Robert Stryker, P.O. Box 371, New Fairfield, CT 06812;

Chair, Co- Chair, & Ranking Members on Planning & Development:

Letter of record for public hearing on S.B. 538: March 7, 2008

I was disappointed that last year none of the approximately 30 proposed bills on real estate tax reform none ever made it out of committee, much less to a floor vote. None.

Two of them that seemed to hold promise were sponsored by Sen. Maynard (D) & Rep.Wright (D) #651 and Rep. Giuliano (R) #5134 . Both of these bills were for the elimination of the five year periodic revaluation. They proposed that revaluations would occur only with a sale or transfer of property, new construction, or improvements to existing property - similar to Proposition 13A in existence in California for about thirty years.

But, aside from the obvious advantages to residents, eliminating periodic revaluation would actually increase grand list revenue in every CT municipality without an increase to resident property owners. Please read the studies of three municipalities, attached, that show the actual increase each will receive as well as the benefits to their residents.

Now, I understand that bill # 538 proposes a revaluation of property each year with the additional tax burden falling upon those property owners who happen to have appreciation above the mean grand list average. Although the municipalities will gain additional tax money, you must consider if this is fair method of increasing revenue. Real estate tax based upon valuation is inherently regressive as it bears no relation to one's ability to pay that tax. In actuality, everyone whose home falls below the mean average will see his tax go down, yet that person uses the same, educational, police, maintenance and other municipal services as another whose home rises above that mean average in a particular revaluation period.

Aside from these arguments, the cost in computer upgrades and associated labor; annual appeals, probable court costs, and general resident aggravation must be considered. Although "market" sales can be used to determine the revaluation for the year of sale, each and every non-qualified transfer has to be individually assessed, greatly adding to the burden of the assessors department and associated increases in labor.

This proposed bill #538 will simply inflate the tax structure without solving any of the inherent inequities in the system. The additional tax burden will always fall on half of the communities residents yet have no more advantage to that communities revenue needs that an across the board mill rate increase.

Therefore, I implore you, as representatives of all of Connecticut's residents to consider another bill similar to the two mentioned above and vote down bill #538. I am sure you will find the attached article and income study of interest.

Thank you for this consideration.

Bob Stryker

GRAND LIST LEVY INCOME RESULTING FROM THE ELIMINATION OF PERIODIC REVALUATION

A study of this effect on three Connecticut communities by Bob Stryker

Three communities of differing population and economic mix are compared to ascertain the monetary benefit to each in gross real estate revenue and as a percent of current revenue - extrapolating out for five years - for the current periodic revaluation period now in use.

The purpose of the study is to show that if periodic revaluation is eliminated, municipalities will actually gain considerable income through the sale or transfer of real property by taxing that property at its market value at the time of sale. This value is determined from a Qualified sale ("arms length" transaction that results in a fair market value) or a Non-qualified sale (transfers that do not reflect true market value are appraised at the time of transfer.) This is opposed to the current system that taxes transfers at the estimated value from the last revaluation period, now every five years. Also, all municipalities will be spared the cost of a periodic revaluation, which is included within the five year estimated gain in revenue.

Additional benefits will also result: Residents will not be subject to a possible spike in their taxes and will better be able to plan their real estate tax budget over many years. Seniors on fixed incomes will be able to remain in the communities where they may have lived for many years. These same communities and their residents will be spared the cost and time involved in contesting many valuations at the time of revaluation.

This study has shown to be a win-win for both the communities as well as their residents as both will gain from additional tax funds that do not come out of the pockets of current residents

Information was obtained from the municipalities, the CT- O.P.M. and the U.S.Census

In each study, two recent years were examined for each of the municipalities for:

- Gross real estate income or grand list levy
- Number of total qualified real estate sales - with gross sales dollars
- Number of total non-qualified real estate sales - with estimated sales dollars based upon a percent of qualified sales figures
- Appraisal figures of qualified sales - from latest revaluation
- Appraisal figures of non-qualified sales - with estimated value based upon a percent of qualified sales figures
- Mill rates used for the specific year of examination
- Five year estimates are based on the particular base year examined to show the potential monetary gain over the five year time period between revaluations but do not reflect gains from normal appreciation over that time period which will add to those gains

