

## CONNECTICUT MUNICIPAL TAX COLLECTING

### Municipal Government in Connecticut

The state of Connecticut has 169 towns and cities, each served by a tax collector or collector of revenue, depending on the title. There are also various boroughs, as well as special service districts (such as fire districts) served by tax collectors. As a result, there are approximately 200 taxing entities in Connecticut. There is no county government for the purposes of taxation.

Tax collectors are not allowed to simultaneously serve as treasurers. In Connecticut the two offices are distinct. Some tax collectors work independently; some work as part of a larger department of finance, under the supervision of a comptroller or a finance director. Slightly more than half the tax collectors in Connecticut are elected officials; the remainder are appointed.

### The Property Tax in Connecticut

Connecticut relies on local property taxes to fund municipal budgets. In most communities 80% - 90% of the municipal budget is generated by property taxes. In the towns that receive little state aid, this figure gets higher; in some of the larger cities it drops, as the percentage of revenue coming from state aid increases.

The state compiles statistics to determine tax collection rates of the various municipalities. A collection rate of about 96% - 97% of the levy is considered average to good. A collection rate of 98% or 99% is considered excellent; a collection rate of 92% or below is considered poor. Tax collectors are required to submit various documents and reports to the Office of Policy and Management (OPM) of the state of Connecticut on a regular basis and do technically "report" to them

Connecticut towns and cities are required to operate on the Uniform Fiscal Year, commencing July 1 and ending the following June 30. Municipalities collect real estate, personal property, and motor vehicle taxes. Tax rates are determined through the municipal budget process and will depend on how much money is needed to fund the municipal budget and how much property is available to be taxed (equalized grand list) as of the assessment date (grand list date) of October 1. The budget process typically begins in December or January and concludes in April or May when the legislative body adopts the budget and sets the tax rate, with tax bills being issued July 1.

Taxes are due either all at once in July, or semiannually in July (first installment) and the following January (second installment). However, some towns bill quarterly, with the first installment due in July, and the subsequent three installments being due in October, January, and April.

State statutes dictate the procedures to be followed for the billing and collection of taxes and the recordkeeping involved. Statutes are strictly construed, with authority existing only if specifically granted by statute. Statutes govern when and how bills are sent; what notice is to be given or

Published concerning taxes; the rate and applicability of interest; how liens are applied; what means of delinquent collections are permitted; and so forth.

Personal property and motor vehicle taxes are generally the most difficult to collect, for numerous reasons. Some towns and cities also bill for water and / or sanitary sewer charges, for various special assessments (sanitary sewer, sidewalk, etc.), or other charges such as parking tickets, dump permits, etc. Some tax collectors are responsible for collecting and processing all municipal revenue - hence the term, "collector of revenue." Usually, real estate taxes will comprise the largest dollar amount of collections for a town, followed by either motor vehicle taxes or personal property (business) taxes

Tax collectors are required to file various reports detailing their progress in collecting taxes due. An annual summary of collections by grand list year (the current year, plus each preceding year for the past 14 years), showing the amount of tax, interest and lien collected during the past fiscal year, and the amount remaining due, must be filed. The collector must also file an annual listing of refunds given, detailing to whom, how much, and the reason for the refund. An annual listing of all changes to the tax rolls, (either positive or negative), showing the name of the taxpayer, the list year and number of the bill changed, the amount of the change, and the reason, must also be filed. The collector must also file a report of any taxes deemed uncollectible, which are then placed on suspense. These lists are generally subject to scrutiny by some other authority in town government, such as the legislative body or board of finance, and are usually filed in the town clerk's office for public inspection by interested parties.

#### Delinquent Property Tax Collections

The state statutes provide various means of collection enforcement that may be used by municipal tax collectors. Some methods are used for collecting past due real estate taxes and other charges relating to real property (such as sewer charges); others deal specifically with motor vehicles or personal or business property; and some deal with all taxes in general. One of the most compelling tools of collection is the statutory interest rate of 18% per year, which is charged on all delinquent taxes. This charge is meant to be a penalty for late payment. Municipalities budget significant amounts of revenue based upon the collection of this delinquent interest. Proposals at the state level to decrease the interest rate on overdue property taxes are usually met with resistance from tax collectors and municipal finance officials due to the negative affect this would have on tax collections.

Tax collectors are required to file lien continuing certificates to secure unpaid real estate taxes and sewer use charges. Liens are statutorily valid for 15 years; longer if the lien is to secure taxes deferred under a local tax relief program. Generally, taxes uncollected after 15 years are deemed uncollectible in Connecticut, with several exceptions. Most towns file liens not only for real estate taxes but for sewer charges also. Some towns file liens to secure motor vehicle and personal property taxes as well.

The collection of taxes secured by liens may be accomplished by numerous means, including foreclosure of the liens, assignment of the liens to a third party, or by tax sale. Foreclosure is a process handled by an attorney who brings an action in court on behalf of the municipality. Assignment of tax liens is a process which in Connecticut is governed by a relatively brief (1 paragraph) statute which gives broad leeway to the town to negotiate the amount paid, subject only to approval by the town's

legislative body. Liens may be assigned individually or as a package ("bulk"); the arrangement may be securitized or not.

Tax Sale is a more complicated but highly effective method whereby the town, after a series of notifications to the property owner and other lienholders, seizes the actual tax delinquent property and sells it at a public auction to the highest bidder. The owner then has a six-month redemption period during which he may redeem by paying the amount of the minimum bid, plus 1.5% per month interest on the overbid (the amount bid in excess of the minimum bid), if any.

