

Legislative History for Connecticut Act

SB 635 (PA 417) 1984

Fin: 900-924, 926, 928-930
931-944, 954-958, 958-970,
973-974, 977-982, 985-986 (150)

Sen: 2473-2475 (3)

House: 6459-6462 (4)

57 42

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JOINT
STANDING
COMMITTEE
HEARINGS

FINANCE,
REVENUE AND
BONDING
PART 3
656-988

1984

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MR. DUNN: Recently we did and we put up a new storage tank in Guilford.

REP. GELSI: Representative -- if I can, just one second. The problem with the bill, then, is really that it doesn't break down where you're breaking up a hole of 2 by 2 or 2 by 6 versus tearing up a whole town street, in one part of the problem.

MR. DUNN: That's true. That's true.

REP. GELSI: Rep. Shays.

REP. SHAYS: Sir, I wondering if you would have any problem with having a bond then extended 2, 3, or 4 years.

MR. DUNN: Well, each community has their own demands as far as that -- some don't have any at all. And some do require us to have bonds. And in the way it has been working is that each town works with our division manager as to what they expect us to do.

And then it's up to us to comply.

REP. SHAYS: Would you have any objection with amending this bill almost in its entirety to provide for a 2-year or 3-year responsibility for that road that you dug up in terms of its -- the cut into the road? Not in terms of the whole road, in terms of -- you're not -- is there some --

MR. DUNN: Well, okay. I don't think that we need the assistance of the State to mandate what it should be because we work with each individual town and if they were to require a 2 or 3-year bonding, then that's what we would work with them on. And so to say that this is the way it has to be with all of the towns, I would say I don't think that's necessary.

REP. SHAYS: But it would be your testimony, therefore, that you would have no objection if the towns were permitted to have a 2 or 3-year --

MR. DUNN: They are now without this.

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REP. SHAYS: You have no objection that they be allowed -- let me tell you, sir -- that's an open question as to whether they do or not.

In your opinion, they have the ability; frankly, that is not a certainty at all.

MR. DUNN: We cannot operate in any of the roads without the permission of the town. We have to go to them first before we do anything.

REP. SHAYS: But the towns have a legal requirement to allow you to go into the street as a public accessway and provide it, and the towns cannot say no to you. And the courts can define what is become the de facto no by putting on too stringent requirements.

And therefore, would you have any objection to our clarifying the law so that a town could legitimately without intervention by you to the court, opposing a 3-year or 2-year requirement -- would you mind in any way our making that very, very clear?

MR. DUNN: Well, I wouldn't mind in the sense that I think that we have a good working agreement now without it and I don't think it's necessary.

REP. SHAYS: Thank you.

REP. GELSI: Any other questions?

REP. CASEY: Yes, I do.

REP. GELSI: Rep. Casey.

REP. CASEY: Mr. Dunn, just for some clarification. What is the practice of your company? SNETCO says if you call them up, they will go back out and correct the damage on the section of the road, either 24 inch strip that they cut up out of the road and to make that level again. Is that your practice as well?

MR. DUNN: Yes, and as I stated in my testimony that it's very important to us to keep from having any -- anything

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MR. DUNN: (continued)

but a smooth surface because then their pounding on a road could affect the work that we did to lay the new mains and that would only be costing us more in the long run if it wasn't taken care of as soon as possible.

REP. CASEY: Right, I can understand that. Now, do you have a system of going out to bid or do you use special contractors to do specific jobs?

MR. DUNN: We do have a bid system, but prior to that we have a list of contractors who have to be approved before they could even submit the bids. And that has to do with their track record and --

REP. CASEY: So that's --

MR. DUNN: So, so --

REP. CASEY: So what it comes down to your company will police if you have a number of calls coming in from an ex-contractor who has done 5 or 6 over the past 4 years, well, then that contractor won't get the job.

MR. DUNN: Then he wouldn't be on the approved list.

REP. CASEY: Okay. Thank you.

REP. GELSI: Any questions from any other members? There are none. Thank you, Mr. Dunn.

MR. DUNN: Thank you.

REP. GELSI: The last speaker that has signed up to speak is Joseph Murphy.

MR. JOSEPH MURPHY: Good morning. My name is Joseph Murphy Mancini. I am the Director of Social Services for the Visiting Nurse and Home Care, Inc.

I'm here today to testify and to encourage your support for Bill 5951. This bill would exempt state sales tax on home delivered meals for elderly, disabled,

MR. MURPHY: (continued)
and homebound individuals. The Visting Nurse and Home Care, Inc., is a voluntary, non-profit and United Way agency. We provide Meals-On-Wheels for approximately 365 people per day.

All of these individuals are elderly and/or handicapped living on fixed incomes.

I'm sure you are all well aware of how difficult it is for our elderly to live on fixed incomes. On behalf of the elderly who many are homebound who cannot attend this hearing, wish your support of Bill 5951. Thank you.

REP. GELSI: Any questions by the members of the Committee? There are none. Thank you, Murphy. One more speaker, Don Kirshbaum from Connecticut Conference Municipalities.

MR. DON KIRSHBAUM: Thank you. I'm Don Kirshbaum, Director of Intergovernmental Finance in the Connecticut Conference Municipalities.

We are testifying today in support of Senate Bill 628 and House Bill 5446.

Senate Bill 628 would increase by 25% certain municipal user fees which are set by the General Statutes. Over 50 municipal user fees have their levels set by State Statute. Municipalities must charge service users the amount listed in the Statutes.

628 would increase most of these fees. Many of these fees have not been increased in recent years, and a few have not been increased since the 1960's.

Statutorily authorized user fees should be set at levels sufficient to recover local costs for providing these services.

This bill would help do this.

House Bill 5446 would allow municipalities to impose a fee upon persons or companies involved in street

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MR. KIRSHBAUM: (continued) excavations or alterations for purposes of laying or maintaining gas or water pipes, drains, sewers, poles, wires, conduits, and other structures.

The fee would be determined by the municipality. It would recover the municipal costs related to the project and estimated value of any reduction in the life of the street resulting from the project.

Street excavations and other related projects cause substantial damage in municipal streets, and significantly reduce the life of these streets.

Municipalities should be allowed to recover, from the person or company engaged in the project, these road damaging costs as well as other costs related to the project.

Therefore, we urge the Finance Committee to favorably report both Senate Bill 628 and House Bill 5446.

REP. GELSI: Don, can your organization give us some estimate of what it's costing municipalities in the last year?

MR. KIRSHBAUM: On which bill? 5446?

REP. GELSI: 5446.

MR. KIRSHBAUM: I don't have that information with me, but will try to get it to you by the time --

REP. GELSI: How did you come up -- that you think the bill is needed if you don't have information to tell us that we tore up 90,000 miles of roads in municipalities that haven't been fixec?

MR. KIRSHBAUM: Well, the -- the roads are being torn up all the time and it does reduce the life of the road and also does cause considerable cost to the municipalities in repairing that road after it's -- after they fill in the holes.

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REP. GELSI: Okay. House Bill 5446, was that approved by the Chief Executives on the Executive Board?

MR. KIRSHBAUM: I do not -- I don't remember if that was part of our specific program or not.

REP. GELSI: Thank you. Any questions? Rep. Torpey.

REP. TORPEY: Yes. Did I understand you're going to get some sort of a report back on this -- what is this costing the municipalities?

MR. KIRSHBAUM: I'm guessing you're going to vote on this bill by Monday. I will try to have something to you by Monday on that.

REP. TORPEY: I would like to know at the same time what the municipalities have done to -- what steps they have taken to protect themselves. Do they just walk away from it and say it's up to the utilities?

You know, do they have inspectors out, do they find fault and report it to the utilities, do they get results from the reports and that sort. Is this -- I don't know where the bill came from, and I'm looking for the facts (inaudible -- not speaking into mike) without creating a problem.

REP. GELSI: Rep. Emmons.

REP. EMMONS: Yes, I want to ask him of the fee bill. SB 628
I can understand some of the ones where it has to do with copies and some communities, but it seems to me that only a few years ago the fees for something that's and traffic and all those items were raised. And I had, I guess --

REP. GELSI: You're absolutely correct. Two years ago.

REP. EMMONS: But the question I have, it looks to me as if the town clerk is to retain a coin fee of \$1 for each license issued by him. So all these fee raises would not go to the town clerk. Is that correct? They would come to the State?

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MR. KIRSHBAUM: The amount -- I can't remember exactly how that part of the bill is drafted, but our --

REP. EMMONS: Part C-71.

MR. KIRSHBAUM: But our intention on that is that the town clerk be able to retain the amount necessary to administer the issuance of the license.

REP. EMMONS: Well, it doesn't say that and I'm just saying that for a fishing license to go from 9 to \$12, it would seem to me that it can't cost the town clerk \$12 to do it. I don't know how much it costs the town clerk; but if money is going to the State, it -- really, that section of the bill should have gone to Environment because their fear and there is a justifiable one to some means, you get high enough, people won't license. I mean, a family of 3 kids won't go and spend \$48 for everybody to have a fishing license to go 2 weekends of fishing.

And the same thing with the dog licenses. I think if you find out in most of many communities, their are dog population "is going down." But doggie sales are going up.

(inaudible)

MR. KIRSHBAUM: You know, we don't want to put in any fees that are going to be counterproductive. We don't want to raise them above that point.

REP. EMMONS: On the one for the dog licenses, do you increase the fees that are going to (inaudible -- not speaking into mike).

Well, I get to part of another one. Your attempt in doing this is really to increase the fees and to increase the revenue of our fees would supposedly be paid by the town clerk.

MR. KIRSHBAUM: That's correct.

REP. EMMONS: So, in all of the (inaudible) -- some of them would -- towns would (inaudible) 25¢, 35¢, would be

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REP. EMMONS: (continued)

only \$3 if you increase the fee by 35¢ to double the take.

MR. KIRSHBAUM: That is correct, as long as the town clerk keeps the entire amount.

REP. GELSI: Don, how many municipalities that CCM represents don't have full-time paid town clerks?

MR. KIRSHBAUM: Full-time paid or feed -- I'm not sure what the exact number is, but the perponderance of clerks that collect, get their income off of the fees, are not in CCM member towns.

REP. GELSI: So, then, why is CCM here? We try and help them to get some more money through the back door so we're going to start picking salaries in town halls?

MR. KIRSHBAUM: No -- well, CCM's membership doesn't include all of the municipalities in the State. We do support bills that are beneficial to all the municipalities in the State. We don't necessarily only speak in favor of bills that are going to benefit specific municipalities.

We represent more municipalities that just our members.

REP. GELSI: But this is also going to represent the constituency of the towns that pays your people's salaries, their constituency is going to pay more money for fees when it's not necessary. Where's the justification?

MR. KIRSHBAUM: We believe that the fees should be raised to the point at which they'll be able -- the municipality can recover the costs.

Now, in a municipality -- there are town clerks in every municipality, and the town clerk does have to perform this duty and does have a cost in performing this duty, whether it or not the town clerk is paid by salary or paid by fees. The cost to the municipality for issuing the license is the same and therefore there is really no difference in the need to raise the fees between

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MR. KIRSHBAUM: (continued)
the salaried and the fee-generating town clerks.

REP. GELSI: Would CCM then agree that if we took all the licensing rights away from the municipalities and gave it out to the private sector, would they be happy with that so it wouldn't cost them any money?

MR. KIRSHBAUM: I'd have to think about that for a while.

REP. GELSI: I'd appreciate an answer by Monday.

Any other questions?

REP. SHAYS: Yes. Would you -- I think you could get Rep. Torpey's in the to your time by just taking some sample counts, and take stamps which have already

It's a cost and what it gets. And it was in fact given to the clerk because they wanted a \$30 fee instead of a \$5 fee. (inaudible)

But also if you go to smaller (inaudible -- not speaking into mike). But in addition, maybe Rep. Torpey can (inaudible).

But in addition, I would like to see if you can check any court cases which would show that some towns have tried to extend it more than a year and have potentially encountered problems where the court seen that that was not justifiable to ask for more than a year's guarantee on the road. With that I would like to conclude.

REP. GELSI: Rep. Torpey.

REP. TORPEY: Well, I think in that report it would be -- we could be a lot more objective if you'll left Stamford out of it, and let's keep Hartford out of it (inaudible). We're on neutral battlefields.

MR. KIRSHBAUM: Yes, yes.

REP. TORPEY: Well, have a nice weekend.

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REP. GELSI: Okay, Don, thank you. Any more questions? That's the last speaker that has signed up. Is there anyone from the public who wishes to speak to the Committee?

COM: If not, the public hearing is closed.

State Capitol
Room 409A
April 9, 1984
10:00 A.M.

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- PRESIDING CHAIRMEN: Senator Skelley
Representative Smoko
- COMMITTEE MEMBERS PRESENT:
- SENATORS: Skelley, Streeter, DiBella,
Johnston,
- REPRESENTATIVES: Smoko, Shays, Abercrombie,
Barrett, Adamo, Butterly,
Carey, Casey, Dickinson,
Emmons, Flinn, Gelsi, Kezer,
Karbowski, Looney, Perry,
Rybak, Palermino, Ryan,
Savage, Torpey.

