

BEST PRACTICES AND GUIDELINES FOR CONNECTICUT SPECIAL TAXING DISTRICTS

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Office of Policy and Management
Intergovernmental Policy and Planning Division

Office of Policy and Management
450 Capitol Avenue MS #54SLP
Hartford, Connecticut 06106

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THE OFFICE OF POLICY AND MANAGEMENT HAS LIMITED AUTHORITY IN THE AREA OF
SPECIAL TAXING DISTRICTS, ASSESSMENT AND TAXATION.

OPM CANNOT PROVIDE LEGAL OPINIONS ON GENERAL STATUTES OF CONNECTICUT OR
ENABLING LEGISLATION OF A DISTRICT.

ALL GENERAL STATUTES OF CONNECTICUT AND SPECIAL ACTS SHOULD BE REVIEWED WITH
THE MUNICIPALITY AND AN ATTORNEY.

INTRODUCTION

The guide covers the General Statutes of Connecticut (CGS) governing special taxing districts. It is intended to support independent districts which have the power to levy and collect their own taxes and issue bonds to construct public works projects. Special taxing districts include beach, fire, improvement (condos and private development), other (lighting, sewer, water etc.), and special service districts. As of November 1, 2025 there were 339 special taxing districts and special service districts on file with the Office of Policy and Management (OPM).

Connecticut has had special districts at least since the Borough of Stonington was formed by special act in 1801. The first fire district was recorded by special act in 1863 (New Milford Fire District), and the first district formed under general law was the Norfolk Sewer District in 1893. Since then, the districts have been formed throughout the state both through special acts and under the statutes.

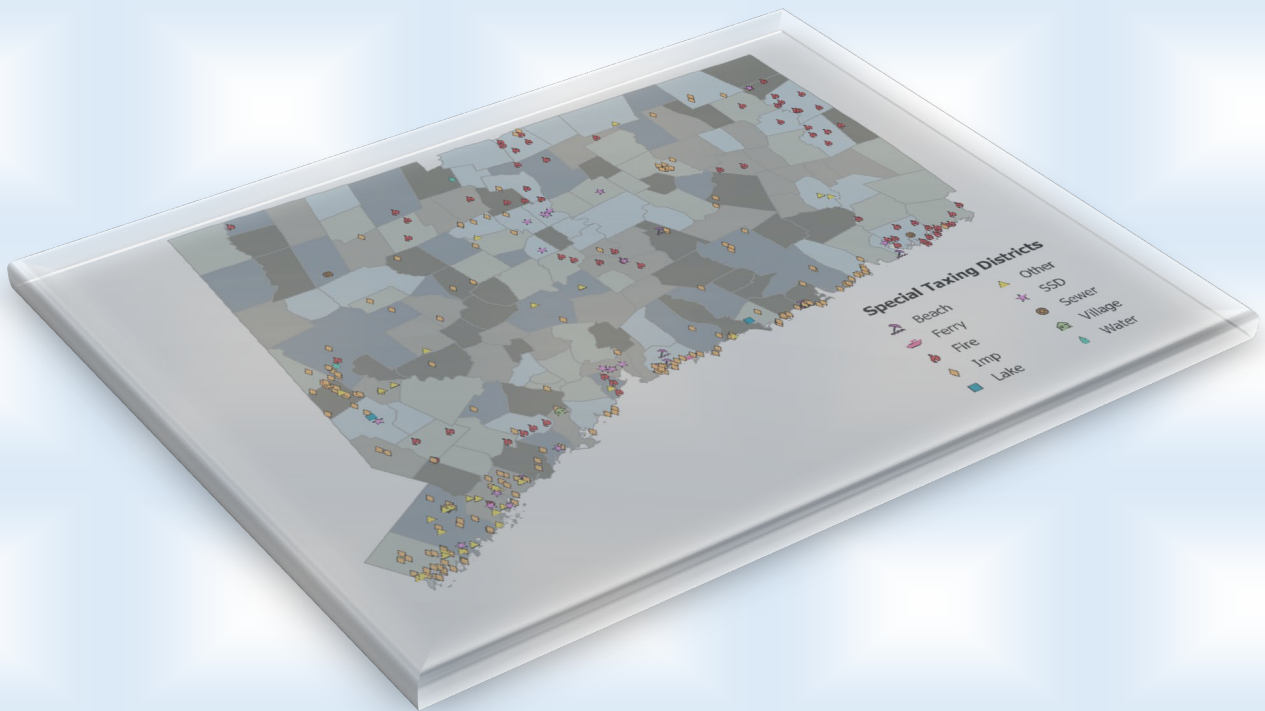
The powers of special districts created under the statutes are enumerated in CGS Section 7-326. The voters may establish a district for any or all of the following purposes:

