

Finance, Revenue and Bonding Committee
Room 3700, Legislative Office Building
Hartford, CT 06106

March 4, 2013

RE: SB 843

Co-Chairs Senator Fonfara and Representative Widlitz, and members of the Finance, Revenue and Bonding Committee, thank you for the opportunity to discuss some of the impacts of SB 843 on the Town of Coventry. My name is John Elsesser and I have served as Town Manager of Coventry for almost 25 years and am active in COST and CCM. I will be speaking primarily on the impact of Governor Malloy's proposal to eliminate taxation on motor vehicles with an assessed value under \$20,000.

Coventry is a fairly rural community with less than three percent of our grand list comprised of commercial property. Motor vehicle taxes make up 9.2 percent of our grand list. It is estimated that if this proposal moves forward the town will lose \$2,189,441 in property tax revenue. This equal 2.3 mils in taxes and would cause an 8.5% tax rate increase to make up for lost revenue. To put this in perspective the revenue lost is equal to a 25% reduction in the General Government budget and is equal to eliminating both the Police department and Public works department. Why only the Town side of the Budget because state law prohibits, per MBR, reductions in the education budget which is almost 70% of our budget. Debt service can't be cut without going into default, so the Town would have to feel the brunt of any cuts.

As to efficiencies in the town side of the budget we have 7.5% less employees than when I was hired while adding over ten miles of roads and 3,000 citizens. I think we are getting more efficient. We work cooperatively with our Board of Education and surrounding towns. We have embraced technology and many service enhancement techniques while holding down expenses. Reductions will mean changing the quality of life by eliminating discretionary programs such as lifeguards, boat patrols, and beaches. So it is my belief that passing most of the lost income on to other property taxes will be the only true option.

So let's look at how the tax rate increase would impact the average tax payer. The median house in town is assessed at \$139,900 (about \$200,000) and is charged \$3,769 in taxes. Add a seven year old car valued at \$ 6,000 or a \$4,200 assessment and their tax bill increases by \$113 dollars. Eliminate the car tax and increase the mil rate and the house tax increases to \$4,089 a \$320 increase minus the car savings for a net increase of \$207. Now some with more cars will save but the model I gave you represents a majority of our seniors on fixed income.

Time and time again the inequity and severity of property taxes are looked at and changes are made. Boat, airplane, semi-trailers, and Manufacturing equipment are cut. Each of these cuts has raised house taxes. It is time for comprehensive reform not a piece meal approach. If Towns in fact pass on the increase to houses the proposed reduction in the amount of state Tax deduction is false and the \$21,000,000 in savings will need to be added back to the second year of the budget. Comprehensive reform must include a tax incident study to understand the economic impact of the action. While the Governor's proposal is well intentioned it will cause serious consequences. Towns stand ready to work with the State on real property tax reform. Please do not proceed with the elimination of Car taxes

Thank you for your time and attention.

John Elsesser, Town Manager

Town of Coventry