

Subject Special assessment interest rates

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Date March 13, 2026

Summary

Cities, towns, and (to a more limited extent) counties may pay for public improvements through special assessments. Legally, the amount that a property owner pays for a special assessment cannot exceed the amount by which the property's value will increase because of the improvement. Prior to imposing special assessments, a local government must determine at a public hearing, among other things, the interest rate to be collected on the special assessments. The rate is subject to certain legal limitations.

Under current law, unless a property owner prepays a special assessment in its entirety, the local government imposing the special assessment imposes the assessment in equal annual installments, and a full year's interest is added to each installment. There is no reduction in the amount of interest that a property owner will pay on an annual installment if the owner pays the installment earlier in the year, rather than later. At any point in the installment plan, an owner may prepay the remaining amount of a special assessment in its entirety. At prepayment, the owner must pay the whole assessment, along with any interest accrued on the assessment to the end of the year.

This bill would require that, when a property owner pays an installment on a special assessment prior to the end of the year, the owner be refunded the difference between the interest accrued up to the date of payment and the interest accrued to the end of the year. This bill would also require that, if a property owner prepaid a special assessment, only interest accrued up to the date of payment would be due with the prepayment.