"To extinguish fires, to light streets, to plant and care for shade and ornamental trees, to construct and maintain roads, sidewalks, crosswalks, drains and sewers, to appoint and employ watchmen or police officers, to acquire, construct, maintain and regulate the use of recreational facilities, to plan, lay out, acquire, construct, reconstruct, repair, maintain, supervise and manage a flood prevention, climate resilience and erosion control system, to plan, lay out, acquire, construct, maintain, operate and regulate the use of a community water system, to collect garbage, ashes and all other refuse matter in any portion of such district and provide for the disposal of such matter, to implement tick control measures, to install highway sound barriers, to maintain water quality in lakes that are located solely in one town in this state, to establish a zoning commission and a zoning board of appeals or a planning commission, or both, by adoption of chapter 124 or chapter 126, excluding section [8-29](#), or both chapters, as the case may be, which commissions or board shall be dissolved upon adoption by the town of subdivision or zoning regulations by the town planning or zoning commission, to adopt building regulations, which regulations shall be superseded upon adoption by the town of building regulations, and to provide ferry service. Any district may contract with a town, city, borough or other district for carrying out any of the purposes for which such district was established."

Districts created by Special Act of the General Assembly may have any power granted by that legislation.

Types of Taxing Districts Existing as of November 1, 2025

Beach Districts	11
Fire Districts	74
Improvement Districts	196
Other (incl. lighting, sewer, village, water, etc.)	39
Special Service Districts	19
Total Taxing Districts	339



STATUTORY REQUIREMENTS FOR SPECIAL TAX DISTRICTS

CHAPTER 105 – FIRE, SEWER AND OTHER DISTRICTS

In Connecticut, special taxing districts are created or changed in one of two ways: (1) by special act of the state legislature, or (2) by the initiation of persons within the district through petition and vote under chapter 105 of the statutes.

Changes in the charter of a district created by special act require action by the state legislature, unless the district adopts provisions making its charter subject to home rule amendment in accordance with CGS Section 7-328a. No home rule charter amendment shall be adopted which will grant to the district any authority exceeding that granted to districts.

Procedures for creation or change by statutes are contained in CGS Sections 7-325 through 7-327.

CREATION PROCEDURES

Twenty (20) or more voters petition for the creation of a district, specifying the boundaries and the purpose of the proposed district. The petition is submitted to the town's selectmen who must then call a meeting of the voters residing in the district to act on the petition. The meeting must be held within thirty (30) days of receipt of the petition. Notice of the meeting must be published in two (2) successive issues of a newspaper published or circulated in the town, at least fourteen (14) days prior to the meeting.

A two-thirds majority of voters present at the meeting is necessary for approval of the petition and creation of the district. The meeting can then name the district, and by majority vote, select necessary officers who serve until the first annual meeting. The minimum quorum specified in the statutes for action on creation is fifteen voters.

Not later than twenty-four (24) hours before a scheduled district creation meeting, district voters may petition for a referendum vote on the question of district creation. A referendum must be held upon a petition by two hundred (200) voters or ten percent (10%) of the eligible voters, whichever is less. The selectmen of a town may, in their own discretion, order a referendum. If two-thirds of the voters casting votes at the referendum approve the establishment of the district, the selectmen are required to reconvene the district meeting for the purpose outlined.

Upon approval, the district must file [M20a – Initial Report](#) with the Secretary of OPM and the municipal clerk, identifying its officers, providing a copy of its charter and bylaws if any exists, and such other information as the Secretary requires. The clerk of the district must then file the name and boundaries of the district on the land records of the town in which the district is located.

EXPANSION OR REDUCTION OF BOUNDARY PROCEDURES

District boundaries can be enlarged or reduced by a two-thirds majority vote of the voters of the area proposed to be included or excluded, present at a meeting called and noticed by the district board of directors. Any area to be added must be contiguous with the existing district. District voters may petition (in the same procedure identical to the creation referendum petition) for a referendum on the question of district enlargement or contraction.

TERMINATION PROCEDURES

The process for the termination of any district is specified in CGS Section 7-329. Termination is initiated by either a vote of the district board of directors or by petition of the lesser of ten percent (10%) of the district voters or twenty (20) voters.

