

Testimony by Michael A. Milone
State Finance Revenue and Bonding Committee
Monday, March 15, 2010
Legislative Office Building
SB 434

Honorable Committee Members, good morning and thank you for allowing me to address you. My name is Michael Milone, I am the Town Manager for the Town of Cheshire and I am here to speak in support of SB 434, which would permanently establish the increased rates of the local Real Estate Conveyance Tax. For our Town, the increase in this Conveyance Tax from \$1.10 to \$2.50 per thousand dollars of sales has generated a range of \$200,000 to \$350,000 in additional revenue on an annual basis, since its inception. Over that same period \$800,000 to \$1,400,000 has been collected for the State on an annual basis. This additional local revenue is critically important to Cheshire for a number of reasons, now more than ever.

Cheshire is home to the largest prison in the State and as such PILOT payments are a critical revenue source for our community. Over the past fiscal year the State reduced our PILOT payments by 27.1% or \$1.780M. As a consequence of this revenue loss we limited our budget increase to .4% for this fiscal year and to a proposed budget increase for F.Y. '11 of 1.57%, which will likely be reduced by our Town Council.

The Town's F.Y. '11 proposed budget would cut four positions from our General Government budget while our School system is facing a potential of 15 layoffs. Yet in spite of our fiscal plight, we're one of the luckier communities in the State as our fund balance is healthy, and we have established reserves to mitigate pressure on our debt service and medical benefit expenses. Nonetheless, the Town had to increase taxes this year and will be forced to increase taxes again next year in order to balance our budgets.

In developing both the F.Y. '10 and F.Y. '11 budgets we have been extremely frugal and creative, consequently position eliminations, or a greater than intended tax increase are the only means of absorbing more revenue cuts. Neither additional position

cuts nor an additional tax increase beyond what is proposed is an acceptable option for our community, and permanently increasing the Real Estate Conveyance Tax would help prevent either of these from occurring.

The opponents of this permanent increase in the Real Estate Conveyance Tax have proposed some arguments that I would like to address:

Relative to the argument that these higher rates have negatively impacted the real estate market, during the first two years of its inception, Cheshire had the most robust real estate market activity of the previous 25 years and F.Y. '06 and '07 proved even stronger than those first two years.

Additionally, the median house sale in Cheshire this past year was \$294,000. The difference between the \$1.10 and \$2.50 conveyance tax would add approximately \$412 to the cost of that home or .1% of the acquisition price. I have seen no evidence that \$412 has made the difference as to whether or not someone is willing to buy a home in our community.

I have heard the argument that a promise was made to the Real Estate community that this legislation would sunset, hence the reason for not extending it. I would like to remind this Legislature that a promise was made to the 169 municipalities of this State that PILOT payments would be funded at statutory levels. For Cheshire that meant that we would receive 100% of our real estate tax loss on the Prison in our Town. This would amount to approximately \$3.9M yet in F.Y. '11 we will receive approximately \$2.4M or \$1.5M less than promised.

Promises due get broken during times of fiscal stress, and unfortunately we at the local level have come to expect this and are resigned to accept it. However, while we at the local level are repeatedly harmed by State aid revenue reductions; how is the real estate community being harmed by a permanent real estate conveyance tax at the higher rate?

All municipalities are facing immense fiscal challenges and these challenges are far worse than 2003 when this conveyance tax increase was passed as a buffer to our financial problems. We need this relief more today than when it was originally proposed.

You, as our State Legislators, are in a unique position relative to this proposal. This permanent increase in the rate of the Real Estate Conveyance Tax allows you to establish legislation that financially benefits every one of the State's 169 municipalities at no cost to the State's operating budget.

For the good of all your constituent municipalities, I urge you to support SB 434, I thank you for your consideration of this legislation and wish you well in your deliberations during this legislative session.