

This policy outlines a formal process that the Town follows when a delinquent tax account is referred by the Collector of Revenue to the Delinquent Tax Committee.

Prior to such referral and the implementation of the formal process, the Collector of Revenue may take any action authorized by Connecticut General Statutes to collect a delinquent tax account, which includes the issuance of an alias tax warrant.

DELINQUENT TAX POLICY FOR COMMERCIAL/INDUSTRIAL PROPERTIES AND NON-OWNER OCCUPIED RESIDENTIAL UNITS

Purpose: The purpose of this policy is to outline the procedures to be utilized in the determination of and collection of property taxes from delinquent properties.

Triggering Mechanism: Delinquency of three (3) installments and a balance of at least \$15,000.

1. The Collector of Revenue shall send a **certified letter** seeking full payment or arrangements for a payment agreement. If a payment schedule is employed, the total indebtedness, including the current year, must be amortized over an agreeable period of time.
2. If no response and/or no agreement can be reached, a **DEMAND NOTICE** shall be delivered by certified mail. As part of this procedure, the current mortgagees shall be notified. This procedure is provided for under Connecticut General Statutes Section 12-155 and is considered the first step in a formal demand process. This DEMAND NOTICE shall state the legal remedies that the Town of Manchester may utilize in the collection process. The Collector of Revenue shall seek full payment or a payment agreement structured as to amortize both the delinquency over a stated period of time as outlined in step 1 (one). In determining any approach, the Collector of Revenue shall consider special issues that may be existing for the taxpayer. Failure to honor a previously approved agreement shall be a reason to proceed to step 3 (three).
3. If no response or no agreement can be reached as per section 2 (two), the Collector of Revenue shall issue an **ALIAS TAX WARRANT** in accordance with Connecticut General Statutes Section 12-162. The Alias Tax Warrant is a legal instrument that authorizes the State Marshal or Constable to collect forth-with the taxes, interest and charges due from the Taxpayer. The State Marshal or Constable shall collect the full taxes and interest and be eligible to add a surcharge in an amount established by Connecticut Statutes for his/her services which shall also be the obligation of the taxpayer. The State Marshal or Constable may also, with the approval of the Collector of Revenue, enter into an agreement which shall amortize the delinquent taxes and additional fees over a stated period of time as outlined in section 1 (one). An Alias Tax Warrant must be served within 30 days of receipt of notice by the State Marshal or Constable.
4. If no response or agreement can be reached after employing the Alias Tax Warrant provisions of the Connecticut General Statutes, the Collector of Revenue shall

forward a request that the Town Attorney send a **certified letter** to the Taxpayer. This letter should state that legal actions will be taken up to and including Foreclosure or Tax Sale if total payments or arrangements as outlined in section 1 (one) are not met. Failure to honor a previously approved agreement shall be a reason to proceed to step 5 (five).

5. If no response or agreement can be reached after the Town Attorney's letter, the Collector of Revenue shall consider additional forms of collection as provided by the Statutes. The Collector of Revenue shall consult with the Assessor to establish a fair market value range of the delinquent property or properties to calculate a tax debt to value ratio. The assessor shall view the exterior of the property at a minimum and review current sales data for similar properties to confirm that adequate market value exists to cover delinquent taxes, interest and fees. For all commercial/industrial properties, before determining the collection instrument to be used, the Collector of Revenue will consult with the Delinquent Tax Policy Committee. The Delinquent Tax Policy Committee shall consist of the Director of Finance, Assessor, Town Planner, Town Attorney, General Manager and any other staff member designated by the General Manager. This Committee may also request outside professional services to ascertain potential uses for this property and appropriate environmental surveys that might be necessary. This Committee shall ascertain whether this property shall be sold to cover tax indebtedness or acquired by the Town for a public purpose. Depending on the results of this process, the appropriate Town agencies may embark on one of the following actions: Tax Sale, Foreclosure, Receivership, or sale of tax liens. As policy, the Board of Directors will be notified if, through the resulting actions of the Tax Collector or other appropriate Town agency, the Town may gain title to the property.
6. If it is determined that a Tax Sale is appropriate, Connecticut Statutes require a complex procedure that must be followed in detail. This technique enables the Collector of Revenue to either Sell or Acquire the property for the Town of Manchester in lieu of the taxes, penalties and other fees due. It is a most effective tool when no more than 30 properties are placed for TAX SALE at one time.
7. If it is determined that a Foreclosure is appropriate, it then must be determined if a Strict Foreclosure or Foreclosure by Sale be utilized.
 - A. If it is determined that a foreclosure is appropriate, there are several possible outcomes. As a general rule, court will require a foreclosure by sale if the debt owed the Town is less than 70% (seventy percent) of the fair market value of the property. A foreclosure by sale is also required if the IRS has placed a lien on the property. The determination of whether a foreclosure by sale is necessary is made by the court, not the Town. In the event of a sale, the Town can bid up to the amount of its debt without expending any funds. If a party bids more than this amount, the Town does not acquire the property, but is paid in full.