Upon initiating action, the board of directors then calls a meeting of the voters of the district, and if two-thirds of the voters present at the meeting approve a termination motion, the officers are directed to terminate the affairs of the district and pay all outstanding indebtedness. District voters may petition for a referendum on the question of district termination in the same manner and procedure as is provided for creation, expansion and contraction referenda.

On the termination of the district, remaining assets, if any, are turned over to the municipality if the municipality chooses to accept them. If the municipality declines them, the law is silent on what happens to the assets.

No district may be terminated until all of its outstanding indebtedness is paid unless the legislative body of the municipality in which the district is located agrees in writing to assume such indebtedness.

FILING REQUIREMENTS



Statutes require special taxing districts to file certain reports with the state and the host municipalities.

NOTICE OF CREATION

The clerk of the district must notify OPM within thirty (30) days of the creation of the district by submitting [M20a – Initial Report](#). The report includes the name of the district, a map showing the boundaries of the district, a list of the officers, and any other information required by the Secretary. Failure to file this notice invalidates the corporate existence of the district. Municipalities must also be notified of the creation of a district so that its name and territorial limits may be recorded on the local land records (CGS Section 7-325).

NOTICE OF BOUNDARY CHANGES

The municipality and OPM must be notified within thirty (30) days of any boundary changes of the district. Any proposal for a boundary extension which will cause the boundary to overlap another district requires the approval of the legislative body of the municipality (CGS Section 7-325).

ORGANIZATIONAL REPORTS

Districts must file an initial organizational [M20a – Initial Report](#) to the municipal clerk and OPM including the names of the officers and directors, bylaw or ordinance changes in any other information required by the OPM Secretary concerning the districts organization and financial status (CGS Section 7-325).

Districts must submit an [M20a – Update Report](#) to the municipal clerk and OPM if there is a change in the charter or special act of the district is amended (CGS Section 7-325).

DISTRICT BUDGET REQUIREMENTS AND STATE FINANCIAL REPORTING

The [M-1 Annual Report](#) of Special Tax District Treasurer/Tax Collector is due annually on or before July first to OPM. Reporting is to be completed as soon as the Fiscal Year mill rate or fee is set for district (CGS Section 7-325).

The fiscal year of the district shall begin on July first and shall end the following June thirtieth. Annually, not less than thirty (30) days prior to the beginning of the fiscal year, there shall be a meeting of the voters of the district for the purpose of adopting the annual budget, laying the tax and fixing the tax rate (CGS Section 7-327).

OPM will use this information to establish the total property tax impact in a municipality, for computing amounts of state grants-in-aid and for statistical purposes.

Any tax collector who neglects to submit a true and correct statement shall forfeit one hundred dollars (\$100) to the state. There is no waiver provision of this penalty provided for in the statutes (CGS Sections 7-325 and 7-339u).

DISTRICT FINANCIAL AUDITS

In accordance with Chapter 111 of the statutes, districts with annual receipts in excess of \$1,000,000 are considered audited agencies and are therefore required to have a financial audit conducted by an independent auditor retained by the district. A copy of the annual financial audit report is required to be submitted to the appointing authority of the district, the clerk of the town, city or borough for which the district is located in, and with OPM. If the district fails to file the audit report with OPM by the statutory due date or the extension date granted by the Secretary, The Secretary may refer the district to the Municipal Finance Advisory Commission and/or impose a civil penalty of not less than one thousand dollars but not more than fifty thousand dollars.

A district with annual revenues that does not exceed \$1,000,000 is considered a reporting agency and is therefore required to provide a statement concerning its accounts and finances with the clerk of the town, city or borough in which the district is located. This statement on the district's finances is not required to be filed with OPM unless the OPM Secretary has requested it be filed with OPM. The town, city or borough clerk shall assess a fine of five hundred dollars (\$500) against the district treasurer or other officer having authority over the affairs of the district for not having filed the statement.

BORROWING NOTIFICATION

The clerk of each district is required to give written notification within thirty (30) days to the treasurer of the municipality in which the district is located of any final decision of the board of directors to borrow money (CGS Section 7-325).

NOTICE OF TERMINATION

Municipalities and OPM must be notified of district terminations (CGS Section 7-329).

