates. They urge the Committee to pursue more comprehensive tax relief solutions.

Lisa Madden, *President, and* David Kluczwski, *Connecticut Tax Collectors Association:* Tax lien assignees are carefully vetted by municipalities and typically offer more flexible payment plans than the municipality can provide, without the intent of immediate foreclosure. Consistent interest rates are crucial for fairness in the collection process, and introducing different rates for specific enforcement methods would create confusion and require costly software updates. Senate Bill 1316 would undermine municipalities' ability to fund essential services and weaken the effectiveness of tax lien assignments.

NATURE AND SOURCES OF SUPPORT:

John Erlingheuser, AARP: AARP supports the bill because the aim is to ease the financial burden on taxpayers behind on payments, making it easier for them to manage their debts. The reduced interest rate would still encourage timely payment, ensuring local governments can fund essential services.

Jeff Gentes: He supports measures that make tax liens less attractive to debt buyers and discourage municipalities and sewer lien authorities from selling liens to the private market. He believes homeowners should not be treated as financial assets and argue that municipalities, not private entities, should be responsible for foreclosing and enforcing liens. This approach would reduce potential abuse and increase accountability among local elected officials.

NATURE AND SOURCES OF OPPOSITION:

Corrine Aldinger, *Revenue Collector, Town of Newington:* This bill would weaken the effectiveness of lien assignments, a key tool used by municipalities to collect unpaid taxes and fund their budgets. The bill lowers the interest rate on delinquent taxes from 18% to 12% once a lien is assigned, which reduces the marketability of tax liens and creates an unfair disadvantage for municipalities that don't assign liens. The Association argues that tax lien assignees typically offer more flexible payment terms and are carefully selected by municipalities, and that the bill would make it harder for municipalities to effectively use lien assignments for tax collection.

Teresa Babon, *Director of Assessment & Revenue, Town of Southington:* The proposed legislation reduces the interest rate on delinquent taxes from 18% to 12% once a municipality assigns a lien, which would significantly decrease the marketability of tax liens and negatively affect municipalities that don't assign liens. This reduction could force municipalities to abandon the lien assignment process, making it harder to fund their budgets. The bill would limit tax collectors' ability to effectively collect owed funds, adding to the financial challenges towns already face with unfunded mandates.

Jennifer Bilsky, *Beacon Falls Tax Collector*, *and Tolly Gibbs, New Hartford Tax Collector, The CT's Tax Collectors Association:* The Connecticut Tax Collector's Association argued this change would weaken tax lien assignments, a key tool municipalities rely on to fund their budgets and recover delinquent property taxes. The lower interest rate would make tax liens less attractive to potential buyers, especially compared to municipalities that do not assign liens and charge 18% interest. The Association believes tax lien assignees generally offer more flexible repayment terms and do not focus on foreclosure, making them a valuable resource for municipalities.

Betsy Gara, *Executive Director, Connecticut Council of Small Towns:* The proposed changes to delinquent tax interest rates could undermine efforts to collect taxes on time, creating budget uncertainty for towns already facing revenue shortfalls and rising service delivery costs. Municipalities are dealing with budget cuts, reduced funding, and higher costs for services, especially education and special education. Despite the Governor's proposed budget, towns are seeing cuts in key funding areas, such as Education Cost Sharing and PILOT funding. While special education funding is planned, it won't be available until FY27. Municipalities need support to address these financial challenges without overburdening taxpayers or cutting essential programs.

Launa Goslee, *Tax Collector, City of Torrington:* Reducing the interest rate on assigned liens to 12% while keeping it at 18% for non-assigned liens creates unfair disparities within the tax system. This could discourage companies from purchasing tax liens, reducing municipal revenue crucial for maintaining towns and cities. The current interest rate acts as a deterrent to encourage timely payment, and providing benefits to delinquent taxpayers undermines the efforts of those who pay on time.

Rebecca Juchert-Derungs, *Tax Collector, Canaan:* Lowering the interest rate on assigned liens would reduce the marketability of tax liens, making it harder for municipalities to fund their budgets and weakening the effectiveness of lien assignments as a collection tool for tax collectors.

The following individuals are tax collectors in various towns that have written submitted testimony in opposition:

Peter Juszczynski, *Windsor Locks*

Kathleen Larkins, *Darien*

Kate Morrissey, *Andover*

Leona Sharkey, *Griswold*

Suzanne Thompson, *Old Lyme*

J. Stacey Yarbrough, *North Haven*

Reported by: Austin Adil **Date: 3/19/25**