House of Representatives

General Assembly **File No. 229**

February Session, 2002 Substitute House Bill No. 5583

House of Representatives, March 28, 2002

The Committee on Planning and Development reported through REP. DAVIS of the 50th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT CONCERNING INCENTIVES FOR MUNICIPAL REVENUE SHARING.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

Section 1. (NEW) (*Effective October 1, 2002*) (a) As used in this section, "region" means a planning region designated or redesignated by the Secretary of the Office of Policy and Management pursuant to section 16a-4a of the general statutes.

(b) A municipality on the list of municipalities with fiscal disparities prepared pursuant to public act 01-158 and any other municipality located in the same region as the municipality on such list may enter into an agreement to share revenues pursuant to section 7-148bb of the general statutes whereby the municipality located in the region may establish a mill rate on nonresidential real property up to the mill rate of the municipality on such list. Any agreement shall (1) provide that revenues shared shall be limited to revenues collected from real properties subject to the mill rate established under this section, and (2) include a distribution plan which may have provisions for distribution of revenue to nonprofit organizations. No agreement shall be effective unless approved by the Secretary of the Office of Policy and Management and the secretary determines that the agreement will result in reduced property taxes in the municipality with fiscal disparities and that fifty per cent of the revenue generated will be distributed to the host municipality.

(c) The nonresidential real property subject to the increased mill rate shall be eligible for the same incentives, abatements and benefits for which nonresidential property in the municipality on the list of municipalities with fiscal disparities is eligible.

This act shall take effect as follows:	
Section 1	*October 1, 2002*

Statement of Legislative Commissioners:
In subsection (b), "imposed" was changed to "established" and "(2)" inserted for internal consistency and in subsection (c), "same" was inserted before "incentives", "nonresidential property in" was inserted after "which" for accuracy and other grammatical changes were made.

PD *Joint Favorable Subst.-LCO*

OFA Fiscal Note

State Impact:

Fund-Type	Agency Affected	FY 03 $	FY 04 $
GF - Cost	Policy & Mgmt., Off.	Potential	Potential

Note: GF=General Fund

Municipal Impact:

Effect	Municipalities	FY 03 $	FY 04 $
Revenue Gain	Various Municipalities	Potential	Potential

Explanation

The bill permits towns in state-designated planning regions where the Office of Policy and Management has identified a fiscal disparities town, to tax non-residential real property at a different, presumably higher mill rate than residential property. These towns may choose to do this if their legislative bodies adopt an authorizing ordinance. Municipalities electing to impose a higher mill rate on non-residential real property may experience a revenue gain which will be shared between the towns. It is anticipated that towns electing to impose a higher mill rate on non-residential real property will cause the state to incur increased costs for state property tax reimbursement programs.

OLR Bill Analysis
sHB 5583

AN ACT CONCERNING INCENTIVES FOR MUNICIPAL REVENUE SHARING

SUMMARY:
The law requires towns to tax all types of property at the same rate. This bill sets narrow conditions under which towns can tax nonresidential real property at a different, presumably higher, mill rate than residential property. A town can do this if another town within its state-designated planning region was identified by the Office of Policy and Management (OPM) secretary as meeting the statutory fiscal disparities criteria. The town can set the rate no higher than that of the "fiscal disparities" town, but must first agree to equally split the revenue with that town.

The bill makes the nonresidential real property subject to the higher mill rate eligible for the same incentives, abatements, and benefits available to nonresidential property in the fiscal disparities town. The law limits certain state-reimbursed property tax abatements and corporate business tax credits to the 17 "targeted investment communities," where, for example, manufacturers and financial services firms qualify for a five-year, 80% real and personal property tax abatement for constructing new plants, rehabilitating existing ones, and purchasing new machinery and equipment.

EFFECTIVE DATE: October 1, 2002

REVENUE SHARING AGREEMENT

The bill requires the towns to formalize their agreement under a law allowing them to share property tax revenue. This law requires their legislative bodies to approve the agreement after the public had a chance to comment on it. Under the bill, the agreement must specifically limit the shared revenue to that generated by the higher rate. The agreement must also specify how the towns will distribute the revenue, which can go to nonprofit organizations.

The agreement does not take effect unless the OPM secretary approves it. In doing so, he must determine if it will reduce property taxes in the fiscal disparities town and that each town will receive half the revenue.

BACKGROUND

Municipal Fiscal Disparities

The bill limits the differential mill rate option to towns in state-designated planning regions where the OPM secretary identifies a fiscal disparities town. Under PA 01-158, he must annually review economic and demographic data for each region and identify, by September 15, those towns meeting fiscal disparities criteria. The governor then has up to 30 days to convene a meeting of all of the region's chief elected officials, who must prepare and implement a strategy to address the disparities according to a statutory timetable.

The secretary identified Bridgeport, Hartford, and Waterbury, and they and the other towns within their respective regions have submitted their recommendations as required.

Voluntary Municipal Revenue Sharing

PA 00-85 allows two or more towns to share real and personal property tax revenue under a voluntary agreement, which must be approved by their respective legislative bodies after public comment. The agreement must identify the revenue the towns will share, how they will collect and share the revenue, and the process they will use for ending the agreement.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Report
Yea 9 Nay 8