FINANCIAL MANAGEMENT REQUIREMENTS

TREASURER AND BUDGET PREPARATION

The treasurer shall have charge of the collection and payment of all moneys of the district, under such rules and regulations as shall be prescribed by the board of directors, and shall prepare the annual budget, which shall be reviewed by the board of directors and transmitted with the board's comments and recommendations to the annual budget meeting of the district for adoption. (CGS 7-327).

The budget must be reviewed by the board of directors and adopted at the annual budget meeting of the district. This meeting includes the fixing of the tax rate and the laying of the tax (CGS Section 7-327).

The fiscal year of all districts must be the Uniform Fiscal Year (UFY) of July 1 to June 30. District budget adoptions must be a minimum of thirty (30) days prior to the beginning of the fiscal year (CGS Section 7-327).

TAXES, ASSESSMENT, AND BOND

Pursuant to CGS Section 7-328, municipal assessors are required to annually furnish the clerk of any Special Taxing District located within their municipality with a copy of the grand list of all property within such special taxing district as of the October 1st Grand List. Districts should receive this information after the Grand List is signed on or before January 31st.

Districts utilize the grand list data for their budget calculation and setting of mill rate/fee for the next fiscal year based on the property assessment levied by the municipal assessor for the October 1st Grand List. This is the same methodology as the municipal process for taxation.

A fee may only be collected in lieu of the mill rate/assessment taxation pursuant to specific authority provided in a district's Special Act. A copy of the Special Act must be filed with OPM for verification.

The district clerk is then required to prepare a rate bill and deliver it to the district treasurer for tax collection. The treasurer acts as a district's tax collector and has the same collection powers as municipal tax collectors. District taxes are collectible as a lien on the property in the same manner as the municipal taxes.

Districts are authorized to levy special benefit assessments to pay for drains, sewers, sidewalks, curbs or gutters. Flood or erosion control systems can be assessed in accordance with the same rules as for our municipal assessments for similar projects (CGS Section 7-328).

Districts may issue bonds for any public works projects which they are authorized to construct under Chapter 105. Their procedures for the issuance of such bonds must be in accordance with the statutory Municipal Bonding Act (CGS Sections 7-369 to 7-380a), and their indebtedness will be considered as underlying debt of their host municipality by municipal credit rating agencies.

Mill Rate Calculation

A mill is equal to \$1.00 of tax for each \$1,000 of assessment. To calculate the property tax, multiply the assessment of the property by the mill rate and divide by 1,000. For example, a property with an assessed value of \$50,000 located in a municipality with a mill rate of 20 mills would have a property tax bill of \$1,000 per year.

A mill rate is established by dividing the amount of taxes needed for the district by the total district assessment value and then multiplying the sum by 1,000.

Example: $\$240,237 \text{ budget} / \$214,297,370 \text{ total assessment} \times 1,000 = 1.1210 \text{ mills}$

EXPENDITURES

The statute requires that all monies received on behalf of the district by directors must be paid over to the treasurer. Specific approval by a vote of the district is required for any individual expenditure in excess of \$5,000 for districts with grand lists of up to \$20 million, and expenditures in excess of \$10,000 for districts with larger Grand Lists (CGS Section 7-328).

DISTRICT TERMINATION OUTSTANDING DEBT

If a district is to be terminated, the officers are directed to pay off all outstanding indebtedness and turn over the balance of the assets to the municipality, if authorized by the municipality's legislative body. No district may be terminated without paying outstanding indebtedness unless the municipal legislative body agrees in writing to assume the indebtedness (CGS Section 7-329).

STATE SALES AND USE TAX

Special Taxing Districts and municipal special service districts authorized under state law are exempt from paying state sales and use tax on items and services they buy.

State law exempts sales of tangible personal property and services to the state, and any of its subdivisions, or any of "it's or their respective agencies" from the sales and use taxes (CGS Section 12-412(1)).

FEDERAL TAXES

Districts should directly inquire with the [Internal Revenue Services](#).

PUBLIC ACCOUNTABILITY REQUIREMENTS

The state has created several measures designed to assure that district voters in the public at large have access to important district information and that key functions are performed to assure open participation and accountability.

NOTICE REQUIREMENTS

Prior to the creation of a district, notice of the meeting must be published in two consecutive

issues of a newspaper with circulation in the proposed district area at least fourteen (14) days prior to the meeting. The same notice is required for any district action or expansion or contraction of district boundaries (CGS Section 7-325). There are identical requirements for meetings considering district termination (CGS Section 7-329).

