



Executive Summary of the Report of the Hartford Tax Lien Task Force March 31, 2013

Summary prepared by the Hartford Community Loan Fund (HCLF)

Background/Context *(per HCLF):*

Since 2007, the City of Hartford has engaged in the sale of tax liens as a means of helping to bridge budget gaps and avoid significant increases in the mil rate. Since FY 2008-9, approximately \$27.5 million in tax liens has been sold. As a consequence of this policy, there is, as of March, 2013, approximately \$21.3 million in liens on 1,290 Hartford properties (of all types) owned by outside interests, the bulk of which (approximately 66%) is owned by American Tax Funding.

Task Force Purpose *(Section III, p. 3)*

To make recommendations based on the following four exploratory objectives:

1. The feasibility of self-financing City tax liens and/or financing City tax liens with Hartford based vendors and minority vendors;
2. The feasibility of establishing quarterly tax payments for our elderly residents;
3. The feasibility of online tax payments for all City taxes and fees; and
4. The steps necessary to improve notice to City residents of delinquent taxes and a way for online information to be accurate with respect to delinquent taxes.

Policy Recommendations of Task Force *(Section II, p. 2):*

Noting that improving rates of tax collection should take priority over capture of potential increased revenue through any lien sale mechanism, the following policy goals are recommended:

1. Increase revenue the City might realize by capturing the 18% interest on unpaid taxes that accrue to the owner of the tax lien until that lien is paid off
2. Increase the rate of collection on delinquent taxpayers prior to any lien disposition
3. Make reasonable efforts to reduce the number of foreclosures resulting from lien sales, particularly for homeowners

Implementation Recommendations of Task Force:

1. **Improved Delinquency Notification:** Taxpayers should receive three notices 60, 30 and 10 days prior to lien assignment, all by first class mail. These notices should be written for clarity and should contain information helpful to the taxpayer (e.g. for counseling opportunities) (Section III D 1-2, p. 14) The City should assess a fee to bulk lien buyers to cover the cost to the City Tax Collector of sending one notice to taxpayers after assignment. This notice should contain important information such as who to contact to make a payment, the amount of taxes assigned, etc. This letter should be attached to the individual tax bill on the MUNIS system. (Section III D 4, pp. 14-15)
2. **Enhance the MUNIS System:** Show public users of the system, at the bill level, when a lien has been assigned, lienholder contact information and a link to the lienholder's website. (Section III C, p. 13)
3. **Referrals to Financial Counseling Assistance:** Tax collector notices to delinquent taxpayers could contain referrals for financial counseling assistance. (HUD-approved counseling agencies could be a possibility) Tax lien refinance loans for homeowners could be made available through existing lenders. Vendors of counseling and financing services could be identified through a procurement or review/approval process. (Section IV d, p. 16-17)

4. **Better Promote the Existing Online Payment Options:** While it is possible to pay tax bills online, information advertising this possibility and instructions for how to do so are not currently on the website. (Section II, p. 2) This information should be advertised clearly on the website and on the tax bills mailed to taxpayers.
5. **Allow Quarterly Tax Payments for Elderly Residents:** Can be accomplished through existing “Elderly Tax Relief Program” effective with the next Grand List of October 1, 2013. This may require that City Council approve a change to the City’s Municipal Ordinance Section 32-18, and there may be a minor cost for a MUNIS upgrade. (Section III B 7, p. 12)
6. **Posting of Liens to be Assigned:** The City should post notices of liens to be assigned in the Town Clerk’s and Tax Collector’s offices at least 30 days prior to the assignment of liens to outside investors (Section III D 3 p. 14)
7. **Stop Selling Small Liens:** Purge lien sales of liens with unpaid principal amounts below a recommended threshold (Per the Task Force Report: “Because this recommendation from the auditor has been made after the Task Force’s last meeting, the Task Force members collectively have had no opportunity to discuss this proposal as a group.” (Section III A 1 I 6, p. 6)
8. **Capture Lost Tax Lien Interest:** The Task Force believes that it may be possible to improve the City’s economic outlook by capturing interest on tax liens currently lost through their sale while providing relief to taxpayers struggling under the burden of property tax liens. The Task Force described five options for capturing interest presently lost through lien sales. These options would need further study before a recommendation to pursue one could be made. (Section III A 2 pp. 8-11)

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| Additional Recommendations of HCLF: |
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HCLF believes **Implementation Recommendations 1-7 above could be readily implemented** with minimal cost by 9/30/2013 upon Council authorization. HCLF recommends that the Council **authorize additional study of the interest-capture options** detailed by the Task Force in Implementation Recommendation 8 above.

In addition, HCLF makes the following recommendations:

1. **Establish Goals for Collection of Real Estate Taxes:** HCLF recommends that the Council determine the historical rate of tax collection by the City and establish aggressive yet achievable goals for the Office of the Tax Collector. This should help ensure the smallest lien sale possible.
2. **Enhance Tax Collector Website and Correspondence:** HCLF has researched the tax collection notification letters utilized by New York City and recommends some similar design and content features be incorporated into new notification letters for the City of Hartford. HCLF suggests allocating funds for professional editing of the Tax Collector’s website and correspondence for clarity and ease of use.
3. **Enhance Customer Service:** HCLF recommends that staff of the Office of the Tax Collector be trained to proactively notify taxpayers of liens held by third parties as a routine part of the service offered to the public.

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