STATEMENT REGARDING
Senate Bill 997: ***AAC A Municipal Option to Delay Revaluations***
House Bill 6561: ***AAC Municipal Revenue Diversification***

Finance, Revenue and Bonding Committee
March 2nd, 2009

The MetroHartford Alliance is Hartford's Chamber of Commerce and the region's economic development leader. Our investors include businesses of all sizes, health care providers, institutions of higher education, and 34 municipalities. The Alliance's mission is to ensure that the Hartford Region competes aggressively and successfully for jobs, talent and capital so that it thrives as one of the country's premier places for all people to live, work, play, and raise a family.

Statewide, our dependence on the property tax as a primary source of municipal revenue is a symptom of a much larger problem. Per capita property taxes in Connecticut are over 77% higher than the national average, while the national trend over the past 15 years is to actually reduce reliance on the property tax as a source of state and local revenue. We see the reverse trend happening in Connecticut, which is discouraging to both homeownership and economic development.

While the state itself has the ability to impose over 40 different taxes on its citizens to fund its programs and services, municipalities have only two options—the property tax and the real estate conveyance tax. Meanwhile, the state places mandates on our cities and towns that are not attached to any dedicated revenue stream and already under funds existing state programs, forcing towns to turn to local sources of revenue to meet the cost of compliance and maintain local services that constituents have come to expect. This perfect storm leaves towns with one option – to increase property taxes.

By making adjustments to the current system with differentiated mill rates or exempting a portion of one class of property from taxation, as proposed in HB 6561, we are only working around the edges of the problem to treat the symptoms. House Bill 6561 proposes creating differentiated mill rates, simply transferring the tax burden from one class of property to other classes of property, namely Connecticut's employers. At this time of fiscal uncertainty and job loss, this is the exact opposite approach we should take.

Senate Bill 997, *An Act Concerning A Municipal Option to Delay Revaluations,* enables towns that are required to effect revaluations for real property for 2008, 2009 or 2010 to postpone the revaluation until 2011. Again, this legislation does not address the true challenge of property tax reform in our state; it simply builds in any existing inequities among classes in the current system and puts off the debate for yet another day. Over time, the difference between a property's valuation for the purposes of determining tax liability and its fair market value grows steadily larger, making the actual impact of revaluation when it does finally occur even more shocking to the residential and commercial taxpayer. In fact, to retain more equity in the overall property tax system, our towns should be performing annual statistical revaluations, avoiding cost shifting or inequities, making the system more predictable for property owners and easier for towns to actually implement.

At this time of fiscal crisis, we cannot risk enhancing our reputation as one of the most expensive places to live and do business in the entire nation. Businesses considering a relocation or expansion review the rates of taxation in the municipalities they compare. When revaluations are postponed, mill rates must increase or the cost of government must decrease. Since the latter is unlikely, those business properties that undergo annual revaluations bear the brunt of this increase, ultimately making Connecticut a less attractive place to expand or locate a business. In order to initiate and sustain a meaningful economic recovery, we must look for ways to garner a competitive advantage, and delaying revaluation or instituting differentiated mill rates to transfer the tax burden from one class to another is not the answer. It quite simply builds in any existing inequities that are otherwise ironed out by the statutorily mandated, predictable revaluation cycle.

We thank you for your consideration and ask you to help make Connecticut more competitive by rejecting House Bill 6561 and Senate Bill 997.