If no party bids more than the Town, the Town becomes the owner of the property.

If a court determines there is little or no equity in the property, strict foreclosure is ordered. The owner, and each lien holder in inverse order of the priority, is assigned a law day, which is an opportunity to pay all prior liens, and to then acquire the property. Since the Town generally has the first priority lien, the Town will have the last law day and will either be paid in full by a prior encumbrancer, or will acquire the property, if no prior encumbrancer exercises its right of redemption on its law day and pays the Town.

The Town should realize that there is a real possibility that the Town could become the owner of the property if there is little or no equity in the property, therefore, the decision as to whether the Town is willing to take title should be made before the foreclosure goes to judgment.

For properties where there is a possibility of environmental contamination, careful consideration should be given to the liabilities associated with owning a contaminated site.

The foreclosure process can take anywhere from six (6) months to one (1) year and involves a significant amount of legal time and also requires an appraisal for the property. Attorneys fees can be collected as part of the debt.

- B. With this background in mind, the following policy and procedures are suggested:
- (i) Based on the estimates by the Assessor in paragraph 5, the probability of strict foreclosure versus foreclosure by sale should be assessed.
 - (ii) An appraisal should be ordered early in the process as it is required by the court in all cases.
 - (iii) A determination should be made by a team consisting of the Town Attorney, the Town Planner and the General Manager and such other persons as the Manager directs, as to the likelihood of environmental contamination. If it is likely an environmental, audit can be sought.
 - (iv) A determination should be made by the General Manager as to whether the Town has an interest in actually acquiring a property.
 - (v) If foreclosure by sale is ordered, the Town needs to decide, if in the event of a sale, it wishes to bid in excess of its debt to acquire the property. If so, the approval of the Board of Directors should be obtained as this ceases to merely be an enforcement action but actually becomes an effort to acquire real estate.
 - (vi) If the property is acquired, either through strict foreclosure or foreclosure by sale, the Town should take prompt steps to secure the property, insure the same, and either sell the property or convert to Town use.
8. The Sale of Tax Liens is a relatively new procedure which is done pursuant to Connecticut General Statutes Section 12-195h.

Such an action requires the approval of the Board of Directors.

This is particularly effective for properties where there is environmental contamination as it does not involve the risk of the Town taking title to a contaminated property.

Exhibit A-2

**DELINQUENT TAX COLLECTION POLICY FOR OWNER OCCUPIED
RESIDENTIAL UNITS**

Purpose: The purpose of this policy is to outline the procedures to be utilized in the determination of and collection of property taxes from delinquent taxpayers.

Triggering Mechanism: Delinquency of five (5) installments or more and a delinquent balance of at least \$7,500.00.

1. The Collector of Revenue shall send a **certified letter** seeking full payment or arrangements for a payment agreement. If a payment schedule is employed, the total indebtedness, including the current year, must be amortized over an agreeable time frame.
2. If no response and/or no agreement can be reached, a **DEMAND NOTICE** shall be delivered by certified mail to the taxpayer. As part of the notification process, the current mortgagee(s) shall be notified. This procedure is provided for under Connecticut General Statutes Section 12-155 and is considered the first step in a formal demand process. This DEMAND NOTICE shall state the legal remedies that the Town of Manchester may utilize in the collection process. The Collector of Revenue shall seek full payment or a payment agreement structured as to amortize the delinquency over a stated period of time as outlined in step 1 (one). In determining any approach, the Collector of Revenue shall consider special issues that may be existing for the taxpayer. These conditions may include but not limited to serious health issues of the taxpayer, current financial dilemma caused by layoff or other situations beyond the control of the taxpayer. Failure to honor a previously approved agreement shall be a reason for proceeding to any of the subsequent steps.
3. Prior to the issuance of an alias tax warrant for delinquent tax for any owner-occupied residential property as outlined in paragraph 4, the Collector of Revenue shall consult with the Administrative Staff Attorney to determine if there are any mitigating factors which would justify not issuing an alias tax warrant. These factors would be a result of a review of the Manchester Probate Court records, the Manchester Town Clerk's records and direct contact with the property. After such consultation, the Collector of Revenue, in his or her sole discretion, will determine whether to proceed with the issuance of an alias tax warrant.
4. If the delinquent account has not been satisfied or agreements have not been reached with the owner as to payment, then the Collector of Revenue shall issue an **ALIAS TAX WARRANT** in accordance with Connecticut General Statutes Section 12-162. The Alias Tax Warrant is a legal instrument that authorizes the State Marshal or Constable to collect forth-with the taxes, interest and charges due