REP. SMOKO: If we could get started please. We have some legislators and agency people that have signed up for the first hour and then we will follow our usual policy. The first individual is Walter Conn, followed by Frank Chumura of OPM. Representative Conn, good morning.

REP. CONN: Is this working?

REP. SMOKO: Yes.

REP. CONN: Good morning Mr. Chairman. My name is Walter Conn from the 67th district. I would like to thank the Chairman for raising the Bill that I'm about to comment on. It's a very small Bill with a meaning for very few towns but it does have a great meaning in those towns that I--

HB5965

REP. SMOKO: Excuse me, Representative Conn, but could we have all the side meetings taking place held someplace else? Thank you. Representative.

REP. CONN: Thank you. There are four towns in my area of the state, Sherman, Bridgewater, Warren and Cornwall that do not have maps on file and each year they are

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REP. CONN: (continued)

required, the assessors, to send out property tax lists to all those persons in those towns. The problem is that people move into that area from other areas and don't realize this and quite often they don't either get the list or they don't return it and in the statutes there's a penalty of 10 percent of the assessment list which has to be assessed against those persons who are late in their filing or do not file.

To give you an example, what could happen is that in December or January, a person buys a piece of real estate in one of those towns. The previous owner hasn't--has forgotten to file a list in October. That person buys the property and when he gets a notice about three or four months later that the person he bought the property from hasn't filed a tax list, he is assessed at a ten percent penalty.

To give you an example, a piece of property with a \$70,000 assessment could cause a \$7,000 penalty to be added to that which would bring in about \$122.50. And really there is no need of this because those--all those towns, even though they don't have a map on file, are getting their information from the building inspectors and their town clerks and so forth so there really is no need to file the list in the first place. However, due to our laws, which say that unless they've got a map on file, they still are required to send out the lists.

Now, the Bill that is before you alleviates it somewhat and in other words, it's going to allow any town, by a vote of its legislative body, to elect not to have the 10 percent penalty and I think that's fine, but I would prefer to see a little addition to the Bill which would even allow the assessors in those towns not to send out the list.

In my file here, I have a letter from one of those towns which says that they thought it would be really the proper answer is not to require them to do the mailing. It would save those towns money and over the years, I am sure that they will be moving toward the maps, but until they do, it's a situation that really is hard on certain

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REP. CONN: (continued)

individuals. Some from their own forgetfulness, but more often it's because of a misunderstanding of the law. If you have any questions, I will be glad to answer them. I have a copy of the materials from the town that I will leave with you.

REP. SMOKO: Thank you Representative Conn. Are there questions of the Committee? 5965 is the Bill.

REP. CONN: I would appreciate your consideration of the Bill.

REP. SMOKO: Thank you very much, Representative Conn. Frank Chumura, followed by William Wigglesworth.

MR. FREDERICK CHUMURA: Good morning Senator Skelley, Representative Smoko, members of the Committee, my name is Frederick Chumura from the Office of Policy and Management. I am here to testify on a number of Bills which affect assessments in the Office of Policy and Management.

The first Bill I'd like to comment on is Senate Bill 634, An Act Requiring Uniform Statistical Evaluations of Adjustments of Property Tax Assessed Values in Relation to Market Value in the Fifty Year Following General Re-valuation in any Municipality.

The Office of Policy and Management is opposed to this Bill. I have stated prior to the property tax study committee in testimony before that committee who developed a report which generated this Bill, that it is the opinion of the Office of Policy and Management that a statistical re-evaluation in and of itself, does not lessen the inequities between individual assessments and in many cases, will only exasperate those individual inequities. That is, if a property is over-assessed, a sales ratio will only amplify that over-assessment.

It will eliminate some inequities between certain costs of property that is if there's a discrepancy of the assessment level between residential property and commercial property, the sales ratio for those municipalities in which the data base is sufficient, would reduce those

MR. CHUMURA: (continued)

inequities but for many of the small municipalities, the sales ratio study is not adequate and is not a sufficient sample. We feel that overall that the sales ratio program, the way it is now, being a solely a sales based study, but would not, in fact, alleviate the problems in and out the evaluation periods down to five years.

REP. SMOKO: How about a co-efficient of disbursing analysis. figuring in general--

MR. CHUMURA: We had testified to that before. The one problem that was brought up in that report is the fact that there is, using that system, there is no budgeting process and I'm sure when the coefficient would trigger evaluation, that is a problem. It is not an easy problem.

We had suggested something maybe in between; that or to beef up the sales assessment ratio program in which appraisals would be done which many states utilize to add to the sample sufficiency for those particular properties that did not have enough sales.

REP. SMOKO: What you're suggesting then would be an additional budgeting and staffing on the state level to provide appraisal work to supplement--

MR. CHUMURA: Yes, it would require additional staffing at the state level.

REP. SMOKO: Representative Kezer.

REP. KEZER: (not using microphone) Wasn't this a recommendation of the property tax study commission?

MR. CHUMURA: Yes. it was a recommendation of that committee.

REP. KEZER: Are you saying that you don't think it feasible that all (inaudible)

MR. CHUMURA: I just feel that the tools presently available to the local municipalities from the state are not sufficient. There's not enough data in some of the samples that is there are not enough sales in certain types of properties in which a sufficient ratio can be generated

MR. CHUMURA: (continued)

and if you look at individual properties within say a neighborhood, the committee had recommended that the Office of Policy and Management develop ratios for neighborhoods. But within a neighborhood, you could have two properties side by side; one highly over-assessed and the other under-assessed and still be factored upward by using the same assessment ratio so if one property is 20 percent over the other one, now you use a multiplier of two, that would be 40 percent over-assessed so you've not lessened the inequity but rather created a greater inequity.

REP. SMOKO: Well, that's not entirely true but we'll let you continue with the next Bill.

MR. CHUMURA: Raised Committee Bill 636, An Act Providing Assessors More Effective Power In Obtaining Income and Expense Information For Appraisals of Income Producing Real Property Based on Capitalization of Income. The Office of Policy and Management has no opinion on an income expense statement as it directly affects us. We feel it probably would be a useful tool to a local assessor.

We do have problems with subsection (e) of that Bill which requires this--the Office of Policy and Management to develop regulations, the preparation and distribution of such forms. We feel that since this is a local tax issue, that the Office of Policy and Management should not be required to develop regulations since we won't be able to enforce them nor should we supply the forms to the municipality.

If the Committee feels that a uniform form is within the best interest of all parties, we would suggest wording similar to other forms which are presently in statute that the Office of Policy and Management prescribe the form, in which case what we would do would be to set a form with the input of both the local assessors, the business community and the Office of Policy and Management and develop a standardized form which the town is required to use.

REP. SMOKO: You will be pleased to know that we agreed on

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REP. SMOKO: (continued)
language like that on Friday and we will have that available.

MR. CHUMURA: Thank you. Raised Committee Bill 632, An Act Concerning Staffing of Municipal Assessment Section of the Office of Policy and Management, this Bill would require that six people be employed by the Office of Policy and Management to assess local assessors. We have no objection to that.

Raised Committee Bill 5965, An Act Concerning Any Town Without Tax Maps on File Wherein Property Tax Lists Must Include Real Estate Descriptions To Waive the Ten Percent Penalty For Late Filing of Such Lists, which is the Bill just commented on by Representative Conn. We are opposed to this Bill. We feel that the ten percent penalty as-- excuse me, the requiring of lists to be filed by persons in those towns without tax maps is a good system. That it's both a carrot to and an incentive to those towns to get maps and as well as a tool for the assessors.

Considering Representative Conn's comments about persons who move into those six towns who do not have tax maps and the listing is still required, that maybe the Bill should be changed, or the present language should be changed that the assessor notify those people who do not own property on the previous Grand List, that they must in fact, file a tax listing of their property during the month of October so that would eliminate people receiving penalties purely because they were not aware of the system existing only in six towns in the state of Connecticut.

And finally, Raised Committee Bill 633, An Act Concerning the Level of State Reimbursements to Certain Consolidated Municipalities, this is an act that would have entitled those municipalities that consolidate, that is cities and towns or boroughs and towns that consolidate similar to the city of Willimantic and the town of Windham and the city of Putnam and the town of Putnam, to continue receiving inventory reimbursement grants in the same levels as prior. We are in favor of this. That's all the comments I have this morning.

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REP. SMOKO: Are there questions by members of the Committee?

REP. BUTTERLY: (inaudible - not using microphone)

MR. CHUMURA: All in Litchfield County. I don't have the list in front of me, but they're all in the Litchfield County area.

REP. SMOKO: Additional questions? If not, Mr. Wigglesworth.

MR. WILLIAM WIGGLESWORTH: Good morning. Thank you. My name is William Wigglesworth. I'm the chief enforcement agent with the Department of Revenue Services and I'm here representing Commissioner Dubno this morning.

Two just comment on Bill 5958, An Act Concerning Criminal Penalties for Violation of Tax Laws. The purpose of this Bill is to uniform penalties, create fair penalties and workable language throughout the entire revenue package. It will allow the State Revenue Code to read very similar to the Internal Revenue Code. It will bring two very important words into the law; those words being knowingly and willingly which will require an act of commission before a criminal action can be brought, not just a simple act of omission.

The Bill appears to be long and lengthy and somewhat difficult but it truly is not. The same language is basically used throughout though and it inserts the same language to all tax types.

I'd be willing to answer any questions. We are, of course, in favor of this Bill.

REP. SMOKO: Representative Kezer.

REP. KEZER: If it's going to be based on knowledge and willingness to have done it instead of omission, is this a weaker law than what we had before?

MR. WIGGLESWORTH: No, it's not a weaker law. It--we, on policy would require some willingness and some knowledge of a person's act anyway at the present time. By statute, we certainly could be doing enforcement, criminal enforcement

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MR. WIGGLESWORTH: (continued)
action against an individual who simply is unaware or has no knowledge of the law without warning. This would codify the willingness and knowledge involved. This is required in any criminal statute.

REP. KEZER: (Inaudible - not using microphone.)

MR. WIGGLESWORTH: This does not apply and has no real meaning for the sales tax issue which is over the border. This is within state.

REP. KEZER: Going back to the word knowingly, (inaudible)

MR. WIGGLESWORTH: Yes, and that would be--that's on a permanent violation you're talking about there, I believe. It is presently a criminal violation. However, it would--it's a \$50.00 fine and the language is somewhat confusing as to whether or not that offense can last a week or a day or whether a person could be summoned for a permanent offense and still be allowed to continue the practice for the next week before he can be summoned again.

REP. KEZER: And it's also adding the possibility of imprisonment.

MR. WIGGLESWORTH: Yes.

REP. KEZER: (inaudible)

REP. SMOKO: Are there any other questions? If not, thank you very much, sir. Dorin Polvani.

MR. DORIN POLVANI: Good morning. My name is Dorin Polvani. I'm the Deputy Commissioner for the Department of Corrections. I'd like to testify in favor of Bill 5961. There's been a longstanding disagreement between the Auditors of Public Accounts and the Department of Corrections concerning the sale of agricultural products.

The Commissioner of Corrections is authorized to create an industrial fund under Section 18-88 of the Connecticut General Statutes. He has created an Agricultural Program wherein the cost--

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REP. SMOKO: Excuse me. It's getting rather noisy in here. Could I ask somebody to close the back door, if that's not too much trouble. Can we have the side meetings taking place someplace else other than the hearing room. I'm sorry.

MR. POLVANI: Thank you. Let me just start this paragraph again. The Commissioner of Corrections is authorized to create an industrial fund under Section 18-88 of the Connecticut General Statutes. He has created an Agricultural Program wherein the cost of materials, labor, delivery and of the like, are paid for by the Industrial Revolving Fund.

All revenues from sales of farm products are then credited to that revolving fund. The State Auditors contend that all revenues should be credited to the State's General Fund under Section 53-329.

In the event that the revenues generated by the Agricultural Program were credited to the General Fund, it would be necessary for the Department of Corrections to cease its agricultural activities. We have no appropriation. We are spending approximately \$125, \$150,000 a year for this program. If the proposed legislation were passed, it would enable us to continue to use the revolving fund for the sale of some of our agricultural products.

REP. SMOKO: What you're saying is the proceeds of this--of sales of this nature, were going into the industrial fund. This is in response to an Auditor's critique of the procedures? That's in violation of statute?

MR. POLVANI: That's correct.

REP. SMOKO: Those money should go into the revolving fund?

MR. POLVANI: That's correct. There's no--the disagreement is that we have the two statutes; that the money has never gone into the General Fund. We have been in defiance if you will. We would obviously urge the passage of this legislation.

REP. SMOKO: Very good. Thank you very much, sir. Questions?

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REP. SMOKO: (Continued)
Representative Torpey.

REP. TORPEY: How much goes into the Industrial Fund now? You say it costs about \$150,000.

MR. POLVANI: Our operations have not been profitable until this year. This year we expect to do about 130, \$140,000 worth of business and we would expect a profit of ten to \$20,000. It's a projected figure. We can't record sales until we actually deliver hay and silage and that type of thing. So we expect a small profit.