Connecticut does not have any procedure for the automatic perfecting of liens or any provision for the automatic imposition of a tax sale or other collection enforcement. The tax collector is responsible for initiating these actions. Attempting to maintain a high collection rate and accepting the responsibility of one's position generally act as sufficient incentive for tax collectors to either initiate foreclosure or tax sale proceedings, or in some cases, assignment of liens.

Recent legislation also provides for a unique lien assignment on properties classified as brownfields. Several cities, including Hartford and Meriden, have successfully implemented this legislation, but this is a new area that needs more study before being widely used.

Many tax collectors use what are called Alias Tax Warrants, which are basically a sort of demand notice delivered to a state marshal (formerly called a sheriff) or a local constable, to be served on their behalf against the taxpayer. The marshal has 60 days to serve the warrant and must return funds collected as directed by the tax collector. Tax collectors are advised to exercise diligent oversight of their marshals with regard to these warrants. Collectors need to be sure that the marshals submit funds on a timely basis, keep accurate and complete records of all transactions, and that the caseload of a single individual does not become unmanageable (too many warrants). The advantage to alias tax warrants is that the marshals are generally more able to make personal service (visits to home, etc.) than the collector.

Tax collectors are permitted to seize property, including bank accounts, as well as to garnish wages for delinquent taxes. Marshals serving an alias tax warrant by extension have these same powers. Marshals may also conduct tax sales on behalf of the tax collector.

There is a state statute which enables a tax collector to deny or to revoke the health permit of a business enterprise which has delinquent personal property taxes. This is a very effective tool. State statutes allow a town to deny building permits for tax delinquent property. Both of these statutes are "local option," meaning they are allowed by the state, but must be adopted by resolution of the municipality's legislative body before implementation. There are numerous regulations concerning motor vehicle tax delinquencies; however, the chief means of collection enforcement for these taxes remains the "hold" or "stop" on registrations issued by the state Department of Motor Vehicles (DMV). Municipal tax collectors submit delinquency lists to DMV on a regular basis. DMV then "flags" the registration renewals of registrants owing past due property taxes. Those taxpayers must then obtain a "release" from the local tax collector, evidencing that their motor vehicle taxes are fully paid, before DMV will renew an existing registration or issue a new one in that name.

The biggest problem, however, remains the fact that although taxes are due annually, motor vehicle registrations renew on a two year cycle. Consequently, many taxpayers wait until they need to renew their registrations, up to 24 months after their tax bill came due, before being compelled to pay. In the meantime, taxpayers can move to another town or even out of state. Many taxpayers attempt to register their vehicles at out of state addresses in order to avoid the Connecticut property tax, particularly if they own expensive cars.

Tax collectors work in conjunction with assessors to process changes to the grand list of taxable property; however, it is the assessor who is responsible for determining if a taxpayer is entitled to a tax credit (for example, for disposing of a vehicle during the tax year). Much of a tax collector's time is spent on minor changes to motor vehicle records, and explaining the applicability of changes of this nature to taxpayers.

#### Recent Developments in Tax Collection Administration

Tax collecting has become vastly more complicated in recent years with various legislative changes to existing statutes such as the tax sale statute, and with many more options for delinquent collection enforcement now being available, such as tax lien assignments, brownfields remediation, and so forth. Even so-called "simple" things like interest calculations become complicated by property splits, assessment appeals, and so forth. Also, computer technology has changed, allowing for greater automation and greater speed and efficiency in processing large quantities of payments. Bills with scan lines, postal bar codes, optical character recognition (OCR) for automated lockbox processing, 'E checks,' ACH and on line payments and tax lookups are common. Electronic payment processing and transfer of data over the internet have become commonplace even in smaller municipalities looking to find more efficient ways of payment processing.

#### Tax Relief

There are numerous statutes concerning tax relief, which is an important issue in Connecticut, because of the heavy reliance on the property tax. Programs exist in every municipality to provide tax relief to, among others, senior citizens, disabled persons, veterans, certain manufacturing entities, owners of farmland, and so on. There are state reimbursed programs administered by the towns, as well as supplemental town programs funded at the local level in many municipalities, with an emphasis on tax relief for low income senior citizens and the disabled. These programs are administered by the office of the assessor or the tax collector, or both, and eligibility varies by town for the locally funded programs. Eligibility for the state funded programs is uniform throughout the state. More information on these programs is available at any town hall and often on municipal web sites.

#### Education & Certification of Tax Collectors

Because so many tax collectors are elected, the state legislature is reluctant to impose restrictions such as educational requirements on elected officials. However, in 1999 legislation was passed to require continuing education and recertification of tax collectors who have earned their certification under state statute.

Tax collectors in Connecticut may choose to become certified under the C.C.M.C. (Certified Connecticut Municipal Collector) program, administered by the CCMC Committee, appointed by the state Office of Policy and Management. A seven-member committee comprised of tax collectors establishes the courses, selects and trains the course instructors, and administers examinations. This committee is also responsible for promulgating the new regulations and course schedule for recertification.

The current CCMC coursework includes a four - course program, an exam for each course, a comprehensive final examination, and an experience requirement. The courses given include two courses in tax collection law, a course in municipal finance, and a course in Connecticut government, supervision and public relations. The CCMC Committee also sponsors various other educational programs including a one day 'crash course' for newly elected collectors immediately following the local election in odd numbered election years