HARTFORD population: 111,977 per cap income: $ 17,856

Year: 2004/05 mill rate: 60.82

qualified sales = 1,424	$ 332,131,987	
non-qualified sales = 569	132,852,795	(est. .40 of qualified)
	464,984,782	
appraised value qual. sales	163,273,294	
appraised value non-qual. sales	65,309,318	(est. .40 of qualified)
	228,582,261	
difference between sales and appraised values	236,402,521	
assessed value (x 70%)	165,481,765	
gain in revenue one year, mill rate (x .061)	10,094,388	
total gain in revenue over 5 years (x 15)	151,415,820	
add cost of revaluation	+ 200,000	
	151,615,820	
grand list levy, for 5 years (161,621,426 x 5)	808,107,130	
percent of gain over 5 years	18.8%	

Year: 2005/06 mill rate: 64.82

qualified sales = 1265	$ 288,029,317	
non-qualified sales = 517	118,092,020	(est. .41 of qualified)
	406,121,337	
appraised value qual. sales	127,784,589	
appraised value non-qual. sales	52,391,681	(est .41 of qualified)
	180,176,270	
difference between sales and appraised values	225,945,067	
assessed value (x 70%)	158,161,547	

gain in revenue one year, mill rate (x .065)	10,280,501
total gain in revenue over 5 years (x 15)	154,207,515
add cost of revaluation	+ 200,000
	154,407,515
grand list levy, for 5 years (162,828,574 x 5)	814,142,870
percent of gain over 5 years	19%

DANBURY population: 78,155 per cap income: $ 33,834

Year: 2004/05 mill rate: 24.86

qualified sales = 1612	$ 618,756,712	
non-qualified sales = 504	191,814,581	(est .31 of qualified)
	810,571,293	
appraised value qual. sales	426,892,386	
appraised value non-qual. sales	132,336,640	(est .31 of qualified)
	559,229,026	
difference between sales and appraised values	251,342,267	
assessed value (x 70%)	175,939,587	
gain in revenue one year mill rate (x .023)	4,046,611	
total gain in revenue over 5 years (x 15)	60,699,165	
add cost of revaluation	+ 450,000	
	61,149,615	
grand list levy, for 5 years (109,455,785 x 5)	547,278,925	
percent of gain over 5 years	11%	

Year: 2005/06 mill rate: 20.05

qualified sales = 1,330	$ 527,583,906	
non-qualified sales = 338	131,895,977	(est .25 of qualified)
	659,479,883	
appraised value qual. sales	354,051,428	
appraised value non-qual. sales	88,512,857	(est .25 of qualified)
	442,564,285	
difference between sales and appraised values	216,915,598	
assessed value (x 70%)	151,840,919	
gain in revenue one year, mill rate (x .020)	3,036,818	
total gain in revenue over 5 years (x 15)	45,552,270	
add cost of revaluation	+ 450,000	
	46,002,270	
grand list levy, for 5 years (110,475,760 x 5)	552,378,800	
percent gain over 5 years	8.3%	

NEW FAIRFIELD population: 13,953 per cap income: $ 34,928

Year: 2004/05 mill rate: 19.07

qualified sales = 272	$ 129,356,666	
non-qualified sales = 223	106,072,666	(est .82 of qualified)
	235,429,132	
appraised value qual. sales	117,679,000	
appraised value non-qual. sales	96,469,780	(est .82 of qualified)
	214,175,780	
difference between sales and appraised values	21,253,352	

assessed value (x 70%)	14,877,346	
gain in revenue one year, mill rate (x .019)	282,670	
total gain in revenue over 5 years (x 15)	4,240,050	
add cost of revaluation	+ 400,000	
	4,640,000	
grand list levy, for 5 years (29,353,509 x 5)	146,767,545	
percent gain over 5 years	3%	