REP. TORPEY: How do you arrive at the figure of 150,000 if you're going to make about \$130,000 year and then have about \$20,000 in profit?

MR. POLVANI: I've got two figures a little bit confused. Next year, that is our anticipated budget, \$150,000 for this program. For the coming fiscal year. We are going to increase the acreage that we plant by about 50 percent, about 40 acres more of land and I used that 150 as a projected, not as a past.

REP. SMOKO: Additional questions? If not, thank you very much, sir. The next individual is--that completes agencies and legislators. Are there any other agencies or legislators that wish to testify? If not, we will move right into the public section. We have a representative of the Hartford City Council, Eunice Groark. If you would identify yourself into the microphone for the record.

MS. EUNICE GROARK: That's a good Republican name. Good morning Representative Smoko and ladies and gentlemen of the Committee, my name is Eunice Groark and I am the Republican Minority Leader of the Hartford City Council. I have come this morning as a representative of the City Council and also to indicate our bi-partisan support for a number of Bills which are currently up for your consideration.

Senate Bill 631, An Act Changing the Title of Assessors to Property Appraisers, we support that.

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MS. GROARK: (continued)

Senate Bill 632, An Act Concerning the Staffing of the Municipal Assessment Section of the Office of Policy and Management, we would support that.

Senate Bill 634--

REP. TORPEY: Slow down.

MS. GROARK: I'm sorry.

REP. TORPEY: What was the second one?

MS. GROARK: The second one was Senate Bill 632. The next one is Senate Bill 634, An Act Requiring Uniform Statistical Revaluations or Adjustments of Property Tax Assessed Values in Relation to Market Value in the Fifty Year Following General Revaluation in Any Municipality. The next Bill is Senate Bill 635, An Act Providing That the Term Market Rent as Used in Appraisal of Income Producing Real Property Refers to Current Rental Value Irrespective of Existing Contract Rent.

The next Bill is Senate Bill 636, An Act Providing Assessors with More Effective Power in Obtaining Income and Expense Information for Appraisals of Income Producing Real Property Based on Capitalization of Income.

These Bills are the product of recommendations of the Commission for Study of Current Assessment Methods and Procedures Related to Real Property which was a bi-partisan broad based group of individuals charged with the task of looking at real property assessment methods in Connecticut and recommending reforms and improvements.

Although the issues of real property assessment and local property tax are broad and complex, the city of Hartford feels that these legislative proposals are a positive step in the direction of uniformity, equity and efficiency.

Senate Bill 636, for example, would give municipal assessors access to income and expense information for income producing commercial properties. Without this important information, the assessor is hampered in his or

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MS. GROARK: (continued)

her ability to accurately and equitably assess these properties using the income capitalization approach to property tax assessment.

Senate Bill 635 would provide a statutory definition of market rent and give assessors the explicit authority to assess income producing property on the basis of market conditions rather than on just the rental specified in the lease which is often artificially low.

This concept is important because the base of the property tax in order to be fair among similar properties, must be the entire property, the so-called bundle of sticks which includes the values of both landlord and tenant interests. Interim statistical revaluations provided by Senate Bill 634, would address some of the inequities that result from delayed and out of date revaluation.

Although some claim that assessment of real property is more of an art than a science, these legislative proposals move away from this concept and assist in making the process more uniform and equitable. Since the property tax represents over 43 percent of all state and local taxes in the state and almost 60 percent of all local revenues in the state of Connecticut, it is vital that the 1984 session of the General Assembly pass legislation to reform and improve this major revenue raising device.

And I have, Mr. Chairman, with me, copies of my statement which will be made available to the Committee for their deliberations.

SEN. STREETER: Eunice, I'd like to ask you about 634. Does the city of Hartford do a market ratio analysis now?

MS. GROARK: My understanding is, and you really would have to speak to Mr. McDermott to find out clearly, who is our city assessor, it is taken into consideration, I believe, but I don't believe that the assessment is based on that. We do have, and there was a resolution passed by the city council about six months ago, I think, which asked or requested the assessor to do an interim, if you will, revaluation during--for the ten year period, to see whether

MS. GROARK: (continued)
or not--what the impact of the city would be in--now,
under the current standards that are used for assessment
purposes to see what the impact would be if we had a
revaluation at this--that was just experimental.

But, the purpose, as I understand it, for our supporting
this particular Bill now, is in conjunction with the
overall package because it would give the assessor a more
accurate reading and a current reading of what buildings
were worth and if you only do it for the three years
prior to a revaluation on a ten year basis, there's a
time lag there, whereas this would--that would be three
out of ten, and this would give you six out of ten and
we feel it would be more accurate and more equitable.

SEN. STREETER: So it's your understanding that now a munici-
pality may not on its own, do this.

MS. GROARK: As I understand it, but I'm not a great expert
on this and I'll tell you that righthere and now, so take
it with a grain of salt.

SEN. STREETER: One more question. Would this affect your
GTB if you did this in isolation of the others?

MS. GROARK: I'm really not prepared to answer that accurately.
I can't give you information on that. Mr. Rumnyk is here
from the Corporation Counsel Office.

REP. KEZER: I'd like to ask a question on Senate Bill 635.
It's my understanding (inaudible - not using microphone)

MS. GROARK: Yes, that's how I understand it.

REP. KEZER: Would you say this would be detrimental to home-
owners in the city of Hartford(inaudible)

MS. GROARK: My feeling is that I think that you run the risk
on all of this, in terms of inflation or non-inflation,
but what you do is by using the market rent, it's fair.
I mean one of the problems that we've had up until now,
certainly in terms of the differential in Hartford, was
the argument that it really wasn't fair and I think that

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MS. GROARK: (continued)
the whole thrust of this entire package is the fairness of it and that I suppose to some extent, you're going to have to take your lumps as well as your upswings when they're available to you. And I think that the feeling that is over the long run, the market rent theory would provide the most equitable way of doing assessments in the city.

REP. ADAMO: Any further questions? Representative Ryan.

REP. RYAN: Do you know of any other state that uses this method of assessing. Are there any other states using this fair rent--

MS. GROARK: As a local city official, I am not aware of that and I can't answer that.

REP. ADAMO: It's my understanding it's done in New York.

MS. GROARK: Is it?

REP. ADAMO: I have one question on that same question. Artificially low, you indicated that some of the rents might be officially low. When really some of them are inducement rents. They're rents that are pumped in very low just to get the tenant in for a four or five year lease to get the building filled up but that's not an artificially low rent. That's one I have problems with.

MS. GROARK: I think that part of the problem there, artificial might not be the most accurate word to use. I think it's where there might have been a rent that was--we have a situation in the city for example, where there was a large commercial property. There were rents that were contractual rents that were arrived at some years ago that are \$4.00 a square foot. Today, anyone in his right mind knows that that property probably should get \$15.00 to \$20.00 a square foot. I think that's the thing we're trying to attack. I think the problem is where you have in place, for example, and I know I've talked to Representative Van Norstrand about this, in areas for example, where there might be a shopping center and you have written a low rent in order to get an anchor tenant

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MS. GROARK: (continued)

in order to invite the rest in. There, I would think--I understand where the problem is there and I would think that you would have to assess the whole entity, but you can't assess one or the other because it is an entity and the thing is sold as an entity, for example. And I think that that would be the answer to that but I think that's what you're suggesting and I understand the problem but there's a counter to it too.

REP. ADAMO: Thank you. Questions?

REP. TORPEY: Does Hartford feel that if these group of Bills are passed, that this will slow down the tax shift?

MS. GROARK: Will it slow down, you mean between the residential and the--well, I think they feel--I think the feeling is that it will produce a fair--that the commercial properties will be--their taxes will more accurately represent the true value of their property. We have in Hartford a lot of strange situations as I imagine any city would have, where you have buildings that aren't sold very often for example, or you have corporate headquarters and their feeling is--and on the other hand, you have residential properties which are turned over at a fairly regular rate and you can understand what the value of the residential property is and you don't have it in the commercial property and I think a lot of people feel that we're not accurately reflecting in our assessment methods, the real worth of that commercial property, whereas you really have a much better handle on what the residential property is worth and I don't know that people think it's going to slow much of anything down, but I think they feel it's going to be--that everyone will be more fairly paying their share.

REP. ADAMO: No further questions? Thank you very much. Peter Marsele please.

MR. PETER MARSELE: Good morning. For the record, my name is Peter R. Marsele. I'm the assessor in the town of Bloomfield. I was also a member of the Commission for the Study of Current Assessment Methods and Procedures Related to Real Property.

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MR. MARSELE: (continued)

get pumped through the computers or whatever method they make their statistical revaluations, they are then should be reviewed so that the inequities that could be compounded by those changes, would be corrected.

This is not an insurmountable job. I'm in a town of 20,000 population. I have approximately six thousand real estate accounts and I see no problem in my town, and I work all alone, where I could uniform my values for those which appear to be out of line when my updating figures come through and I don't see any assessor who is qualified to be an assessor who cannot do the same thing.

With respect to Bill 635, this one has to do with the term market rent as used in appraisal of income producing real property and it refers to current rental value irrespective of existing contract rent.

I unequivocally oppose and strongly so, this Bill. It serves absolutely no purpose. It gets away from the ad volorem tax and if we pass this Bill, we're going to have to change the rule of value as it pertains to these properties. There are less than 5 percent of the entire properties in the state of Connecticut; probably less than one percent if we really got to know how many were involved, that are involved with the differential between the contract rent and a market rent.

I just don't understand why we should rock the boat and putting terminology of a definition when we're going to be deviating from fair market value. The end result of an assessment or an appraisal made by changing a contract rent to a market rent, will not result in a fair market value and I have been in courts sufficient numbers of times, hundreds of times, on tax appeals and unless a second statute is changed to allow the assessor to have a value other than ad volorem tax with respect to these properties, the judges are going to pay no attention to this revision.

So that to, as I stated before, to disrupt a situation of fair market value which is such a small problem and on so few properties statewide, just doesn't make any sense at all.

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MR. MARSELE: (continued)

of our court cases because we would have professionals serving, hopefully we would have professionals serving on these boards.

I believe that takes care of all of the Bills that the Commission worked on and I would be pleased to answer any questions that anyone might have.

REP. SMOKO: First let me say, for the record, Peter, that I enjoyed very much working with you. You were a very valued asset on the Commission and we certainly do appreciate very much.

MR. MARSELE: Thank you.

REP. SMOKO: On 635 which is a bone of contention that we've all been wrestling all these several months, the market rent, I really disagree with your atatement that somehow this would detract from the true nature of the property tax ad volorem tax. I think what we're all looking for is fair market value and without belaboring the issue, I would say that a number of individuals met on Friday to outline some alternative language that would lend some guidance in this direction, a compromising of the question so to speak.

The halls right now are teeming with individuals discussing that; Representatives from all the various factors and I would appreciate it very much if you could perhaps get a copy of that alternative language and give me your opinion of it before we go into our meeting this afternoon.

MR. MARSELE: I'll be glad to. With regard to that particular Bill, I brought an article with me and in our discussions, while we were meeting as a Commission, you will recall that my objection to this Bill all the way through was what happens in a declining market? And let me just read an article that came in the mail last Thursday. It's dated March 21, 1984. It was a very small article, short article, issued by the Society of Real Estate Appraisals on a nationwide study and it's right on the front page and it says Office Building Values Dropped in 1983. The average value of the office buildings fell between five

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MR. MARSELE: (continued)

and fifteen percent last year due to declining rents and increasing vacancies. The decline would have been steeper except that capitalization rates also declined dramatically during the period, keeping office values higher than they otherwise would be.

After adjusting for inflation, office building values have declined 34 percent between 1978 and 1983. Even worse is that 55 percent decline in real estate values that has occurred in office building between 1981 and 1983. This study indicates that a major cause in the decline of building values is the substantial rent concessions being made by office building owners. The average office rent declined 7.5 percent to \$15.15 per square foot in 1983 from \$16.75 in 1982. Other concessions such as free rent from 3 to 24 months and a five year lease are common in many areas and are virtually assured in markets with a ten percent or greater vacancy rate.

REP. SMOKO: Peter, that's pretty much what the commission decided. You're saying a change in a specific moment in time, the market rental value of buildings dramatically impact at that same moment in time the marketability-- the market value of that piece of property. The statutes clearly indicate that real property shall be at its true market value. How you can suggest that using a contract rent, that was three or four years ago, at a specific moment in time, in revaluation, is somehow going to give you the market value as defined by statute, defies my logic. I just don't understand that.

MR. MARSELE: Well, my main concern is when the market rent shall be substantially below the contract rent.

REP. SMOKO: Nobody's saying you can't cut both ways. I fully appreciate that instance. I'm just saying what you're looking for if you're going to believe the statutes and the integrity of the system by looking for market value of the property at a given moment in time, should you be using contract rents established three or four years ago or the exact value of that property based on conditions as they exist when you're doing revaluation. This is what I'm saying.

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MR. MARSELE: Well, from an appraisal process, fair market value is what the property will sell for in the open market on a given date. If contract rent is of such a length that it's going to effect that value, then therefore, it's market value is going to be predicated on that contract rent.

