



TESTIMONY
of the
CONNECTICUT CONFERENCE OF MUNICIPALITIES
to the
FINANCE, REVENUE & BONDING COMMITTEE

March 7, 2011

CCM is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 90% of Connecticut's population. We appreciate this opportunity to provide testimony to you on issues of concern to towns and cities.

SB 1007 “An Act Concerning the Governor’s Budget Recommendations on Revenue”

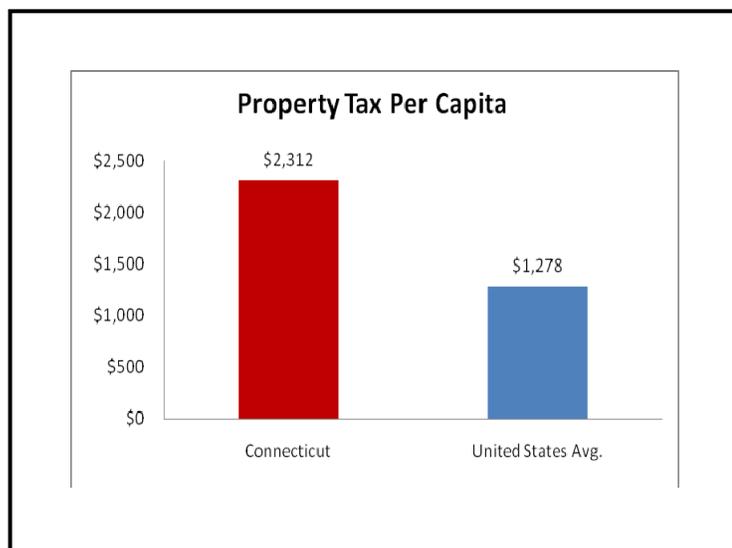
Among other things, SB 1007 would (1) make permanent the current rates of the municipal portion of the real estate conveyance tax, and (2) establish several new sources of municipal revenue by allocating portions of the hotel occupancy tax, rental car tax, and sales tax to municipalities.

All told, the Governor's municipal revenue initiatives would send \$85.2 million to towns and cities in FY 2012 and \$129.3 million in FY 2013.

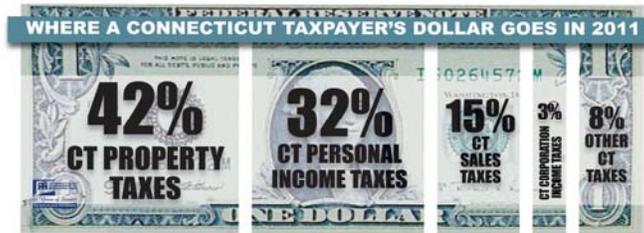
CCM **supports SB 1007**. These proposals lay the foundation for comprehensive property tax reform. CCM commends the Governor for proposing these bold new revenue diversification initiatives.

It is no secret that the property tax is the single largest tax on residents and businesses in our state. It accounts for 42 percent of all state and local taxes paid. The property tax is income blind. It is due and payable whether a resident has a job or not, or whether a business turns a profit or not.

The per capita property tax burden in



Connecticut is \$2,312, an amount that is almost twice the national average of \$1,278, and 2nd highest in the nation.¹



Municipal revenue diversification and state-local revenue sharing – as proposed in SB 1007 – are keys to achieving comprehensive property tax reform.

Real Estate Conveyance Tax:

This over-reliance on the property tax in Connecticut makes the real estate conveyance tax even more important. **Section 35 of SB 1007 would make the municipal portion of the real estate conveyance tax permanent.** CCM supports this proposal.

The municipal rate for this tax is 0.25 percent for sales of real property in all towns and cities. Eighteen municipalities can add an additional 0.25 percent, for a total rate of 0.50 percent. They are Bloomfield, Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Waterbury, and Windham.

Section 36 of HB 1007 would then permit those municipalities currently at a 0.25 rate to implement an increase in the tax to the 0.50 rate – as a local option.

CCM urges the committee to amend Section 36 to eliminate the local option and apply this proposed increase statewide. This will place all communities in our state on a level tax playing field and prevent inter-municipal disparities.

Municipal Revenue Diversification:

Sections 25 through 28 of SB 1007 would establish new revenue sharing options for municipalities by disbursing percentages of funds raised by various state taxes, such as the sales tax, the hotel occupancy tax, the rental car tax, and a new cabaret tax to the host municipality. Such a straightforward approach to revenue sharing, as proposed in SB 1007, would lay a foundation for enhanced state, local, and regional cooperation.

Simply put: the property tax system in Connecticut is broken. Towns and cities need new approaches and new solutions to meet the current economic and budgetary challenges. Therefore, **CCM supports these proposals that expand the municipal revenue base -- as**

¹ Source: US Census Bureau, 2007 Census of Government Finance; Tax Foundation

necessary measures to sustain such vital local services as public safety and local public education, as well as to provide relief from the regressive property tax.

Conclusion:

Connecticut's municipalities are facing many of the same fiscal issues as the State, without the diversified revenue base and public policy options available to the State. In 2011, more than any previous year, local officials need tools that allow them to maintain service continuity and the quality-of-life in their communities. One of the best things the State can do, given its own budget troubles, is to provide these tools – as proposed in SB 1007.

CCM urges the Committee to (1) amend Section 36 as recommended above, and (2) **favorably report** SB 1007.

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If you have any questions, please contact Jim Finley at jfinley@ccm-ct.org, Ron Thomas at rthomas@ccm-ct.org, or Bob Labanara at rlabanara@ccm-ct.org.