Year: 2006/07 mill rate: 19.96

qualified sales = 207	$ 95,179,453	
non-qualified sales = 204	94,227,658	(est .99 of qualified)
	189,407,111	
appraised value qual. sales	88,156,571	
appraised value non-qual. sales	87,275,005	(est .99 of qualified)
	175,431,576	
difference between sales and appraised values	13,975,535	
assessed value (x 70%)	9,782,875	
gain in revenue one year, mill rate (x .020)	196,658	
total gain in revenue over 5 years (x 15)	2,949,870	
add cost of revaluation	+ 400,000	
	3,349,870	
grand levy list, for 5 years (32,706,799 x 5)	163,533,995	
percent gain over 5 years	2%	

MISSED OPPORTUNITY…

Sadly, our state legislature missed another opportunity at real estate tax reform by recently killing two proposed bills that would have eliminated the five year revaluation: that sudden, unknown jump in our tax base without any cost to the state or municipalities. To the contrary, increased tax dollars would have been the result of a successful passage. The proposed legislation would require revaluation only when: property is sold or transferred, improvements made, or with new construction; all towards a more fair and equitable tax base.

The law now requires that all real estate property must be revaluated or appraised every five years. At this time, most property will appreciate, some more than others. The total value, determined by this revaluation, is reflected in the grand list of all taxable property. But although most of this property rises in value the tax based on the entire grand list must remain neutral or the same. To understand, think of a see-saw. At the fulcrum is the average percent rise in the list. Example: due to revaluation, a town's entire taxable real estate base increased by an average of 50% - the fulcrum. Some property went up 75% and some only 25% but, the average was 50%. So, to remain tax neutral the homes that went up more than 50% have their taxes raised and those with appreciation below 50% have their taxes lowered. This way the see-saw will balance and all of the real estate taxes paid to the town will remain the same. Some one said it best: about a third will have their taxes stay about the same, a third will go up and a third will go down. As anyone who has ever shopped for a home knows the price you pay is determined by the market, or what someone is willing to pay for that home, something you have no control over. That "fair market" price is what the revaluation appraisers determine your property is worth at that time of revaluation and the law states that the taxes you pay must be based on this fair market value and assessed at 70% of that value. This amount multiplied by the mill rate determines your taxes. For the town's taxes to remain neutral after a 50% increase, the mill rate is lowered to attain a balance. The higher the overall increase, the lower the new mill rate. If we eliminate this five year process and adopt a law that reflects revaluation only under the conditions mentioned above, how does it benefit taxpaying homeowners?

Under this proposal, when an individual buys a house he knows exactly what the tax is because it is based on that sale, or fair market price, rather than on the last revaluation appraisal. As long as he owns that house the taxes will only increase by the results of the annual budget voted on by all residents – something he does have some control over. If he is young and planning a family he will have no surprises in the future when his expenses rise rapidly as his family expands. If he is retired and on a fixed income he has less concern about rising taxes forcing his family out of their home, away from long time friends and neighbors, and a supporting community that, in turn, he has supported for many years. Someday we will all face this dilemma.

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This proposal will actually bring new tax revenue into the town. At present, if a house is sold in any year after a revaluation, its tax base remains the same until the next revaluation, even though that house will usually increase in value. Under this proposal that house would be taxed immediately at the sale price and not the value determined by the older revaluation. An example from my town, New Fairfield: In 2005, one year after revaluation, there were 272 homes sold at fair market. The difference between the sale price of these homes and the previous year's appraised values for them was about $11,678,000. Multiply this by 70% (assessed value) then the mill rate (.019) at that time and you get $155,000 additional taxes my town would have received in that year. If only 272 homes are sold each year for five years, the total would be over 2.3 million. But you also have to add in: normal appreciation of these sales over five years, the average turnover of 325 to 350 homes (not the low of 272) and finally the $400,000 savings from the last revaluation contract.. Realistically, the total five year benefit to my town could be conservatively 3 to 4 million!

What happens if a present home owner has had his taxes go down because his home increased less that the average? This goes to the fair and equitable part. When the annual budget increases come, everybody gets the same percentage increase, but that calculates to a higher tax on the more expensive homes so he will always pay less taxes than the more expensive homes in his community, while using the same services as everyone else.

I urge our municipal leaders to have an open mind and examine their own town's grand list to determine the additional income they may gain from passage of this legislation, not to mention the savings to their residents. Together, we can all bring upon our legislature the needed pressure to make these changes that benefit all homeowners and communities in our great state.

Bob Stryker