REP. SMOKO: I think you'll find the compromise language that we worked out on Friday will hit the question, if you could look at that.

MR. MARSELE: I will.

REP. SMOKO: Representative Ryan.

REP. RYAN: Two quick questions. One, why do you want to change the name of the assessor's group?

MR. MARSELE: I have no feeling strongly one way or another, that's why I mentioned that should this pass, it's going to be hard to sell to the public. They're so accustomed to the assessors rather than appraisers.

REP. RYAN: My second question is, under 635, is there any other state using this type of--

MR. MARSELE: If there is, I don't know of any.

REP. SMOKO: Senator Streeter.

SEN. STREETER: On 634 (inaudible)

MR. MARSELE: I think it should be mandatory not enabling. It can be done now. As a matter of fact, in 1974 when a considerable amount of legislation was passed pertaining to local assessors it was the intent that within ten years, we would have set up the program for such a Bill, but ten years is now up and it so happens that coincidentally it will fall right into the plan of ten years ago. But it should not be optional. It should be mandatory, in my opinion.

REP. SMOKO: Representative Torpey.

REP. TORPEY: Yes, on Bill 639, (inaudible)

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- MR. MARSELE: Yes, that's the purpose of the--the regional board would take the place of what now is the Superior Court, but the advantage of this would be that a property owner who doesn't have too much money, let's say a homeowner can't spend legal fees, he has an opportunity to appear before that board by himself and speak for himself.
- REP. SMOKO: Additional questions? If not, thank you very much Peter, as ever. Another valuable member of the Commission, John C. Bullock. John, Hi.
- MR. JOHN C. BULLOCK: Good morning members of the Committee, my name is John Bullock and I am also a member of the Commission for Study of Current Assessment Methods and Procedures related to Real Property. I am going to limit my discussion today to statements in opposition of Bill 635 which mandates the use of a defined market rent concept in the valuation of commercial real property.

Market rent, as Bill 635 defines it, means a theoretical rent. It's determined by the local assessor. The rent that is actually being paid by the tenant of that property, the rent that the tenant and the landlord negotiated as fair for that property, is not to be the basis for evaluation of the property, but instead, the assessor determines what in his mind would be and should be paid for the property if in fact it were vacant and on the open market.

First of all, this places a very heavy burden on local assessors. The assessors have to survey a town and determine for each--they have to determine a schedule of rents for properties throughout their municipalities. And then they have to take each subject property and make a comparison of that property to the schedule of what they consider to be market rent.

This is a very subjective process. Every characteristic and feature of one property has to be compared with the characteristics of other properties in town and the evaluation is necessarily subjective. It's the judgment and the experience of that assessor who makes that determination.

In this regard, I think it's going counter to one of the

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MR. BULLOCK: (continued)

things that we need in the assessment process which is the higher level of objectivity, of objective standards by which we can make assessments. I think this is particularly needed in the mass appraisal that is necessary during municipal revaluations.

Because it's subjective, each one of these market values assessments is going to be more subject to challenge and litigation by owners who will say my property is not comparable to that one. Here's what I'm paying; this is the fair rent. So using a subjective market value method of appraisal is going to lead to more challenges and more litigation.

This, of course, increases the burden on assessors who have to defend what they're doing. The burden is essentially unnecessary. Peter Marsele has stated and I won't repeat, unduly, that very few properties have a substantial difference between what the parties have negotiated as a fair rent and what the market rent might be at that given moment.

I think more importantly though, is for you to consider this Bill, is an understanding of one of the consequences of it that's been touched on today. When market rent is used as the basis for assessment of property--I'm sorry, when contract rent is used, the actual rents being paid, assessments have a high degree of stability to them.

Contract rents are fixed by leases. The leases are recorded and they are enforceable. People pay what they have agreed to pay for a period of years and whether market fluctuations would take the rents up or down, people pay what is on the lease. The income stream is the same. The value of the property is stable. Indeed, that's exactly why people negotiate long term leases. They say we don't want to deal on a day to day basis with what market rents will be, we will fix our rental payments for a period of years.

Assessors take advantage of that stability by tying their assessments into those fixed term rental payments so in turn, the assessments become stable. The values of the

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MR. BULLOCK: (continued)

property become stable and the Grand List becomes stable. Assessors do not have to lower assessments because market rents might go down in a given period because the rental value remains high, by contract, and this has twice been affirmed by the Connecticut Supreme Court.

What you end up with is a much more stable commercial real estate sector in your Grand List and this is very important in the large cities which have very large commercial sectors in their Grand List. In Hartford, for example, according to the last published net equalized Grand List study, from the Office of Policy and Management, more than two thirds of all of the taxable real property in the city was commercial-industrial or utility. And because the commercial-industrial and utility property was assessed at a higher ratio than residential property, in fact, three quarters of the taxable assessed real estate in Hartford, is commercial-industrial and utilities.

In those circumstances, that enormous commercial tax base has to be stable or Hartford could suffer really very serious consequences. When you dictate a mandatory use of a market value system for assessment of property, you lose the inherent stability that the parties have built into their contract rentals. You tie this major segment of your commercial tax list, your Grand List, to fluctuating market values.

Now, right now, apparently this is seen as an advantage because a-municipality can ride the market through rising property values and can quickly obtain higher revenues. That is a short term advantage. It must be followed by the disadvantage of a declining market, and of course, declining tax bases, declining revenues, as well as, I suspect, the declining ability to bond capital projects because people are going to look again, as they always have, to the long term stability of municipal tax bases.

What's going to happen when you adopt the market rent theory is the municipality is going to join the entrepreneur and the developer in their hopes and risks and of course, in their failures as well as their successes. I do not believe Connecticut municipalities can play the market.

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MR. BULLOCK: (continued)

Government is expected to provide the solidity upon which we can rely on in all circumstances and in my opinion, the use of market rent is a serious threat to municipal financial stability.

If you have a true increasing commercial market, it is going to be reflected not over a long period of time. It's going to be reflected relatively soon in contracts. Those contracts, those contract rents, can then be capitalized in assessments based on contract rents. The path is somewhat slower. It is not a get rich quick scheme for municipal finances, but it is a tried and true path. It is a sure path and I think it is the way in which our municipalities can continue to provide the solid financial leadership that we have always expected of them. Thank you.

REP. SMOKO: John, how do you assess residential property now?

MR. BULLOCK: You mean the method?

REP. SMOKO: How do you do it?

MR. BULLOCK: In most revaluations, they are done on a construction method. A formula is used for different types of--

REP. SMOKO: I guess we don't use comparable sales as the basis of revaluing residential property; is that what you're saying? That we don't do that?

MR. BULLOCK: In a number of situations I've seen people use comparable sales for the land value and they would use construction costs, comparable construction costs, based on formula, to come up with the value of the house.

REP. SMOKO: Well, it's a tool that's used in the assessing the value of residential property. What you're saying is we should use comparable rental statistics generated in developing the value of income producing property? We do it for residential property on a comparing basis.

MR. BULLOCK: Rental statistics? Not that I know of.

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REP. SMOKO: Market rent.

MR. BULLOCK: What I hoped to avoid--

REP. SMOKO: We're using comparable sales as they exist on residential properties. It seems to me that the same could be true in valuing income producing properties as well. It's a point I'm making. You seem to rule it out as something that is going to somehow undermine the stability of the property tax system. We're still doing it at a specific moment in time.

MR. BULLOCK: The comparable sales in the residential area are relatively stable because you don't have a lot of wheeler dealers buying thousands of houses in the residential market. We don't have people trying to get rich quick in the residential market. The commercial real estate market is subject to people buying for investment, moving in, moving out of the market. The long term stability of the real estate market is not always reflected in what a given market--

REP. SMOKO: That doesn't really track with the dilemma we are just coming out of, the reality that residential property escalated in revaluation periods at a far greater rate than income producing commercial-industrial properties did. If there was any speculation that was going on during that period of time, I don't know, but the sheer reality of it was that residential properties increased in value at a far greater rate than the rest of the Grand List.

That's where the true tax or that's where the displacement took place and that's what we're trying to adjust and rather than detracting from the stability of the system, we're trying to add to the stability of the system so that properties are valued something of a similar basis whether that be residential property or income producing property. That's where I run into the biggest problem with your testimony. How do you respond to what I just said?

MR. BULLOCK: In theory, it's very good but I think in practice, contract rents which are the rents that are actually negotiated between the people who have to put their money

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MR. BULLOCK: (continued)

where their mouths are from the comparison between the residential sales market where again, people put their money where their mouths are. I'd sell my house for twice what it's worth any day, but of course, no one will buy it for that.

REP. SMOKO: But legislation comes in--take my town. We revalued property in 1979. We were in the middle of a very large inflationary period. Contract rent, I assume, was used as the basis for determining that. Now, residential properties were as of 1979, you could, by comparative sales techniques, take into account the value at that moment, but using the contract rent, in an inflationary period, you get a distortion and that's what we're trying to avoid.

MR. BULLOCK: Am I correct that your town is Hamden?

REP. SMOKO: Yes.

MR. BULLOCK: As of the 1980 equalized, net equalized Grant List study, residential property was assessed at a ratio of 58.1 percent and commercial at 58.7 percent. It seems to be a relatively fair comparison of assessment ratios. I did put all of the statistics in this report for 169 towns into my own computer and determined that, again, according to the state figures, residential property statewide was assessed at a ratio of 42 percent in commercial and a ratio of 43 percent.

There are, of course, going to be situations where commercial properties will be underassessed. I'm sure that there are many situations where residential properties are underassessed. The assessor of Waterbury, following the Waterbury revaluation, said that he had hundreds of protests immediately following revaluation from homeowners and he said one person said that he was protesting the assesment. The rest of them were protesting the tax burden but all of them agreed that their houses were worth more than the assessment.

The residences, residential owners are being hit by a burden because I think, as you say, there was an inflationary

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- MR. BULLOCK: (continued)
shift, particularly in places with a declining commercial base such as Waterbury, but I think the result appears to me to be a relatively equal burden right now.
- REP. SMOKO: Well, statistically, you're pointing to values that were calculated on something other than specific market value of rentals at the point of reassessment.
- MR. BULLOCK: Well, I'm pointing to the only statistics that I have presently available from the state.
- REP. SMOKO: Representative Emmons.
- REP. EMMONS: Just one question in the contract rent area, if you have a contract that is say 15 years old and it is-- and that building is going to be sold, and I'll use the one in Madison because that would be a likely one, would someone be willing, if there was a 15 year lease, at \$5.00 a foot, would they be willing to pay what would be the amount that, using this new approach, would generate as the fair market value of the building?
- MR. BULLOCK: No.
- REP. EMMONS: If they won't why do we say that that's the fair market--of that. You can't sell it at that amount of money because you're locked into a five, fifty year lease at \$5.00 a square foot.
- MR. BULLOCK: Any purchaser of the property is looking at another thirty five years of an income stream of \$5.00 a square foot and is going to pay whatever \$5.00 a square foot for 35 years is worth. He's certainly not going to-- he's not going to pay as if it were \$10 or \$15 a square foot. He can't afford to. Otherwise, he'll just invest in government bonds and make a safe 8 percent.
- REP. EMMONS: Well, if you go and you try to make this change, and they went to court, I can't see how a judge would uphold this because there is no way that you could get anyone to buy that property at a rate capitalized on existing market rents and you have it out--we have two shopping centers in our town, both of which are fifty year leases, for a very modest amount of money. But, they

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- REP. EMMONS: (continued)
don't--I don't see how the court would uphold our making a theoretical value of what that property is worth on the fair market if there in fact, is nobody there who would buy it.
- MR. BULLOCK: The court wouldn't want to. I won't predict what a court will do.
- REP. SMOKO: My guess is, Linda, your assessor will use some comparative figures. They're not going to appraise or value that property on your Grand List based on the income stream that was in effect for 15 years and will be in effect for another 35 years.
- REP. EMMONS: I'm not so sure you can, but the guy who--
- MR. BULLOCK: It's unusual.
- REP. EMMONS: But the person who has the advantage in this situation is the person who has the original lease with the right to sublet.
- REP. SMOKO: This Bill will really not impact that. That will still be resolved in the court. Fred.
- REP. GELSI: Just one question. If I chose to rent out my home for \$10.00 a month for the next thirty years, does that mean that my assessor has got to drop the valuation of the home because I can't sell it at the fair market value?
- MR. BULLOCK: At the next revaluation?
- REP. GELSI: Yeah, or I can challenge it at any given tax year.
- MR. BULLOCK: I suppose some results are so absurd that the assessor might not be bound by it and you might not be considered mentally competent, but you have the right concept. Yes, I think that's so. I think ordinarily what assessors do is they accept the fact that the parties who have their own dollars in interest, will come to a better determination of the fair market value of the property than whether--where their pocketbooks are in interest,

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- MR. BULLOCK: (continued)
than under some hypothetical basis.
- REP. GELSI: Well, I think anybody that gives any building out today for \$4.00 a square or did it even ten years ago for fifty years, maybe they should go to some institution, but again, I just need a yes or a no. If I choose to rent my house out for \$10 can I then challenge the revaluation of my property?
- MR. BULLOCK: Yes.
- REP. GELSI: And will it hold?
- MR. BULLOCK: You'd have a very strong case. The property was worth the rental value of your property.
- REP. SMOKO: You don't see any inconsistency or illogic in that at all, John?
- MR. BULLOCK: Oh, of course, it's illogical. You're getting \$10 a year on a property that you could get much more for it. It's--
- REP. SMOKO: But this Bill doesn't impact on any of that. Remember, it only refers to 12-63b of the statute on income producing property.
- REP. GELSI: Well, the thing is just using for an example and I think Waterbury was used as an example and if I can remember the study we did in 1981, when we were trying to put in a new valuation statute, a gentleman from Waterbury testified here from the business community; he was opposed to the Bill, he was asked if he challenged his assessment and he smiled very nicely to the Committee and said no, sir, I did not.
- REP. SMOKO: Are there additional--Representative Flinn.
- REP. FLINN: I have a problem with fair market rent and I listened with interest to your testimony about this, in your opinion, would create an instability in the tax base. Could you perhaps offer some testimony or some comment on what would happen if the federal government were to change

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REP. FLINN: (continued)

its rules on depreciation from the present 15 year (inaudible) to 20 years, under the market rent concept. If we pass this law and next year the Congress, in its wisdom, changes the depreciation rule. How do you see tax bases in some towns affected?