There is a ten-day, one newspaper publication requirement for notice of annual or special district meetings. District meeting notices are required to include a description of the business to be transacted (CGS Section 7-327).

REFERENDA

District voters may petition for referenda on the creation, enlargement or contraction, and termination of the district, and for any items scheduled to be considered by district meetings. The petition requires signatures of the lesser of 200 voters or 10% of the total number of eligible voters to force the referendum (CGS Section 7-327).

VOTING/ELECTIONS

The municipality is the election-administering agency in the district establishment process (CGS Section 7-325). The conduct of district elections is governed by both the specific directions included in chapter 105 and by the general election provisions of Title 9 of the statutes.

MEETINGS, ELECTION OF OFFICERS

At the organization meeting of the district, the voters must pass an ordinance establishing a date for an annual meeting to elect officers and conduct other necessary business. They must also elect a president, vice president, five (5) directors, a clerk, and a treasurer to serve until the first annual meeting. Thereafter elections must be held annually. Special meetings may be called on the application of 10% of the total number of eligible voters or twenty voters, whichever is less, or by the president or any three directors. A special meeting called on application of the voters must be held within twenty-one (21) days after receiving the application (CGS Section 7-327).



MEETING QUORUMS

After the minimum quorum for action at any district meeting is fifteen (15) voters. If there are fewer than fifteen (15) voters present, the meeting must be adjourned until at least fifteen (15) are in attendance (CGS Section 7-327).

VOTING RIGHTS

Voters for all issues being decided by districts include all electors residing in the district and any citizen eighteen (18) years of age or older who have property valued at \$1,000 or more on the Grand List. This provision assures that those most affected by action will have a voice in that action (CGS Section 7-6).

However, the ground rules are different for the district creation process. While the petitioning process includes non-resident “voters”, CGS Section 7-325 states that the meeting called for creation purposes shall be called of the voters residing within such specified limits...”, eliminating the voting rights of non-resident taxpayers from the creation this is particularly infant and seasonal committees where significant numbers of landowners may be residents elsewhere. There is no statutory authorization for any type of “per lot” voting process.

FREEDOM OF INFORMATION

All Freedom of Information statutes apply to taxing districts. This includes such areas as notices, meetings, minutes and access to public information and documents (CGS Sections 1-200 to 1-240).



PUBLIC RECORDS, STORAGE AND HANDLING

All statutes concerning the preparation, protection and storage of public records apply to taxing districts (CGS Sections 1-7 to 1-18).

MINORITY REPRESENTATION ON BOARDS

Requirements regarding minority (political) representation for public agencies, boards and commissions apply to taxing districts with budgets in excess of \$250,000 per year. The “minority” representation statute actually is a “maximum number” statute which specifies the maximum number of persons from political party that can be on any board or commission (CGS Section 9-167a).

PUBLIC HEARINGS

There are no requirements for public hearings on any issues, including budgets or borrowings, provided for in the statutes.

OTHER REQUIREMENTS

COLLECTIVE BARGAINING/PUBLIC EMPLOYEES

As political subdivisions of the state, special districts are subject to all state statutes concerning public employees including the right to unionize, collective bargaining, binding arbitration, pensions, civil service, affirmative action and other similar laws. While most districts have few, if any, employees, those which have any are required to follow the statutes governing public employees (CGS Sections 7-460 to 7-479).

PUBLIC WORKS PROJECTS (PREVAILING WAGE)

Special districts are subject to statutes governing public works construction which require each contract for any public works project provide for payment of wages at the prevailing wage rate for that type of work. Prevailing wage rates are determined by the state labor commissioner and are obtained by request for the Department of Labor’s Wage and Workplace Standards Division. These provisions apply to new construction projects of \$1,000,000 or more or reconstruction or repair projects of \$100,000 or more (CGS Section 31-53). Certain non-public works projects may also be covered due to the source or amount of state funding (CGS Section 31-53c).

The following two provisions of the statutes may apply to special taxing districts. They do not apply to municipalities, but “municipality” is not specifically defined in these sections of the

statutes, and it is unclear whether or not a special taxing district would be considered a municipality. Districts can avoid legal challenges to their actions by adhering to these requirements.

SMALL CONTRACTOR AND MINORITY BUSINESS SET-ASIDES

Political subdivisions of the state other than municipalities are required to set aside for small contractors' contracts or portions of contracts for public works projects and purchases of goods or services. The total set aside is to be at least fifteen percent but not more than twenty-five percent of the average total value of contracts for the previous three years. Twenty-five percent of the value of set aside contract shall be reserved for minority business enterprises. These provisions do not apply to political subdivisions whose contracts for three previous years averaged less than \$10,000 (CGS Section 32-9e).

