

Center for the Study of Economics

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Testimony supporting HB 5716 - March 1, 2013 – Joint Planning and Development Committee

Good morning Committee members and Chairs Senator Cassano and Representative Rojas. I am Joshua Vincent and serve as national director of the Center for the Study of Economics based in Philadelphia Pennsylvania. I am testifying today with our New England Regional Director Mark Speirs.

Speaking for the center, I support the passage of HB 5716 the intent of which is to provide flexibility in municipal taxation. In particular, we would hope that the final form of this Bill passed into law would provide a local permissive option for Connecticut cities and towns to adopt a flexible form of the property tax called land value taxation (known by the acronym LVT).

On several occasions in the past decade, LVT has been requested as an option by cities as disparate as Hartford, New London, Stamford and New Haven.

Now, more than ever, this option ought to be a part of a package to empower Connecticut's urban areas to maintain steady revenue flows and redesign their tax structures to untax buildings, future construction, and new renovations from the acknowledged disincentive effect of the property tax on improvements and yet maintain revenues by taxing land values.

Realities for Connecticut urban areas today can only lead to the conclusion that something must be done about the framework of municipal taxation:

1. State aid to cities has been declining since the mid-2000s. There is no realistic prospect of an increase, and the current state budget proposal appears to be a net loss to cities.
2. Postindustrial urban areas of Connecticut have yet to attract development and redevelopment without budget busting abatements and other subsidy programs.
3. The perverse incentives of the currently used property tax place intolerable tax burdens on homeowners, businesses and other productive land users while subsidizing private land banking and underwriting absenteeism and blight.

Unhappily, it is therefore little surprise that much market investment in real estate in jobs takes place in lower taxed jurisdictions.

LVT is a proven program; in the USA mostly in Pennsylvania, but also in hundreds of cities, counties, provinces and nations across the world.

Land value tax is accord with other incentive programs. The revenue outcomes of LVT comport with accepted rules of progressivity and ability to pay. Tax burdens are reduced significantly for the most at risk neighborhoods and homeowners. LVT has been proven to spur new construction in cities that use it.

If cities had the right to enact LVT, it would also reduce development pressure in our rural and suburban areas. Therefore, it is unsurprising that such diverse groups as the Connecticut Homebuilders Association, the Rivers Alliance of Connecticut, the Southeast Connecticut Sierra Club have supported LVT in the past.

Thank you very much for your consideration for HB5716.

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Jurisdictions that employ Land Value Taxation with Millage Rates as of January, 2013*

Jurisdiction	Land Tax Rate (mills)	Building Tax Rate (mills)	Tax Ratio	Aggregate Property Tax Rate (mills)	Year Established
Aliquippa School Dist.	188.000	29.500	6.3729	60.530	1993
Aliquippa City	81.000	11.400	7.1053	24.900	1988
Allentown City	50.380	10.720	4.6996	17.520	1997
Altoona City	369.015	0.0	369.015	47.84	2002
Clairton City	33.000	3.5	9.5	7.500	1989
Clairton School Dist.	75.000	3.100	24.1935	22.000	2006
DuBois City	82.000	2.000	44	18.370	1991
Duquesne City	18.50	11.5	1.61	10.3	1985
Ebensburg Borough	25.00	7.500	3.33	10.500	2000
Harrisburg City	30.97	5.16	6.0	9.630	1975
Lock Haven City	22.16	4.55	4.9	7.58	1991
McKeesport City	16.500	4.260	3.8732	7.000	1980
New Castle City	26.497	7.792	3.40	11.18	1982
Pittsburgh Bus. District	4.374	0	4.374	N/A	1997
Scranton City	92.2636	20.065	4.6	28.500	1913
Titusville City	53.510	13.35	4.0082	18.333	1990
Washington City	100.630	3.500	28.7514	21.620	1985

Source: PA Department of Community and Economic Development www.newpa.com

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Good morning Committee members and Chairs Senator Cassano and Representative Rojas. I am Mark Speirs, I reside at 59 W Washington St. in Bristol, CT, and I am the New England Regional Director of the Center for the Study of Economics.

Speaking as a Connecticut resident, I support the passage of HB 5716. Recently, much uncertainty has developed surrounding the Governor's budget as well as uncertainty of the continuation of state and other revenue streams that municipalities have previously depended on. Because of this uncertainty, I believe local municipalities need to be given more flexibility in how they can structure their property taxes. I think this flexibility will allow the elected officials to be better able to address the issues and concerns of their citizens.

One of the options I would like to see written into this Bill would allow for a flexible form of property taxation called land value taxation.

In my 2 years living in Connecticut I have had the opportunity to pass through much of the state and its towns. Having a background in construction, I appreciate the beautiful old housing stock and scenic New England downtowns. As a builder I realize that the skills and craftsmanship necessary to create these wonderful downtowns and neighborhoods can no longer be found. Because of this I strongly favor any action that will protect and bring investment into these crucial areas of Connecticut, and the land value tax has been shown to do just that, both in Pennsylvania and elsewhere.