MR. BULLOCK: Under the--

REP. SMOKO: I think if you were using market rent at an assessment point, you would be in a better position to contemplate that Grand List calculation than you would if you were using contract rent but you can't contemplate that in its computations.

MR. BULLOCK: Well, contract rent doesn't take that into account. People have made their contracts based on a different depreciation, different calculation as to what they can and cannot afford.

REP. SMOKO: Understand though, we're not revaluing every year under this act. We're just talking about that moment in time when a town is revaluing.

MR. BULLOCK: Right. I understand that.

REP. SMOKO: It's a question of the snapshot or the Grand List at a specific moment in time so I don't think it's a question of stability one way or the other really coming into fault equation unless you're going to escalate the timeframe in which you're doing revaluation. I mean, we are saying we're revaluating property at one moment. I don't think the entire stability question belongs in here.

MR. BULLOCK: I think it's precisely because we revalue in a given year that we need to try and take into account the value of properties over a ten year period as opposed to happening upon one of the peaks and vallies and the way you even out the peaks and vallies, as I see it, the way the parties even out the peaks and vallies is to make a lease which will somewhere come along the middle of them. It's not at the highest and it's not at the lowest, so what we do by using contract rent, is in effect, ride piggyback on the professional investors' judgment as to

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MR. BULLOCK: (continued)

what will be an even course through the ten year period. If we had revaluations very frequently, yearly, every other year, then perhaps market rent would be acceptable because then we'd be up and down quite often. Acceptable in the sense of providing an accurate picture of value, but again, you'd be sending your whole municipal financial structure up and down along the same cyclical pattern and I think that's a very dangerous concept.

I don't think I answered your question. I'm going to have to think that through.

REP. SHAYS: Sir, I have always taken the position that everyone should pay their fair share and it's a question of what their fair share is, but when I take that position, I go against these exemptions of \$5,000, the Homestead Act or \$10,000 and my attitude is everyone should pay their fair share.

What this Committee is trying to arrive at is really what is their fair share. I'd like to have you just review with me, because I really feel this is the most important issue that the Committee's going to be dealing with. It has tremendous implications.

I think I'd like to be Mayor of Stamford if this Bill passed. I don't know if I'd want to be Mayor five years from now.

The question I would like to ask if for you to review with me if you would, a commercial building that's assessed in 1981, let's just say it's at 50 percent--it's getting 50 percent of what the rest of the market is getting, For the next five years, say from 80 to--it was assessed in 80 and at 85 their contract, lease will run out and it's likely that they will get a significant increase in their rent. Is that a factor in looking at the building in 1980?

MR. BULLOCK: Absolutely.

REP. SHAYS: What happens?

MR. BULLOCK: What happens is the assessor looks at the actual

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MR. BULLOCK: (continued)

contract rent to be paid for the next five years and then has to make some kind of a determination as to what the increase will be for the period after that and then he makes his evaluation taking into account the stream that will increase in the next five years. That has been specifically determined by the Supreme Court. I believe the case was Somers vs. Meriden in 1932.

REP. SHAYS: You get \$5.00 a square foot for five years and you are likely to get \$30.00 a square foot for the next five years until the next revaluation; all of that would be added up and then you would go down to a present value of those future earnings?

MR. BULLOCK: It would not simply be added up but you'd have a present value of the future income stream, necessarily less than if you were starting at \$30.00 and continuing on, because the rent of \$5.00 a square foot for the remainder of that lease would necessarily depress the value to any investor.

REP. SHAYS: If I were an investor, I am clearly going to be concerned what my income flow is going to be for the next five years and I would not offer as much money for that building as I would if I had the market rents right away. And I would certainly pay more, knowing that five years from now I could then get up to the market rents.

MR. BULLOCK: And all of that can and should be taken into account by the assessor.

REP. SHAYS: So your testimony is that it will be, under our present law?

MR. BULLOCK: Somers vs. Meriden, Connecticut Supreme Court, yes.

REP. SHAYS: Thank you.

MR. BULLOCK: One of the things I would point by the way, is that it works both ways. One of the cases that I had in court a couple of years ago was a Woolworth case in Waterbury. Woolworth had signed a forty year lease of

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MR. BULLOCK: (continued)
fixed payments beginning in 1949 in Waterbury. You would think that something--rental payments calculated in 1949 would be ridiculously low. In fact, they were far higher than anything the market could sustain in downtown Waterbury in 1984.

At that time, virtually every other comparable store in Waterbury had gone out of business and moved out of town but because Woolworth was a very solid financial institution and was obligated to pay, those 1949 payments for another five years, it was assessed at a substantially higher value than it would otherwise have been. Again, because an investor would take that into account.

REP. SHAYS: So you lost the case?

MR. BULLOCK: Well, we were able to get a reduction, but not to what a market rent concept would have provided. Again, that is an example of the stability that a contract rent provides in terms of evening out the fluctuations particularly in a city with a declining commercial tax base like Waterbury.

REP. SMOKO: Additional questions? Representative Torpey.

REP. TORPEY: In your tax study committee, did you arrive at any conclusions whether there is or there is not a tax shift in the new revaluation (inaudible) I mean the commercial to the residences.

MR. BULLOCK: There was no determination of that. There's always a tax shift. The purpose of a revaluation is to cause a tax shift because after ten years, property values are out of date so the idea of a revaluation is to shift values back to what they really should be. Now, sometimes it goes commercial to residential. It very frequently goes, within residential. Inner-city residential values often are much higher than current values because the values have been declining through the years., while assessments stay fixed.

REP. SMOKO: This packet of Bills though, is silent on that. All we're looking for is what should be used in determining

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REP. SMOKO: (continued)
what the market value is on a certain type of property. Whatever happens as a result in portions of property related to the Grand List is really not subject to discussion at this point.

Additional questions? Richard?

REP. TORPEY: (inaudible)

REP. SMOKO: No sir, that's incorrect. That was not the purpose of the study. The purpose of the study was to determine whether we had necessary statutes to determine what fair market value indeed is for a specific type of property. It was totally silent on the propriety of the shift between types of property on the Grand List in times of revaluation. We're looking for strictly market value and income producing property in Bill 635, whether that creates a shift or doesn't create a shift from one part of the tax rolls to another is irrelevant for the purposes of this hearing and this Bill.

Are there additional questions? If not, thank you John, very much for your participation today and as far as the Commission.

MR. BULLOCK: Thank you. I was very pleased to serve.

REP. SMOKO: Gary Clinton, followed by Glen Berwick.

MR. GARY CLINTON: Good morning. My name is Gary Clinton and I'm the Finance Director from the town of Berlin. I'm here and I have a few comments on Bill 5292. The town of Berlin has experienced problems due to the Tax Department's interpretation of the statutes regarding the taxing of contractual police services. The town does not provide these services and consequently, collects no sales tax.

The town will refer a police officer to an entity requesting the police services and the police officer is considered a part time employee of an entity and is paid directly by the entity. This method has always been followed by the town of Berlin except for a two year period from 1976 to 1978 when we did provide contractual

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MR. KRATZKE: (continued)

by the firm. The Board of Tax Review is supposed to hear the appeals which are against the revaluation firms and the assessor.

What they are supposed to determine themselves they go back to the assessor to find out what they should do. The proverbial case of the tail wagging the dog.

Thank you very much for giving me the opportunity to speak.

SEN. STREETER: Thank you. Are there any questions? The next speaker is Raymond Baginski.

MR. RAYMOND BAGINSKI: My name is Raymond Baginski and I'm here representing the Southington Taxpayers Association at this point. I am presently their President. I live at 226 Salem -- 26 Salem Way, Southington, Connecticut. And I have a note here from our organization, and it's basically addressed to the Chairman of the Finance, Revenue and Bonding Committee, Sen. Michael Skelley, and Rep. Robert Smoko, the Chairman.

Honorable sirs, the Southington Taxpayers Association, Inc., endorses in principle all the recommendations of the commission for a study of current assessment methods and procedures related to real property. The Southington Taxpayers Association expresses its appreciation of the establishment by Special Act No. 83-16 at the June 1983 session of this commission.

The commission's final report dated February 1984 is a testimonial to its dedication and promptness in addressing these long time needed reforms.

It is the Southington Taxpayers Association's position that all the recommendations be enacted into law.

And I'm also here on behalf of several organizations that were able to be contacted in the last few days. And we are supporting bills 631, 634, 635, 636, and 639. And this is endorsed by the following organizations: Citizens of Milford Battle All Taxes, City Property Owners Association of New Britain, Connecticut, Concerned

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MR. BAGINSKI: (continued)

Taxpayers, Mr. Walt -- Dr. Walter Dolittle, Chairman, New London/Groton Area, Connecticut Citizen's Action Group, Equitable Tax Association of Danbury, Hartford Areas Rally Together, Large 17-46-A International Association of Machinists Located in Southington, Connecticut, Manchester Property Owners Association, Newington Homeowners Taxpayers Association, Plainville Homeowners Association, Southington Taxpayers Association, Stamford Taxpayers Association, Thomaston Taxpayers Association, and Windsor Association of Concerned Taxpayers.

And I have a general statement of behalf of all these organizations.

I am here today as a representative of area citizens organizations from throughout the State of Connecticut. We have long been aware of the inequities and the methods and procedures of assessment used to assign value to various types of property.

It is, therefore, with gratification that we appear before you today to support the several bills raised by the Finance, Revenue and Bonding Committee which address the question of inequitable property assessments.

We applaud our state legislators for the creation of the Bipartisan Commission for a study of assessment methods which met throughout this past year. We also wish to thank the members of that commission for the time and effort they spent in serious consideration of all aspects of the problem.

It was sound judgement to include not only elected officials, but professional experts in the field of property assessment as well.

We wholeheartedly support in principle all the findings of the Bipartisan Commission, and the bills that Finance Committee has raised as a result of the Commission's report.

It is significant that each and every member of the

MR. BAGINSKI: (continued)

Bipartisan Commission agreed that there are inequities in the methods and procedures of real property assessment.

This certainly came as no surprise to taxpayers. The history of taxpayers' anger and discontent with the present system has led us to the same conclusions as those reached by the Bipartisan Commission.

And more importantly, it has brought us together throughout the state, it is clear that the problems are shared by residents of towns and cities alike. Citizens groups and many municipalities have fought these injustices on our own time and with our own financial resources.

Now it is time for our State legislature to act. The people have elected you to represent our interests. Our interests in this case are reinforced by the findings of the Bipartisan Commission. There should be no hesitation on your part to act on our behalf and pass this legislation.

The people of this state seek a fair solution to the problems of real property assessment. The bottom line is equity. Thank you.

REP. SMOKO: Thank you, sir. Rep. Kezer has a question, sir.

REP. KEZER: I have a couple of questions for you, if I might. You're supporting the bill that's in Senate every 5 years (50634) for review and revaluations and adjustments. And even if it were amended, the homeowners adjustments were upward in your town. Is that correct?

MR. BAGINSKI: We have to relate to the bottom -- last statement I made. The bottom line is equity. There are changes being -- like the computer business today. There's a lot of emphasis on computers and things are being changed.

There is also a lot of rental property that is going up. In Southington, we are having another conflict being added on there. And although all towns are not directly affected by this, but I think the legislature

MR. BAGINSKI: (continued)
should initiate changes now rather than wait for
problems to happen.

Statistical -- statistical revaluation is good because
it'll update. I have heard assessors on their own
make changes that resulted in -- in less factors for
apartment complexes in the past.

So I have no objection to -- all I'm looking for is
to be fair. If, as a taxpayer organization, we represent
business industry and the homeowners, if it -- in one
case it was the business and industry that were being
taken advantage of, we'd be up here the same way as
we are at this time.

It just happens to be the timing of it that -- in these
last few years the homeowners have been feeling the
brunt of it.

REP. SMOKO: Rep. Torpey.

