



Criteria for the Municipal Implementation of a Land Value Taxation Pilot Program Pursuant to Public Act 13-247

Public Act 13-247 allows the Secretary of the Office of Policy and Management to "...establish a pilot program in up to three municipalities whereby the municipalities selected shall develop a plan for implementation of land value taxation that (1) classifies real estate included in the taxable grand list as (A) land or land exclusive of buildings, or (B) buildings on land; and (2) establishes a different mill rate for property tax purposes for each class, provided the higher mill rate shall apply to land or land exclusive of buildings. The different mill rates for taxable real estate in each class shall not be applicable to any property for which a grant is payable under section 12-19a or 12-20a of the general statutes."

The municipality must comply with the following criteria when preparing the implementation plan pursuant to the requirements of Public Act 13-247.

Terminology

For purposes of this explanation and the municipal implementation plan, the land tax rate will be the mill rate applicable to all taxable land. The land tax rate will be applicable to all vacant land and all improved land, even when such land does constitute a building lot.

The building tax rate will be the mill rate applicable to all taxable buildings. The implementation plan that the municipality prepares must define the term "building." The municipality's plan must also explain the tax rate that it will use to determine the property tax for a site improvement that is not a building.

The municipal tax rate will be the mill rate applicable to all taxable personal property and motor vehicles. The municipal tax rate will also be used to determine the amount of the Payment-In-Lieu of Taxes (PILOT) the State of Connecticut issues for certain real property under §12-19a and §12-20a of the Connecticut General Statutes.

The municipality's implementation plan must include an explanation of how the city/town intends to calculate these differentiated tax rates. A calculation example(s) must accompany the explanation.

Designation of Geographic Area(s)

The municipality must designate a geographic area(s) in which it intends to implement land value taxation pursuant to Public Act 13-247. In the event the municipality intends to implement land value taxation in more than one geographic area at different times, the municipality must devise a schedule indicating the fiscal year in which it intends to initiate land value taxation in each such area.

The implementation plan that the municipality submits to the General Assembly's committees of cognizance and to the Secretary of the Office of Policy and Management must include information concerning the census tract(s) that the designated geographic area(s) encompasses, together with a map of each such area(s).

Period of Time for Land Value Taxation Implementation

The municipality must determine the period of time, if any, during which there will be gradual increases to the land tax rate and gradual decreases to the building tax rate. The municipality must determine the ratio of the land tax rate to the building tax rate that will be effective for each fiscal year(s) during which such gradual increases and decreases occur and the ratio of the land tax rate to building tax rate that it desires to impose upon full implementation of the land value taxation system.

Study of Impact of Differentiated Mill Rates and Land Value Taxation

The implementation plan that the municipality submits, pursuant to subsection (c) of Public Act 13-247, must include the results of a study regarding the impact of land value taxation. The study's purpose will be to provide an analysis of the impact of this method of taxation on various real estate owners in each geographic area(s) in which land value taxation will apply. The study must include a comparison of the current property tax system for land and buildings, to the tax the city/town will levy using land value taxation.

If a municipality intends to gradually increase the land tax rate and gradually decrease the building tax rate over a period of time, the municipality shall factor such gradual increases and decreases into the study. (For example, if the municipality intends to provide for gradual increases to the land tax rate and gradual decreases to the building tax rate over a period of five fiscal years, the municipality's study must encompass a five-year period of taxation.) The municipality must estimate land and building property taxes for taxpayers in each such geographic area(s), based upon any such gradual increases and decreases.

The study must provide a breakdown of estimated annual property taxes for owners of (1) residential land, (2) apartment land, (3) commercial, industrial and public utility

land; (4) residential buildings; (6) apartment buildings; and (7) commercial, industrial and public utility buildings. For purposes of determining the types of real estate included in these category breakdowns, the municipality shall use the definitions provided in the Office of Policy and Management's Grand List Administrative Abstract Coding System.

The study shall describe the method the municipality uses to allocate land values to the unit owners of condominiums (and dockominiums, if applicable) in each such category.

For the first year of the study, the municipality must provide a comparison of the property tax under the current taxation system and under land value taxation, using assessment data for the 2013 Grand List, together with the actual grand levy for the fiscal year commencing July 1, 2014. For each subsequent fiscal year the study encompasses, the municipality must reflect a similar comparison using reasonable and supportable projections of (1) grand list growth; and (2) property tax levy requirements. The study must include an explanation of the methods the municipality uses to estimate grand list growth and tax levy projections. (If a municipality's most recent revaluation was for 2013, the municipality cannot use the growth in the real property grand list from October 1, 2012 to October 1, 2013 to project future real property grand list growth.)