In the last decade, there has been quite a bit of interest shown in land value taxation in Connecticut, both at the state and town level. I believe that as more people become familiar with land value taxation and its benefits, that this interest will continue to grow. Many of the larger towns such as Hartford, New Haven, and Bridgeport, would benefit from the reduction in taxes on improvements and buildings that a land value tax brings. Smaller towns would also benefit, targeting a land value tax at the areas where they want construction, drawing development into those areas and away from those areas they want to protect. In addition, a land value tax can do this without the need to use government resources to manage these programs, such as abatements or enterprise zones require. Because of these reasons, I believe having a land value tax option in HB5716 would be beneficial to the citizens of Connecticut.

Thank you very much for reading my testimony.

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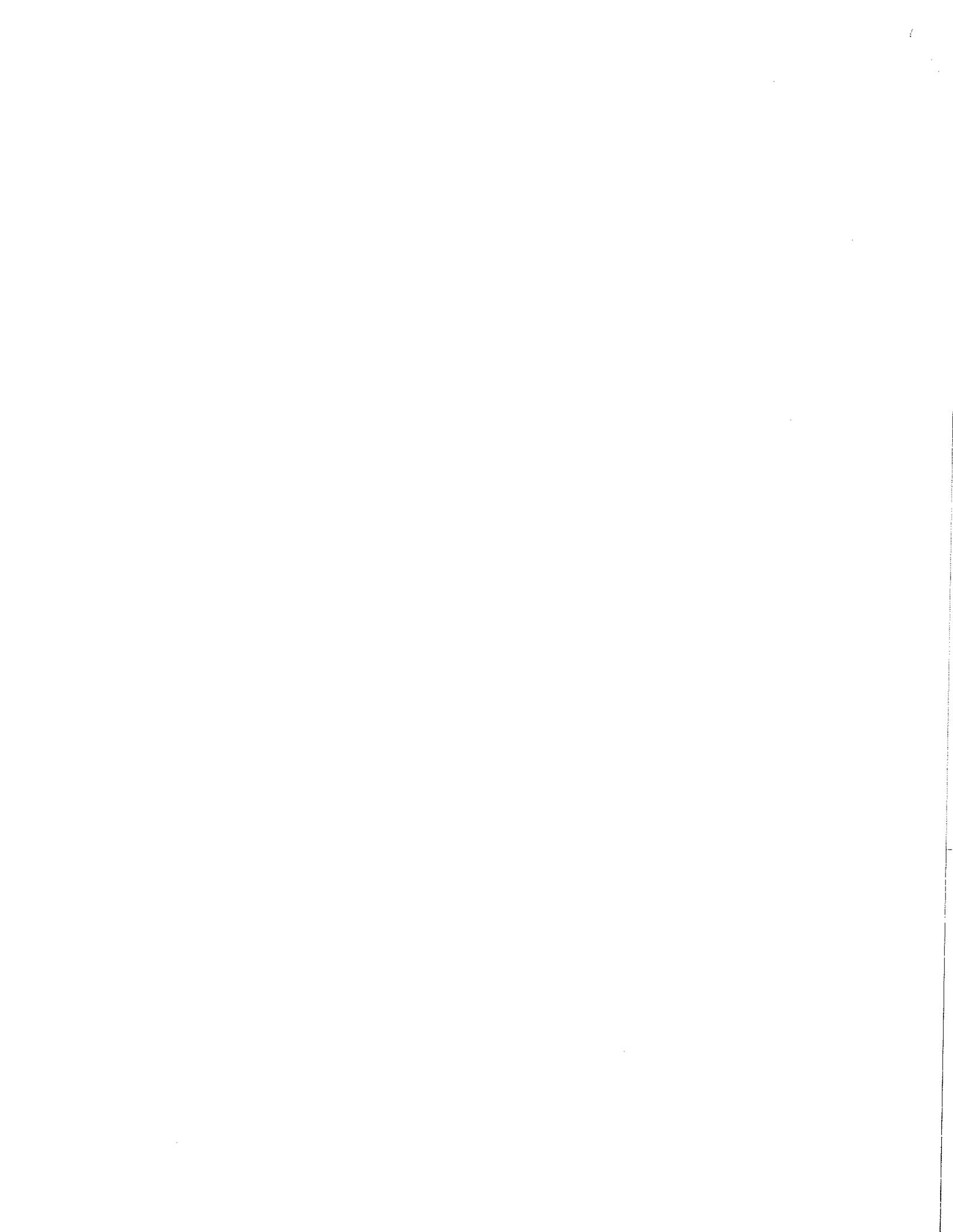
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Empty or Vacant Properties and Lots in Hartford

The map below shows Hartford's vacant and empty lots and their assessed worth (these are strictly vacant lots and do not include empty or abandoned buildings. These would constitute another large part of Hartford's land stock). A land value tax would give a tax incentive to develop these lots, bringing the property into productive use, and improving the neighborhood and benefitting Hartford as a whole.

