Lake Associations May Benefit by Forming Tax Districts

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Lake and beach communities throughout Connecticut are among the hundreds of residential associations, neighborhoods, and condominiums which have learned that adding or converting into tax districts can result in significant benefits for their residents.

State law allows these communities to better control their own affairs by literally creating their own local government – a sort of "town within a town" known as a "special taxing district." It gives the force of law to nearly everything the community does. For example, its officers become officials, its dues become taxes, and its rules become ordinances. They can even issue bonds and coordinate their operations with other municipalities.

Districts are usually created to provide their residents with more or better services than the towns in which they are located as they deem appropriate. These can include not only monitoring water and recreational areas, but also road maintenance, trash collection, security, snow plowing, outdoor lighting, fire protection, and even tick control measures and highway sound barriers. In fact, some towns give districts cash reimbursals for taking over certain municipal services for the neighborhood. If a resident fails to pay his fair share, the debt can usually be collected quickly and without litigation. Property owned in the district's name is generally no longer taxable by the town, and the district's purchases are exempt from state sales tax. The residents' payments to their district may even be federally tax-deductible unlike dues paid to a traditional association for many of the same services. Creating a tax district may not be right for every community. As governments, districts are subject to laws which require public access to meetings and records, voter eligibility rules, special reporting requirements, and annual financial audits. They must also charge taxes based on assessed property values rather than as a flat amount per household.

Forming a district requires a formal petition and meeting of the people who would live in the district. A two-thirds majority of at least fifteen residents must vote to create it, set its boundaries, elect its officers, and draw up a charter. The selectmen of the town in which the district is to be located supervise the procedure, but they do not have any "veto" power over it. The entire process can often be completed within about three months. Lake communities which create districts may even see increases in their residents' property values since administration and services can be enhanced, streamlined, and customized. Creating a district may well be worth considering as a way to improve your community's strategy for lake management for the benefit of every resident.

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