REP. TORPEY: Yes, the -- the, sir the history of this
revaluation and so forth adds
to at least 20 years, I believe, that every time they
revalue, the homeowners -- his taxes go up. I think
that's pretty well established.

Now, if you do it every 5 years, that means instead
of waiting 10 years for the jump, you're going to get
it every 5 years. Now if that's so, and I put it to
you -- if that's so, are all these groups you mentioned
supporting that concept?

MR. BAGINSKI: We're saying in principle. In principle
means that if there is a refinement of the question (SB 635)
of market rent or the fiscal evaluation of property,
what we're really doing is actually having a phase-in
in reverse. So we'll end up with a phase-in in reverse.
Rather than waiting for 10 years, and then you get that
big tax break over -- and if you don't fight it, you're
stuck with it. And if you don't get the legislature
to grant you this kind of a phase-in of legislation,
like Hartford got or somebody else got, we don't know
what the legislature would do.

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MR. BAGINSKI: (continued)

Statistically updating property values I think is a good idea.

REP. TORPEY: So the answer is yes to that.

REP. SMOKO: Rep. Ryan.

REP. RYAN: Just a quick question. You represented a very impressive group of organization, and I can't imagine that many people in the State of Connecticut want to change the name of the assessor. So far, no one has been able to tell me why they wanted to change the name of the assessor. (SB 631)

MR. BAGINSKI: Well, I may give you a reason that I want it myself. But when you initiate and you take the step of making various changes, lots of times it's good to date that change by a change of the name of the prime person in there of the assessor -- you give it a different name, a property appraiser, and that'll be a cut-off date of when the new changes come in.

I don't think we'll have any problem if somebody's being -- feels they're being taken advantage of, they'll know the name of the people.

REP. SMOKO: Additional questions? If not, thank you very much. Bob Flanagan, followed by Ken Carvell. Hi, Bob.

MR. ROBERT FLANAGAN: How do you do. Mr. Chairman and members of the Committee, I'm also a member of the Study Commission. I'm a Past-President of the International Association of Assessing Officers on the Assessors of the City of New London.

I'd like to address my remarks principally to Bill No. 635 concerning market rent.

I do understand that there are -- is a substitute bill being offered. That takes away a lot of the objections that have been raised as in the case with Bill No. 636.

MR. FLANAGAN: (continued)

But addressing the concept of market rent, Section 63B of the General Statutes now contains the provision. This is nothing new, this is no big change, this is not a revolution.

This is simply clarifying what has been a very difficult concept to administer from the viewpoint of people who value property including assessors, property appraisers, judges. The difficulty is what is market rent, what is it all about?

So in that -- bringing forth any new revolutionizing concept that's going to drastically change a lot of things around here. It is going to clarify things to the extent that assessors who have rightly or wrongly been accused of not properly valuing income-producing property giving them the opportunity and the tools of the trade to value this kind of property properly.

Market rent is the essence of market value. If we take one factor into consideration, and that one factor is are we or are we not valuing the entire property?

Through the laws of this state and any other state, as far as I know, making a requirement for all the property to be subject to the property tax, that and all the interest in that property.

It is extremely clear that in residential property, single-family homes for instance, there is no concern about whether the entire property is being valued for property tax purposes. All the interests are being taxed.

The fee simple title is the subject of the valuation of the assessment of the property tax. Fee simple title as assessors understand it is all the rights that the law will allow somebody to own -- the full bundle of rights.

Market rent, the clarification of the definition of market rent as proposed in 635, simply states that

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MR. FLANAGAN: (continued)

all of the interests in income-producing real property should be taxed. That is not an oversimplification of that -- of that proposed change to 63B. That means that not only the lessor's interest, in that property, but the lessee's interest in that property is also taxed.

If the objective is to value the entire property, it is mandatory that market rent be used as the basis in the income approach to value.

Contract rent can be market rent. Market rent can be contract rent. The key word in there is present or current. What goes on as of the date of the assessment, the date of valuation.

To me, a simple example is this. If this is 1984 and 10 years ago in 1974, 2 identical properties right next door to each other, income-producing, office, shopping center, what have you, I entered into a 10-year lease for a rent of \$4 a square foot. The second one entered into a 20 or 30-year lease for the same rate per square foot. We are now at revaluation time.

The short-term lease has expired. To that, the assessor would apply market rent -- current market rent, perhaps 8, \$10 a square foot. If contract rent had any validity, we would then continue to value the property on the longer term lease at, let's say, half the rate and half the value, subsequently.

This is -- this flies in the face of all terms of equity in property taxation. Among the income-producing properties in the taxing jurisdiction, and also as it relates to the other classifications of property that we have in every taxing jurisdiction, so that if we're going to value all other types of property, residential, and other types of property on the basis of all the interest that are in that property -- the full total property -- then it's encumbant upon the assessor in terms of fairness, of equity, and valuation principles to value all the interest in income-producing properties.

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MR. FLANAGAN: (continued)

As I say, the -- the objective of the legislation is not to cause a revolution. It's simply to clarify what some practitioners have a great deal of difficulty with.

And from the testimony you have heard so far on this subject, I am sure that you get the message it's a very controversial and debatable subject.

There have been some testimonies saying that this places a heavy burden upon the -- upon the assessor, that it is subjective, and it is difficult. The whole concept of value is subjective and is difficult and is debatable and is controversial.

Assessors get paid to solve these problems. This bill SB 635 and also Bill 636, by the way, is designed to give the assessors the tools of the trade so that he or she may be able to properly use current value bench marks to value all the interest in all properties.

There is litigation that goes on constantly with income-producing properties whereby one side, the property owner wants to use contract rent, and the assessor wants to use market rent.

If we can clearly define what market rent is all about, probably we can reduce this kind of litigation that is very costly to the cities and towns in this state. The problem of stability in property taxes -- nobody that I know is entitled to stability in their property tax bill.

If market rent goes up, values go up to make a generalization. If market rent goes down, values go down. It is the nature of value.

Those are my conceptual ideas about the absolute requirement to clarify the term market rent.

I just want to speak for one second on Bill No. 631. I was the instigator of the proposal to call assessors of property appraisers. I'm not stuck on that term and

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MR. FLANAGAN: (continued)

I don't think the Commission is that made the recommendation. My objective, and I think the objective of the -- of the Commission, is to get rid of the word tax as it affects the assessor.

The assessor's got enough problems in valuing all the kinds of property in the jurisdiction and applying the other complex laws about exemptions and motor vehicles and so forth, that the tax -- that the word tax that goes with the term assessor is a stigma that really doesn't belong with the assessor.

So that proposal is not -- that property appraiser is such a great term, but to get rid of the connotation of tax.

SEN. SKELLEY: Any questions?

REP. RYAN: Just one quick question. If this bill will do all that you are saying that it would and (inaudible -- not speaking into mike) -- if it's so good, why hasn't any other state in the United States done anything about it?

MR. FLANAGAN: Well --

REP. RYAN: We've heard testimony that all (inaudible)-- putting this type of assessment method in effect. (SB 635) The (inaudible) with this type of assessment, why hasn't some other states done something about it, I just wondered.

MR. FLANAGAN: In -- in many, many states, there are no statutes or constitutional provisions about the assessment property tax process, although they and to say find value -- market value or some synonym for that term.

Most legislatures have not gone into the intricacies of saying what is and what is not value. In other words, legislatures have not tried to legislate what value is all about.

In some cases, they have. We have in the State of

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MR. FLANAGAN: (continued)

Connecticut, for instance, when we have Public Act 490 which says you shall use value in use when it comes to farm, forest, and open space under certain conditions.

So the legislator has modified what value is all about.

Typically, state statutes are silent and evaluation process which is an ever-changing process, by the way, takes over and becomes a judicial test. We have the term in our statute now market rent. And we have a great deal of difficulty defining what market rent is all about.

There is nothing in our statutes or any other statute that I know about, and I've been involved on a national --

SS. 5 (gap in tape)

years in the assessment field that says anything about contract rent. Nothing.

SEN. SKELLEY: Any other questions?

REP. SHAYS: Mr. Chairman?

SEN. SKELLEY: Chris.

REP. SHAYS: Thank you. I consider your testimony very valued and I'd like to ask you a few questions.

I don't think this is an easy answer, frankly. Your point is that it's not a revolution; it's a clarification. Well, clearly you would have to admit that the implications of a change would be quite significant on certain property bases and in some of the communities and towns in the state. Is that not correct?

MR. FLANAGAN: Well, it very well could be. It's probably more of a damage control situation. If a revaluation is done and there is any doubt -- and there is doubt on the part of the assessor or the consultants, the revaluation firm, retained by the town about whether they should use contract rent or market rent or some

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MR. FLANAGAN: (continued)

other rent, sometimes the cost of lease resistance is the cost to go. If we're going to wind up fighting every battle in court about market rent and what is not market -- market rent, then it gets difficult for the assessor to say I'm not going to take on every major income-producing property in town.

REP. SHAYS: I think you present a strong place for clarifying exactly what the position is, but isn't it true that in effect the contract rent is your market rent in the sense that that is the worth of the building for a period of time.

MR. FLANAGAN: The contract rent is an indicator of the value of a lessor's interest in the property leaving exempt from property taxation any other interest in that property, namely the leasehold interest in the property -- if contract rent is not market rent.

In many cases, contract rent is market rent. But in many, many cases it is not. Again, a lease made in the shopping center in the mid to late 60's and there are a plenty of them still around with the option periods, at \$1½ or \$2 a square foot on property that is now renting for 4, 5, \$6 a square foot, just to pick some numbers.

REP. SHAYS: Right. Now it seems to me that one of the best arguments for some change in the legislation is that -- I get confused between the lessor and the lessee -- the individual -- I'm sorry, I get it straight for weeks and then I forget.

The individual who has a low rent -- the individual renting basically has an extremely valued piece of property which it strikes me theoretically should -- that he should be paying some benefit to the community for it.

If I owned a home and I have a swimming pool that I choose never to use, I still have a swimming pool and it still should be taxed. If an individual is paying a low rent, the fact is that the building still exists

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REP. SHAYS: (continued)
and he has the windfall, in my opinion, that that should be taxed in some way.

But now practically, I want to know what the implications are to an individual who set up, say, a 20-year lease with no escalator clause in the rent -- how can we -- can we -- can we say -- can this bill take effect 5 years down the road or can there be any way that we can deal with that kind of situation?

MR. FLANAGAN: That -- that -- that situation is being dealt with by diligent assessors right now. The assessors who, let's say, don't want to make the confrontation and have indeed valued a property based on that whole contract don't have the problem.

REP. SHAYS: No, but let's talk about -- let's say we changed -- changed the legislation so that clearly the actual rent that that building would get in today's market would be -- would be the assessment.

And so we're assessing the building as if it's bringing in \$20 a square foot, and in fact, it's bringing in \$5 a square foot for the next 10 years with no provision in the contract for an increase in the rent. What -- I mean -- taxes will be paid by the renter.

What do we do? Obviously this is just a point. What do you do in that circumstance?

MR. FLANAGAN: The assessor simply does what he's supposed to do -- value the entire property.

REP. SHAYS: No, no -- okay, but you realize the implications of that.

MR. FLANAGAN: The lessor cannot pass the taxes through --

REP. SHAYS: Right.

MR. FLANAGAN: -- then he has to eat the taxes.

REP. SHAYS: Now, is there any way we can deal with that?

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REP. SHAYS: (continued)

I think that there is some inequity in that situation that I'd like to be able to deal with if this bill passes.

MR. FLANAGAN: Well, if there is any inequity in it, and I don't believe that there is because really all the other taxpaying properties in the city or town do not subsidize a bad lease.

REP. SHAYS: Yes, but -- but if the lease was written before we made what you call a clarification, what I call a significant change, and clearly that has to be considered. I mean, we changed the rules of the game.

MR. FLANAGAN: We've really not changed the rules of the game. I have participated as a --

REP. SHAYS: Well, then, we don't need the bill. You know, I mean, really don't --

MR. FLANAGAN: The problem is that it is not uniformly and universally interpreted by property owners, assessors, and judges all the same way.

REP. SHAYS: One last question, sir. And thank you, Mr. Chairman, for your allowing me to ask these questions. The -- you said there are changes that are being made in -- still, I'd like to know what changes you feel should be made to this bill to make it a better bill.

MR. FLANAGAN: In 635?

REP. SHAYS: Yes.

MR. FLANAGAN: The substitute bill, that I understand will be presented to the Committee, does have some changes in it.

REP. SHAYS: Yes, I'd like to have some idea what you're talking about.

MR. FLANAGAN: Yes. It defines market rent as the rental income that such property would most probably

MR. FLANAGAN: (continued)
command on the open market as indicated by present
rentals being paid for comparable space.

That is one change.

REP. EMMONS: Is this bill we're talking about or --

(speakers answer together -- indecipherable)

REP. EMMONS: But (inaudible) -- is he talking about something
we have?

REP. SMOKO: No, not yet.

REP. EMMONS: Well, then -- when he has it, then we'll
discuss it. I mean, that's something we don't have.

