Ten Tips For Avoiding Municipal Tax Penalties

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Each July, nearly everyone who owns real estate, motor vehicles or business equipment in Connecticut owes municipal taxes. Paying later means paying more. Interest runs at 1.5 percent per month (18 percent annually), state marshals and collection agencies add 15 percent to collect the debt, and liens and attorneys' fees increase payments even further. Here are 10 tips for avoiding those penalties.

1. Escrow your taxes: If your bank allows you to roll your taxes into your regular mortgage payment, do it. It's usually free, it spreads out the annual liability into monthly payments, and it makes the bank liable for any late payment penalties. Remember that most escrows don't cover debts owed to fire districts, special service districts and water/sewer commissions, so keep paying those separately.

2. Update your address: People are legally presumed to know that they owe taxes on their property and state law specifically says that not getting a bill from the town is no defense to nonpayment. So if you move or change your P.O. box, notify both the assessor's office and tax collector's office of your town and also make sure the Department of Motor Vehicles updates your driver's license, registration file and "tax town code." If you don't receive a tax bill, call town hall and ask why.

3. Calendar due dates: Taxes are due once, twice or four times each year depending on the town and the type of tax. These installments are usually due on July 1, Oct. 1, Jan. 1, and April 1 annually, but most towns only mail a single bill in June or July for all of them. It's up to you to remember to pay each installment by its due date.

4. Turn in your old license plates: When you get rid of an old car, don't keep your license plates in your garage. Taxes on motor vehicles will keep accruing until you turn in your plates to the DMV. If you get a tax bill for a car you no longer own, don't assume it's a mistake. Tax liability is fixed on the assessment date – usually Oct. 1 – which means you still owe the tax for that year even if you sell or junk the car afterward.

5. File accurate and timely personal property declarations: Businesses must file sworn statements of their taxable equipment and fixtures by Nov. 1 every year (unless that deadline is extended), and face an automatic 25 percent penalty for every item they leave out or undervalue.

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6. Apply for tax relief in advance: There are dozens of federal, state and local programs which can significantly reduce or defer tax liability on the basis of income, age, disability, military service, how the property is used and so on. However, nearly all of them require application and approval before the tax is assessed, not after it's due. Talk to the town assessor or your attorney about your eligibility.

7. Don't bother trying to negotiate: Interest and fees are mandated by state law and there is no legal way to negotiate them. Instead, pay as much and as quickly as you can to avoid more of them.

8. Don't rely on who was "supposed" to pay: If you own property on the assessment date (usually Oct. 1), you are responsible for the tax when it later becomes due no matter who was "supposed" to pay it for you. If your lease, sales contract or divorce decree says that your tenant, purchaser or ex-spouse should pay the taxes on your property, you're still going to need to pay if they don't. Talk to your lawyer afterward about making them reimburse you.

9. Understand what bankruptcy does and does not do: Filing bankruptcy only delays most tax liability. Interest and fees keep accruing and new taxes must still be paid on time while the bankruptcy case is pending and after it ends, unsatisfied tax liens can still be foreclosed. Talk to your attorney before filing bankruptcy about what it will accomplish.

10. Feel overtaxed? Talk to the assessor: Town tax collectors have no control over the amount you owe. Talk to the assessor if you think your property is worth less than the town's valuation or talk to your city council or board of selectmen if you think the mil rate or annual budget are too high. Remember, though, that overassessment, if true, is no defense to a tax collection lawsuit.

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