NONDISCRIMINATION CLAUSES IN CONTRACTS

Any political subdivision of the state other than a municipality is required to include in any contract provisions prohibiting discrimination on the part of the contractor. For public works projects, the contractor must also agree to make good faith efforts to use minority business enterprises as subcontractors and materials suppliers (CGS Section 4a-60).

RESOURCES

STATE OF CONNECTICUT SPECIAL TAX DISTRICT HISTORICAL PUBLICATIONS

[Tax Districts](#) - Office of Policy and Management 1985

[ACIR Report - Independent Special Taxing Districts in Connecticut](#), December 1988

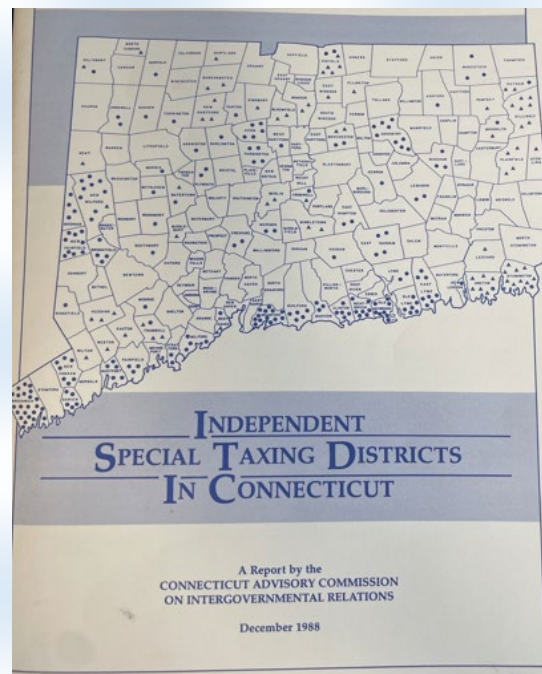
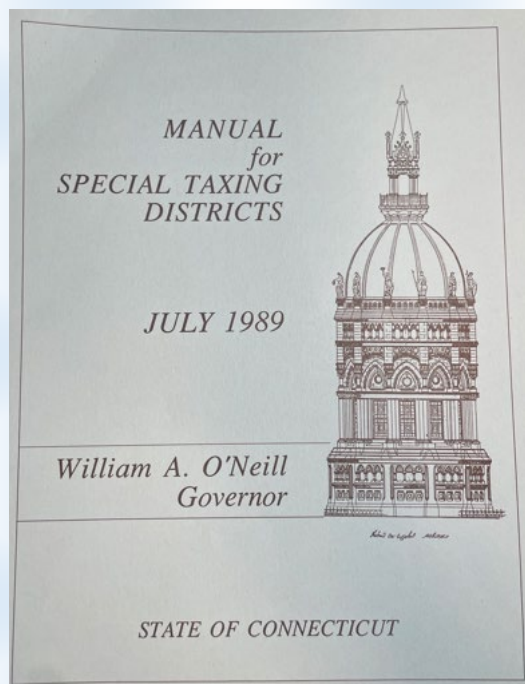
[OLR Research Report - Tax Exemptions for Special Services Districts](#), February 2004

[OLR Research Report - Special Taxing Districts](#), October 2011

[OLR Research Report - Questions on Fire Districts](#), February 2018

[OLR Research Report - Special Services Districts in Connecticut's Downtowns](#), February 2021

[OLR Research Report - Special Tax Districts Created Through Statutory Process](#), October 2023



REPORTING FORMS

- [M-1](#) Tax Collector Report – Due to OPM July 1st
- [M-20a Initial Report](#) to Municipal Clerk and OPM upon initial creation of district
- [M-20a Update Report](#) to Municipal Clerk and OPM any time the charter or special act of district is amended

LISTING OF SPECIAL TAXING DISTRICTS IN CONNECTICUT

SPECIAL TAXING DISTRICT INFORMATION INTERACTIVE MAP

CONTACTS:

- Office of Policy and Management
[Intergovernmental Policy and Planning Division](#)
- Department of Revenue Services
[Connecticut Department of Revenue Services](#)
- Internal Revenue Services
[Government entities and their federal tax obligations | Internal Revenue Service](#)