STATE OF CONNECTICUT
HOUSE OF REPRESENTATIVES

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Testimony for **HB 5782 – AAC the Hotel Tax, HB 6100 – AAC Regional Property Tax Revenue Sharing, & HB 5580 – AAC A Statewide Mill Rate For Motor Vehicles**

Planning and Development Committee Public Hearing
March 2, 2011

Representative Gentile, Senator Cassano, Senator Fasano, Representative Aman and members of the Planning and Development Committee, it's good to be back with you, albeit in a slightly different context!

I want to thank you for raising and hearing the bills that Senator Looney and I introduced this year to further our efforts to promote property tax relief through Regionalism and Smart Growth. Our current economic climate and historic state budget deficits provide us with a tremendous opportunity to change the inefficient way we run local government in the State of Connecticut. We also have a newly-elected governor who comes to us as a former CEO of a major city and who truly understands the need for these changes, and has recommended some of them in his own budget proposals. Finally, we have leadership in this committee and throughout the legislature from both sides of the aisle who, after several years of cooperative discussion, have reached common ground on many of these initiatives and are anxious to see them implemented. Taken together, it's clear that the time to act is now.

The bills before you today are not new ideas. They are adaptations of concepts that came from the Speaker's Commission on Municipal Opportunities and Regional Efficiencies (MORE) last year. Because of the short session in 2010, there was not enough time to fully flesh out these ideas for action by the legislature last year. This year, the Speaker is primarily focused on budget matters and job creation, and it appears unlikely that we'll have the time to re-constitute the MORE Commission for 2011. But if I may be so bold, I would suggest here that the Planning and Development Committee become the *de facto* MORE Commission for 2011, and take ownership of these and other concepts to promote "municipal opportunities and regional efficiencies" as its own initiative. In the end, this work has to be done in a bi-partisan fashion in P&D anyway – why do we need a special commission to duplicate that work?

Specifically, **HB 5782 – AAC the Hotel Tax,** is substantially the same proposal which was unanimously adopted by the MORE Commission in 2010. It proposes a 3% increase in the Hotel and Lodging Tax statewide, but instead of allocating that revenue 1/3 to the host community and 2/3 to the regional planning agencies, this bill would distribute the revenue equally to the host community, the regional planning agency and the regional tourism districts.

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HB 6100 – AAC Regional Property Tax Revenue Sharing, expands on a tremendous accomplishment of the MORE Commission from last year – the establishment of eight economic development districts (EDD'S) in the state to maximize federal economic development monies while forging a regional view of economic development instead of unproductive competition among individual towns. HB 6100 simply requires that as those eight regions update their Comprehensive Economic Development Strategies (CEDS), that they must incorporate some form of regional property tax sharing from new development within the region. The scope and implementation of that revenue sharing would be entirely up to the member communities to formulate for themselves, but by giving every town a stake in the positive development of their neighbors in the region, the concept furthers the dual goal of regional cooperation and diversification of revenue streams for all our towns.

Finally, **House Bill 5580 – AAC A Statewide Mill Rate For Motor Vehicles,** a proposal that you have seen fit to raise as a committee bill, takes a huge stride in correcting a number of anachronistic aspects of our property tax system. Whereas we currently allow our towns to tax automobiles as personal property at whatever mill rate the town has adopted for real estate, this bill would phase in a standardized mill rate for motor vehicles statewide. Once fully implemented, it would eliminate the unfair burden placed on urban residents where mill rates are typically higher, and, in all likelihood, increase collections in those urban communities because there would be no incentive to register vehicles in towns with lower mill rates. Because the introduction of a standardized mill rate initially creates winners and losers among towns depending on whether their current mill rates are above or below the statewide rate, this concept has failed to gain support in the past. My proposal – and now the committee's – would be phase in the rate over five years, and compensate those "losing" towns on a declining basis during the phase-in.

The funds to compensate those "losing" towns over the phase-in period would be generated by a wholesale change in the way we currently tax "antique" vehicles in our state. Our current system allows anyone with a car older than twenty years to receive an assessment of $500, regardless of the car's actual worth. This means that the owner of a classic vehicle worth tens of thousands of dollars is assessed at the same rate as someone with a car worth$500. And while we used to apply severe restrictions on how many miles the car with an "antique" designation could be driven in a year, we have long since abandoned those standards so that anyone with an older, expensive car can literally drive away with a huge tax break at the expense of the rest of the taxpaying public. We're still waiting for OFA to cost out the revenue to be collected from this basic change, but I am confident it will provide sufficient revenue to create the phase-in compensation fund while also closing a loophole that has cost our towns and cities major revenue over the years.

In closing, I would suggest that these bills, as well as others you will be hearing later this week, can be and should be developed as a package that augments the proposals offered by the governor as part of his biennial budget. For example, the governor's budget has already proposed a consolidation of our state's 15 regional planning organizations. The governor has also proposed his own version of a hotel tax increase of 3% with a distribution formula not unlike that which is in **HB 5782**. Why not incorporate the governor's consolidation proposal into the eight existing EDD 's, and use the hotel tax revenue as a carrot to help fund those eight regional agencies? Further, why not call for the consolidation of our tourism districts to conform with those same EDD regions and use the hotel tax to encourage those mergers? I believe that with the establishment of the eight EDD's last year, we have the blueprint for how to regionalize so many of our other regional entities while promoting efficiency and cooperation among our towns. In short, the budget crisis has provided us with the motivation. We have the cooperation of the executive branch. All we need now is the vision and the will to see it through.

Once again, thank you for allowing me to testify before you today. I look forward to working closely with the committee in the coming weeks to make these long overdue concepts a reality.

Respectfully Submitted,

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