For each real estate parcel the 2013 Grand List assessment of which reflects an exemption, the municipality must determine an allocation of an appropriate portion of that exemption to the building and land components of the total property assessment. The basis for allocating an exemption to building(s) is the ratio of the assessment of the building(s) to the total property assessment. The difference between the total exemption and the amount of that exemption allocated to the building(s) will be the portion of the exemption allocable to the land. Unless a property tax exemption is applicable only to land or only to a building(s), the municipality must allocate the appropriate portion of the total exemption to the parcel's building and land assessments.

In the event the State of Connecticut reimburses the municipality for any portion of the property tax loss for an exemption applicable to real estate in the geographic area(s) that the municipality selects for land value taxation, the implementation plan shall include information concerning the impact on the amount of the state's reimbursement for each year the study encompasses.

The municipality's study may provide for more than one timeline for full implementation of land value taxation, as well as more than one desired ratio of a land tax rate to building tax rate upon full program implementation.

Education of Taxpayers

Prior to implementing land value taxation in any geographic area(s), the municipality shall conduct educational workshops in order to provide taxpayers with information concerning the change in property taxation systems. There shall be not less than three workshops in each geographic area(s) in which the municipality intends to implement land value taxation, during the four months immediately preceding the beginning of the fiscal year in which the municipality first implements this system of property taxation. The municipality shall hold at least one such workshop on a Saturday and shall hold at least one such workshop after 5:00 PM on a weekday.

The municipality shall (1) ensure that persons knowledgeable about land value taxation are present at each such workshop to answer questions that members of the public may pose; and (2) make information available at each such workshop concerning the results of the city's study impact of how land value taxation would affect homeowners and businesses in each geographic area(s) in which municipal leaders are contemplating implementing land value taxation.

In addition to holding such workshops, the municipality shall make the implementation plan it submits to the General Assembly's Planning and Development and Finance, Revenue and Bonding and Commerce Committees available on its web site, if any. The municipality shall also mail an explanation of land value taxation to real estate owners in each geographic area(s) it selects for land value taxation, prior to implementing this method of taxation.

The implementation plan that the municipality submits, pursuant to subsection (c) of Public Act 13-247, must describe each of the methods the municipality intends to use to provide taxpayers with information concerning land value taxation.

Appointment of Committee to Prepare Implementation Plan

To prepare a plan for implementation of land value taxation, Public Act 13-247 requires the appointment of a "committee consisting of (1) a representative of the legislative body of the municipality or where the legislative body is the town meeting, a representative of the board of selectmen; (2) a representative from the business community; (3) a land use attorney; and (4) relevant taxpayers and stakeholders." In making appointments of "relevant taxpayers", the municipality's city/town manager shall attempt to appoint persons who are generally representative of the types of real estate owners in the geographic district(s) the city intends to designate for land value taxation implementation.

The municipality shall make available to the committee the resources it requires to comply with the provisions of Public Act 13-247 regarding preparation of an implementation plan for land value taxation.

The municipality's city/town manager shall instruct the committee to provide a draft implementation plan by a date that allows sufficient time for the review and comment regarding such plan for which Public Act 13-247 provides.

Provisions Included In Implementation Plan

In addition to the information specified above, the municipality's implementation plan shall identify legal and administrative issues affecting land value taxation, including but not limited to the following:

- (1) An explanation of all computer software changes that may be necessary to facilitate land value taxation, together with an estimate of the cost of such changes and the time required to effect them;
- (2) An identification of the number and cost of additional full or part-time staff, if any, that may be necessary to implement such a taxation system;
- (3) Identification of additional monetary resources, if any, that may be necessary to address an increase in land valuation appeals that may result from property tax increases due to the change in the municipality's taxation system;
- (4) The estimated cost of conducting educational workshops to inform taxpayers about the municipality's proposed adoption of a land value taxation system;
- (5) The estimated cost of providing a written explanation of land value taxation, by mail, to real estate owners in the geographic area(s) the municipality designates for land value taxation implementation;
- (6) An explanation of any tax abatement or other incentives the municipality intends to offer in conjunction with a land value taxation program; and
- (7) An identification of all other administrative or legal issues affecting the implementation of land value taxation, and recommendations concerning such issues.

Approval of Implementation Plan

Public Act 13-247 Section 329 requires the municipality's legislative body to approve the implementation plan the municipality submits to the General Assembly's Planning and

Development Committee and Finance, Revenue and Bonding and Commerce Committees. The cover letter that accompanies such plan must include the following attestation statement:

I herein certify that the name of municipality City/Town Legislative Body has reviewed and approved the enclosed land value taxation implementation plan, pursuant to the requirements of Public Act 13-247. The legislative body voted to approve said plan on _____ . Attached is a copy of the resolution approving the enclosed land value taxation implementation plan.

NAME, TITLE

DATE