from the Taxpayer. The State Marshal or Constable shall collect the full taxes and interest and be eligible to add a surcharge in an amount established by Connecticut Statutes for his/her services which shall also be the obligation of the taxpayer. The State Marshal or Constable may also, with the approval of the Collector of Revenue, enter into an agreement which shall amortize the delinquent taxes and additional fees over a stated period of time as outlined in section 1 (one). An Alias Tax Warrant must be served within 30 days of receipt of notice by the State Marshal or Constable.

5. If no response or agreement can be reached after employing the Alias Tax Warrant provisions of the Connecticut General Statutes, the Collector of Revenue shall forward and request that the Town Attorney send a **certified letter** to the Taxpayer. This letter should state that legal actions will be taken if payments or arrangements as outlined in section 1 (one) are not met. Failure to honor a previously approved payment agreement shall be a reason to proceed to step 5 (five).
6. If no response or agreement can be reached after the Town Attorney's letter, the Collector of Revenue shall consider additional forms of collection as provided by the Statutes. The Collector of Revenue shall consult with the Assessor to establish a fair market value range of the delinquent property or properties to calculate a tax debt to value ratio. The assessor shall view the exterior of the property at a minimum and review current sales data for similar properties to confirm that adequate market value exists to cover delinquent taxes, interest and fees. If these items exceed 50% of the current estimate of value, the Tax Collector will convene the Delinquent Tax Policy Committee to determine a course of action that would best serve the Town's interest on this property. The Delinquent Tax Policy Committee shall consist of the Director of Finance, Assessor, Town Planner, Town Attorney, General Manager and any other staff member designated by the General Manager. This Committee shall ascertain whether the Town may proceed with one of the following actions: Tax Sale, Foreclosure, Tax Lien Sale or other remedy for the purposes of covering tax indebtedness. The Committee might also suggest acquisition by the Town for a public purpose. As policy, the Board of Directors will be notified if, through the resulting actions of the Tax Collector or other appropriate Town agency, the Town may gain title to the property.
7. If it is determined that a Tax Sale is appropriate, Connecticut Statutes require a complex procedure that must be followed in detail. This technique enables the Collector of Revenue to either Sell or Acquire the property for the Town of Manchester in lieu of the taxes, penalties and other fees due. It is a most effective tool when no more than 30 properties are placed for TAX SALE at one time.
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necessary is made by the court, not the Town. In the event of a sale, the Town can bid up to the amount of its debt without expending any funds. If a party bids more than this amount, the Town does not acquire the property, but is paid in full.

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The Town should realize that there is a real possibility that the Town could become the owner of the property if there is little or no equity in the property, therefore, the decision as to whether the Town is willing to take title should be made before the foreclosure goes to judgment.

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B. With this background in mind, the following policy and procedures are suggested:

- (vii) Based on the estimates by the Assessor in paragraph 5, the probability of strict foreclosure versus foreclosure by sale should be assessed.
- (viii) An appraisal should be ordered early in the process as it is required by the court in all cases.
- (ix) A determination should be made by a team consisting of the Town Attorney, the Town Planner and the General Manager and such other persons as the Manager directs, as to the likelihood of environmental contamination. If it is likely an environmental, audit can be sought.
- (x) A determination should be made by the General Manager as to whether the Town has an interest in actually acquiring a property.
- (xi) If foreclosure by sale is ordered, the Town needs to decide, if in the event of a sale, it wishes to bid in excess of its debt to acquire the property. If so, the approval of the Board of Directors should be obtained as this ceases to merely be an enforcement action but actually becomes an effort to acquire real estate.

- (xii) If the property is acquired, either through strict foreclosure or foreclosure by sale, the Town should take prompt steps to secure the property, insure the same, and either sell the property or convert to Town use.

9. The Sale of Tax Liens is a relatively new procedure which is done pursuant to Connecticut General Statutes Section 12-195h.

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