REP. SMOKO: We'll discuss this maybe this afternoon or,
I think we've given a fair way, Rep. Shays, (inaudible)
-- among a number of individuals.

Just a comment, you know, we set circuit breaker
benefits back in 1976 on residential properties as
far as doubling, and then the property taxes or the
adjustment of income-sided equations for those on
fixed incomes. So I think (inaudible).

We're just looking for fair market values, regardless
of, you know, income --

SEN. SKELLEY: Let me ask you a question. Mr. John Bullock
testified on a piece of property that was in Waterbury
-- Woolworth store -- where in fact it was a main --
negotiated the lease that -- that the lease was higher
than the leased property around that. What does the
market concept use to effect -- debate the fact that
the lease should be reduced? The taxes as far as the
lease is concerned?

MR. FLANAGAN: Sure, the taxes should have been reduced.

SEN. SKELLEY: So it cuts home plate?

MR. FLANAGAN: Oh, certainly, certainly. Nobody's projected

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MR. FLANAGAN: (continued)
that I know of in the law from stability in property taxes. If the values go up, you pay more taxes, as a general rule. The values go down, you pay less taxes.

SEN. SKELLEY: The argument is as when it suits me, I use it; when it doesn't suit me, forget about it.

MR. FLANAGAN: Well, that's been one of the abuses of the current statute, that we hopefully can tighten up -- up the language in that statute so that everybody whether they're on one side of the property tax question or the other, knows what the rules are.

Right now, they are just fussy enough to cause a great deal of controversy forcing cities and towns to spend a lot of money defending suits brought by -- the owners of income-producing properties.

SEN. SKELLEY: Thank you. Any other questions?

REP. GELSI: I have one. Just like to set up a little bit of a scenerio for you. We, back in about 72-73, had a major company close down and move out of state. An investor from Texas bought the property for \$5 million.

Two years later, they challenged the \$207,000 assessment that they couldn't rent the building. And they won. And the court says, hey look, that's not worth any more than 20 grand.

Then 3 years down the road, after they ran off all their tax write-offs, it was shown that they were actually against the law of Wall Street. How do we deal with these people?

MR. FLANAGAN: We deal with those people like we deal with everybody else. We value that property on its current market rent. I can't think of a -- that may not be a full explanation, but that is the answer. We value that vacant property and every other property on its -- based on its current market rent.

REP. GELSI: Is that the potential that it can be rented for?

MR. FLANAGAN: Yes.

REP. GELSI: Whether it's vacant or not.

MR. FLANAGAN: Yes.

REP. GELSI: Then how can the courts lower that property from 200 and something thousand a year to 20,000.

MR. FLANAGAN: Because there's enough confusion among people who deal with this problem every day that it is not crystal clear. And that is the objective of the legislation from my point of view and my testimony.

REP. GELSI: Thank you.

REP. SMOKO: I understand, also, that we're only referring to one or two possible that exist in the statute for the valuation of that type of property. It is a vacant building, I would assume that you'd use replacement cost plus depreciation as a type of possible option, too, rather than comparable market rent.

MR. FLANAGAN: Number 1, every person who values property according to good valuation procedures, good sense and good logic must take into consideration all the factors that affect value. Must take into consideration all of the approaches to value, whether it be cost, income, or sales. And must take into consideration market rent and must take into consideration contract rent, by the way. Because how do we know if the current or the existing contract rent is or is not market rent? Only by giving it some consideration.

So all of the approaches to value, all the factors that affect value should be taken into consideration in any kind of evaluation procedure, especially for property tax assessment.

REP. SMOKO: Chris, it's getting late.

REP. SHAYS: Yes, a town that isn't going to reassess for 10 years -- is there any way, that if this bill were to pass, could review those assessments of commercial -- do they have to wait their 10 year period?

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MR. FLANAGAN: Probably not. Where it would be value is in the defense of existing assessments. In other words, if you are representing a town that has a reassessment in 1981 and--

REP. SMOKO: There are a lot of court cases.

MR. FLANAGAN: --and there's a pending tax appeal, the clarification of the term market rent at least gives the assessor a good shot at defending those values.

REP. SMOKO: Additional questions? If not, Bob, thank you for your testimony today and for your able assistance on the study commission.

SEN. SKELLEY: Ken Carvel.

MR. KEN CARVEL: Good morning. I'm Ken Carvel. I'm the assessor in Westport and I'm going to be very brief and speak in favor of Raised Committee Bill 5959. It's An Act Exempting Increased Valuations of Motor Vehicles From Certain Notice Requirements.

The reason I'm in favor is that notices of increase are required by statute so property owners will be afforded an opportunity to appeal that assessment at a Board of Tax Review Hearing. In 0979, 12-110 was amended to require Board of Tax Review Hearings in September on motor vehicles only. This is after the tax Bill is issued.

Since the owners of motor vehicles are provided opportunity for appeal after the tax bill is issued, this Bill would allow that tax bill to constitute notice of assessment. The benefits are considerable. We're in a quandry right now, across the state; there are a lot of different interpretations as to when those notices would be sent; what form they should be, should they be a stuffer in the tax bill and some people aren't sending any at all.

I would like to see it take effect July 1, '84 and I think it's a very small bill but it could do a lot of good. Thank you.

SEN. SKELLEY: Thank you sir. The Chair appreciates your brevity.

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MR. AGLI: (continued)

committee and the Executive Board of the Connecticut Association of Assessing Officers. And is the position of our association.

Senate Bill 634 is an act which would require interim fifth year statistical assessment adjustments; to be brief again, the Commission was concerned because of testimony that approximately six years after the date of revaluation, the figures often show that there are substantial inequities or substantial inappropriate valuations.

We agree that there is need for more frequent revaluations. The Commission did consider two approaches. One approach is this fifth year interim reval. The second approach is a traditional reval that would be figured when unacceptable levels of inequity are measured by a coefficient of dispersion.

As Mr. Chumura from OPM testified before the Commission and also here today, the present statistics were devised for the GTB program and are insufficient for either task at this point; whether it be a statistical reval in a fifth year, based on the figures or whether it be a triggering mechanism for a reval because an unacceptable level of inequity has been reached.

Our Association favors an improvement of those statistics and with the improvement of those statistics, we would like to see them used to trigger a traditional reval when unacceptable level of inequity has been reached rather than a mandatory fifth year reval, if it is not necessary because that level of inequity has not been reached.

Senate Bill 635 is the act which defines market rent. I will not rehearse the discussion that has already taken place here, but unfortunately Representative Ryan has left. Several times he has asked a question of various speakers, are there any other states involved in this procedure. There was a report made available to the Commission that is the Oldman Turtle Report which was prepared by those individuals for the city of Hartford and in that report, they quoted a study done by Joan

MR. AGLI: (continued)

Wellman of the Research--she is a Research Associate at the Harvard Law School for International Tax Program and in that report, she states that a clear trend favoring assessment based on economic rent or market rent has emerged in recent cases which have relied heavily upon the reasoning of early decisions in Massachusetts and New York and further stated in the report is that state courts have recently decided in favor of economic rent or market rent, including the states of Arizona, California, Georgia, Illinois, Minnesota, Oregon, South Dakota, Texas, Virginia and Washington.

Mr. Oldman testified before the Commission that there's no question in his mind that an irrefutable brief could be prepared here in the state of Connecticut so that if not through legislation, certainly through an interpretation of the state's Supreme Court, market rent would certainly be the appropriate benchmark in tax appraisals.

Senate Bill 636 is an act to provide assessors with income and expense information for income producing properties. Again, we would echo the sentiments of I think every previous speaker that the assessor needs the income and expense information that the Bill would provide and out of that, we can do our work in the best possible manner. There's no question that the Commission was set up to help us to improve assessment quality and this proposal is in that direction.

A couple of brief comments on several other Bills, in my written testimony. Raised Committee Bill 632 would commit six additional employees to the Office of Policy and Management. It has not been mentioned here today that the previous Board of Assessment Advisors which was set up in the mid-70's, when it was initially set up, it had six advisors and a supervisor. Currently that board has three advisors. They've lost three advisors and they've lost a supervisors. It is significantly understaffed at this point and that contributes to the problems in OPM of assisting assessors in a variety of problems. More staff is needed without question.

Senate Bill 639 is an act which would provide for OPM to

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MS. LOALBO: (continued)

studied real property assessments and methods related to real property.

We have several concerns, but the two concerns are basically limited to Senate Bill 635 and 636 and I'll try to be brief. I'm not so sure that I'm going to offer the Committee any brilliant suggestions but we have at least thought about the issue for some time and have come up with something that I think represents a middle ground to help display the problems at least with the market contract rent concept.

I'm not going to go into the difference between market and contract rent because you've heard that from a variety of speakers. What the difference between market rent and contract rent is. The problem has arisen and it seems from the discussions from the Commission, between our testimony back in December, with contract and market rent concepts in that there's a disparity where you have a situation where there's a long term lease, especially where there's a long term lease exceeding ten years at a fixed rate maybe without an escalation clause or they have escalation clauses that have capped rates and there has been a problem at least in that area with those sorts of contracts on real property.

But it is also true that with newer leases, that are shorter term, maybe ten years in term, that the contract rent and the so-called market rent are probably very close or the same. So we have to, I guess, address the problem of the long term lease that's causing the problem for the assessors.

I think that one of the things that CBIA would like to recommend is flexibility in that statute and it's that flexibility that would include both the definition of market rent and consideration of the actual contracts on that rent. In other words, allowing the assessor to look both at market rent as it's now defined or would be defined in the statute, not necessarily under the definition under the proposed Bill, the Raised Committee Bill, but the definition of market rent and then also make it clear that in determining the market rent or in looking at market

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MS. LOALBO: (continued)

rent that you would have to consider contractual obligations that exist on property. This would, I think, help bring a middle ground to the problem that has been the bulk of the discussion this morning. I'll leave the market rent contract at that stage of that stage and let you deal with it this afternoon.

636, we have some real problems with Senate Bill 636 in that when we testified before the Commission in December, you will remember that we wanted the disclosure of income and expense information to specifically relate only to that property which deals with actual rental income or rental related income and not any other property and I think there needs to be some changes made in that particular Bill to make it clear that this Bill relates only to first of all, income property that's rental income property and income and expense information should only be given out on that sort of property; that the information should only be given on the form that's approved by OPM and that that information be given out only by the owner of the property.

I think the way the Bill is drafted right now, anyone can give out that information and I think the information that the assessor really wants to get is the information from the owner of that property.

Thirdly, there is a concern (End of Cass #5)

ss #6

The information has to be protected by the Freedom of Information Act because the information that's going to be given to the assessor should be protected information and we would ask that that be included in the Bill and that was something that we also addressed back in December.

We also asked that the section that deals with the ten percent penalty be clarified. The way the penalty reads now, it's not exactly clear in that section what you're penalizing. What we would like to see is it made clear that the penalty that you're talking about is a ten percent penalty on the assessment of that property, the value of the property, and then--in other words, if the assessed value is \$100,000 then the penalty would be an assessed value of \$110,000 and the taxpayer would then pay a tax

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MS. LOALBO: (continued)

on the value of \$110,000.

Those are our basic concerns with that Bill. Also, I think we need to clarify, and that's a whole new section, about the type of information, if it's incomplete or wilfully intended to be falsified information and then penalty should then kick in.

We would suggest those changes to both Senate Bill 635 and 636, insofar as the other Bills address the issues that the Commission looked at, Senate Bill 631, 633, 639. We basically would be supportive of them. CBIA doesn't really have a position on whether you call property tax assessors an assessor or an appraiser. We would support the idea of putting in some kind of appellate system to look at, perhaps a special appellate division, to look at the property tax matters and we do, of course, support more frequent revaluations and the certification of assessors in certain conditions.

SEN. SKELLEY: Thank you. Any questions?

REP. EMMONS: On the lines 29 to 31 (inaudible) is there any reason why we have (inaudible)

MS. LOALBO: No, I think that what we would be looking at is just the information from the owner of the property. It is the owner and the taxpayer of the property.

SEN. SKELLEY: Thank you Anita. Charles Duffy, followed by Thomas Moore.

MR. CHARLES DUFFY: Thank you Senator. My name is Charles Duffy and I'm President of the Connecticut Retail Merchants Association and briefly I'd like to support the comments that Anita has made to the extent that the changes that she has suggested and particularly in 635 and 636, find their way into the Bill. I think it represents a reasonable compromise that our Association could end up supporting. Other than that, I have no further comments.

SEN. SKELLEY: I appreciate that Charlie. Any other questions?

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SEN. SKELLEY: (continued)

Thank you very much, sir. That's the best way to get it done. Frank White, followed by Don Kirschbaum. Tom Moore followed by Frank White, I'm sorry. Oh, he did? Okay, now we can go with Frank White.

MR. FRANK WHITE: Mr. Chairman, my name is Frank White and I'm with the Atlas Construction Company. I'm here today representing the interest of the Building Owners and Manager's Association in my capacity as chairman of the government relations Committee of that group.

The first paragraph of this gives you some background on what BOMA is, skipping by that for the sake of brevity, what we're talking about here is 635, 636, and other Bills insofar as they relate thereto. We oppose them and following are some of the thoughts we have in this regard.

