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A PROPOSAL TO DIVERSIFY REVENUE STREAMS AVAILABLE TO MUNICIPALITIES

Re: SB-385

For several years, despite widespread agreement that the current dependency on property tax revenues for municipalities is a failing system, the state legislature has been unable to make significant progress on an alternative solution. The key to any sustainable solution is diversity in revenue streams. Diversity helps to mitigate economic as well as demographic fluctuation in the tax base.

Therefore, I propose that municipalities be granted the ability to diversify revenue streams through several sources that ideally would be, to some degree, in the control of local government.

The method I propose to achieve this result would be to allow municipalities to keep a portion of the sales and income tax generated within their municipality. This has several benefits. The income is easily identifiable through tax fillings. The tax burden is shifted from property owners alone, to include consumers and wage earners. I believe this could be accomplished without raising either tax rate. Some state reimbursement programs could be eliminated as a result of the additional, consistent local revenue that would become available. In addition the state could realize considerable savings resulting from lower overhead and administration due to decreased bureaucratic involvement in local spending.

The key component to this plan is the utilization of taxes and tax rates that are already in place and collected through state agencies. While I do not oppose legislation that would allow municipalities to levy local taxes in addition to state taxes the additional burden of tax collection and administration that would be required may preclude this option from being implemented in many small communities.

As can be imagined there are myriad examples of possible revenue sources, none of which will be agreeable to everyone. The current tax system is broken, that Connecticut residents are over burdened with taxes and that diversified revenue streams for any tax program are good policy, I believe we can craft a tax package in 2009 that, while not perfect will be greatly improved.

Thomas E. Marsh
First Selectman, Chester