One, the scheduling, the hearing and the publication of these Bills allowed no time for effective communication and analysis and as I read 635, its contents could not have been imagined from the Commission's report.

Two, we support the position paper on SB 635 which I guess has been changed now, distributed by CBIA on April 5, 1984, which was developed with the cooperation and on behalf of Connecticut's business interests.

Three, we wholeheartedly endorse the Commission's dissenting report with emphasis on the statement, "Assessment of Real Property is in large measure, an art more than a science. Differences of opinion are the rule rather than the exception."

Four, information to be required of taxpayers would be extremely complex and vary from taxpayer to taxpayer based on accounting periods and methods, capitalized and expense cost, depreciation variables, management fees for owner managed properties, tax implications etc.

Five, the Bill's requirements would contribute to the regulatory nightmare for smaller business which are already often fatally overburdened by government requirements.

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MR. WHITE: (continued)

Six, there is no equitable method for determining market rents. The multiple assumptions required for each would taint the valuation of all other properties.

Seven, market rents would necessarily ignore general geographic, economic and marketing considerations of contract rents.

Eight, market rents could fluctuate widely even decline substantially which would be disabling to the public sector and would compel in practice or by later statute, inconsistent application of assessment options.

Nine, market rents might factor in many costs including workletter costs which increase the value of the property not at all.

Ten, although they are less common today given recent interest rate fluctuations and inflationary factors, we can document that there exists substantial twenty and thirty year leases today with many years still outstanding.

Eleven, assessors are not wizards and I mean that in the sense of magicians, not anything else, and would not be adequately trained or educated to make consistent and equitable judgments.

Contract rent valuation is the historical and legal norm in Connecticut and elsewhere and a change to a new, highly complex market rent system would greatly increase litigation destroy legal precedent, and further congest court calendars beyond anyone's ability to forecast.

On the final point, I have contemplated using selected language from the Bill 635 in the script for a play called "Litigation Delights" as follows. And I quote, and very selectively, "Generally, in its use as a factor, used primarily unless it is clear that a contrary meaning is intended, Market Rents means most probably used primarily for, not withstanding the actual income."

In closing, we reiterate the desperate need for the Committee and the General Assembly not to make the changes

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MR. WHITE: (continued)

contemplated and on behalf of BOMA members, we appreciate the courtesy you have extended and will try to answer whatever questions you might have.

SEN. SKELLEY: Thank you. Any questions? Thank you. Don Kirshbaum followed by Wayne Tyson.

MR. DON KIRSHBAUM: Good morning Senator Skelley, Representative Smoko, members of the Committee. I'm going to try to testify briefly on a number of Bills. First, starting with 635 and 636, around which you've heard much testimony this morning, as has been discussed, there were discussions last week on substitute language which has been outlined by a number of people and most detailed recently by CBIA so we are in support of the Bill that--as it will be amended to deal with the problems that have been mentioned this morning.

On the definition of market rent, I would just like to point out that the definition that we are supporting is the one that's used in Dr. Beryle Boyce's Real Estate Appraisal terminology which is the generally accepted reference guide for real estate terminology and that will be the definition that we will be supporting in 635.

On 634 which is has to do with five year revaluations, CCM would rather have the statistical revaluation at the local option rather than mandated by the state. However, if it is going to be mandated, it is important that the Office of Policy and Management provide technical assistance upon the request of the local assessor to be able to develop this statistical terminology in the case of small towns that don't have computers available to them to make available, computer hardware and software.

639, on the appeals board, we support. 5954 is a Bill which would extend for another two years, the ability of local towns to phase in revaluations. This has been successful in a number of towns and two years ago, you extended it for two years and we're asking this year for you to extend it another two years.

5959, it's been testified to, having to do with the

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REP. SMOKO: (continued)

exists in Connecticut statutes. We have therefore, a vested interest in making sure that it's administered properly. Any other questions? Representative Looney.

REP. LOONEY: I'd like to hear your views on the argument on the phase in that having the five year phase in (inaudible) the full adjustment that keeps poorer sections-- that the five year phase in postpones the adjustment that has the effect of keeping poorer sections of communities whose property values have not appreciated as quickly since the last reassessment, pay a greater share of the overall property tax because of the five year phase in then it would if the full assessment were implemented immediately.

MR. KIRSHBAUM: That is true and again, this is a local option Bill and it's up to the local community to make a judgement as to what is most appropriate for that community. It is not a mandatory Bill.

REP. LOONEY: All right. Okay. Thank you.

SEN. SKELLEY: Any other questions? Thank you sir. Wayne Tyson followed by George A. Guertin.

MR. WAYNE TYSON: Thanks Chris. Senator Skelley, Representative Smoko, members of the Committee, I'm Wayne Tyson and I am Director of Public Affairs for Clairol in Stamford and I'm here to speak on SB 635. As you've already heard, market rent is and must be taken into consideration where applicable in valuing income related properties.

Under existing law, there is appropriate flexibility to allow an assessor to fix a value which is truly related to fair market value. To the extent that SB 635 would clarify market rent, there is no problem. However, as written, the Bill arguably would allow contract rent to be disregarded completely. The revisions referred to by others appear to deal with that problem.

Without such revisions, SB 635 could significantly discourage investment in the redevelopment of some of our inner city areas. Prospective developers and Prospective tenants would be faced with a new element of uncertainty

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MR. TYSON: (continued)
as to their future costs. It could also accelerate the displacement of long established local small businesses, especially retailers in areas surrounding new development.

Consider businesses in the older retail districts in downtown Stamford. They are already having a very hard time competing with the new chain stores in the new, enclosed downtown mall. The stores in that mall, however, do set the market rent for downtown, despite existing contracts. If those older merchants have their assessments and their taxes raised because those chain stores are willing to pay premium rents, those older merchants whose taxes helped finance that mall, through urban redevelopment, will be taxed out of business. Thank you.

SEN. SKELLEY: Questions? Thank you sir. George Guertin? How about Chuck Mokriski, followed by--George Guertin?

MR. CHARLES MOKRISKI: Senator, Representative, my name is Charles Mokriski, speaking very briefly in support of House Bill 5960, An Act Concerning the Payment of Tax Refunds and the Purpose of Partial Payments. I'm representing the Connecticut Bar Association's Probate section.

This is the Bill, one of three submitted by them, the only one if not the active support, at least the acquiescence of the Tax Department. It really is a Bill intended to promote fairness in the collection of the Succession Tax. The first section would provide for payment of interest by the state.

REP. SMOKO: Revenue services has agreed that we should--

MR. MOKRISKI: Section 1, I think, is the most troublesome and you raised the questions when it was raised. I spoke this morning with Frank Barile who is Chairman of the Probate Section and told him about your comments when the Bill was raised. He informed me, and I have not been able to, in a short time, confirm it independently, that there is a provision for payment of interest on corporation tax overpayments, in connection with appeals that have been successfully brought.

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GEN. ASSEMBLY
SENATE

PROCEEDINGS
1984

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PART 1

251727

SENATE

WEDNESDAY
MAY 2, 1984

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Those opposed, nay. The ayes have it. The Amendment is adopted. Does the Clerk have any additional Amendments?

THE CLERK:

No Mr. President.

THE CHAIR:

Senator Streeter on the Bill as amended.

SENATOR STREETER:

The Bill as amended is the Bill and I would like to have it put on the Consent Calendar.

THE CHAIR:

Remark further? Any objections to placing the Bill as amended on Consent? Hearing no objection, the matter will go on Consent.

THE CLERK:

Calendar 602, File 879, Substitute for Senate Bill 635, AN ACT CONCERNING DETERMINATION OF MARKET RENT AS THE TERM IS USED IN RELATION TO APPRAISAL OF RENTAL INCOME REAL PROPERTY, Favorable Report of the Committee on Finance, Revenue and Bonding.

THE CHAIR:

Senator Skelley.

SENATOR SKELLEY:

Mr. President, I move for acceptance of the Joint Committee's Favorable Report and passage of the Bill.

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THE CHAIR:

Remark?

SENATOR SKELLEY:

Yes Mr. President, this Bill has been worked over by quite a few people and there has been a substantial agreement that was made on this Bill. This Bill deals with fair market rents. The Bill provides for a definition of the term fair market rents strictly and basically for court reasons when determining the actual value of income producing or real property for the purpose of local property taxation.

The term market rent is defined in the Bill which means rental income of that property--of such property would most properly command on the open market. As indicated, the present rental is being paid for comparable space. It's also mentioned that in determining the market rent, the assessor shall consider the actual rental income under the terms of the existing contract lease.

This cuts both ways but it brings into light a much more equitable situation of how to determine the worth of commercial property and hopefully that will even off and those individuals that have--live in residential properties will at least spread the burden more evenly.

If there is no disagreement, I'd move the Bill be

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placed on the Consent Calendar.

THE CHAIR:

Senator Smith.

SENATOR REGINALD SMITH:

I would prefer a Roll Call on this Bill please.

THE CHAIR:

Remark further? If not, the Clerk will make the appropriate announcement for a Roll Call.

THE CLERK:

An immediate Roll Call has been called for in the Senate. Will all Senators please take their seats. An immediate Roll Call has been called for in the Senate. Will all Senators please be seated.

THE CHAIR:

The issue before the chamber is Calendar 602, Substitute for Senate Bill 635, Calendar 879. The machine is open. Senator Owens. The machine will be closed and locked.

TOTAL VOTING	35
NECESSARY FOR PASSAGE	19
VOTING YEA	26
VOTING NAY	9

The measure is adopted.

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GEN. ASSEMBLY
HOUSE

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1984

VOL. 27

PART 18

6333-6686

kpt

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House of Representatives

Monday, May 7, 1984

CLERK:

Emergency Certification to House Bill 5969.

Total number voting 139

Necessary for passage 70

Those voting yea 139

Those voting nay 0

Those absent and not voting 12

SPEAKER STOLBERG:

The bill is passed.

Rep. Groppo.

REP. GROPPPO: (63rd)

Mr. Speaker, I ask for suspension of the rules for the immediate transmittal of this bill to the Senate.

SPEAKER STOLBERG:

Is there objection? Is there objection? Seeing no objection it is so ordered.

CLERK:

Calendar 801, Page 25, Substitute for House, Correction, Substitute for Senate Bill 635, AN ACT CONCERNING DETERMINATION OF MARKET RENT AS THE TERM IS USED IN RELATION TO APPRAISAL OF RENTAL INCOME REAL PROPERTY. Favorable Report of the Committee on Finance, Revenue and Bonding.

klc

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House of Representatives

Monday, May 7, 1984

REP. SMOKO: (91st)

Mr. Speaker.

SPEAKER STOLBERG:

Rep. Smoko.

REP. SMOKO: (91st)

Mr. Speaker, I move acceptance of the Joint Committee's Favorable Report and passage of this bill in concurrence with the Senate.

SPEAKER STOLBERG:

Will you remark?

REP. SMOKO: (91st)

Yes, Mr. Speaker. This bill is the first in a series of bills that are being recommended to this Chamber for its consideration from the interim study on assessment methodology. While the commissioner determined that the property tax system is essentially sound, to insure that the continuation of the system in finding what is indeed true market value at the time of assessment, a number of recommendations have been made, and this is the first in a series of bills that will accomplish that.

This bill amends section 12-63b, which is the assessment statute on income-producing property to clarify what is meant in that statute by market value.

It determines and it will utilize the commonly accepted definition of market value, generally known as the Boyce definition, which is accepted by the American Institution of Real Estate Appraisers, the Society of Real Estate Appraisers, and the International Association of Assessment Officers.

Mr. Speaker, this bill lend some clarity to the statute in the continuing saga of the battle between contract rent versus market rent. Mr. Speaker, it is a bill that has been worked on by a number of individuals and has been worked to the point where virtually all of those parties with a position have come to the conclusion that this is a fair and rational restructuring of 12-63b, and I would urge passage of this bill.

SPEAKER STOLBERG:

Will you remark further? If not, will members please be seated. Staff and guests come to the well of the House. Will you remark further? If not, the machine will be opened.

CLERK:

The House of Representatives is now voting by roll. Members please return to the Chamber immediately. The House of Representatives is now voting by roll call.

klc

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House of Representatives

Monday, May 7, 1984

Will members please return to the Chamber immediately.

SPEAKER STOLBERG:

Have all the members voted? Have all the members voted? If all the members have voted, the machine will be locked, and the Clerk will take a tally.

Will the Clerk please announce the tally.

CLERK:

Senate Bill 635.

Total Number Voting	141
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Necessary for Passage	71
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Those Voting Yea	127
------------------	-----

Those Voting Nay	14
------------------	----

Those Absent and Not Voting	10
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SPEAKER STOLBERG:

The bill is passed.

CLERK:

Page 1, Calendar 104, Substitute for House Joint Resolution 50, RESOLUTION MEMORIALIZING THE PRESIDENT AND CONGRESS OF THE UNITED STATES TO SUPPORT A PEACEFUL RESOLUTION OF THE IRELAND SITUATION. Favorable Report of the Committee on Government Administration and Elections.

REP. SCULLY: (75th)

Mr. Speaker.