



# OLR RESEARCH REPORT

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2013-R-0434

## **PROPERTY TAX REFORM RECOMMENDATIONS AND POLICY OPTIONS**

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You asked for a table that summarizes and compares the (1) 2003 Blue Ribbon Commission on Property Tax Burdens and Smart Growth Incentives' property tax recommendations and (2) 2006 Program Review and Investigations (PRI) Committee's *Connecticut Tax System* report's property tax recommendations and policy options.

Table 1 briefly summarizes the commission's recommendations and committee's recommendations and policy options and organizes them according to six general categories: state funding, assessment reforms, tax relief, revenue diversification, fiscal controls, and accountability. It includes the (1) Blue Ribbon Commission's 11 recommendations and (2) PRI Committee's three recommendations and 11 policy options pertaining to property taxes. Both reports included other recommendations that we exclude for purposes of this report. The Blue Ribbon Commission's report included recommendations on smart growth, while the PRI study included recommendations and policy options concerning the state tax system.

**Table 1: Summary of Blue Ribbon Commission and PRI Tax Study Recommendations and Policy Options**

	<i>Blue Ribbon Commission on Property Tax Burdens and Smart Growth Incentives: Recommendations</i>	<i>PRI's Connecticut Tax System Study: Recommendations* and Policy Options</i>
<b>STATE FUNDING</b>	<ul style="list-style-type: none"> <li>• Fully fund a modified Educational Cost Sharing (ECS) grant</li> <li>• Modify the ECS formula to better balance income and property wealth</li> <li>• Increase state aid for education so each municipality receives at least 50% of its minimum expenditure requirement</li> <li>• Reimburse each town for at least 50% of special education costs</li> <li>• Fully fund payment in lieu of taxes (PILOT) programs to reimburse municipalities for real and personal property tax loss due to state-mandated tax exemptions</li> </ul>	<ul style="list-style-type: none"> <li>• Increase state grant funding to municipalities by:               <ul style="list-style-type: none"> <li>○ fully funding the ECS grant</li> <li>○ fully funding formula grants, including PILOT</li> <li>○ increasing the statutory percentage of reimbursement for PILOT to better reflect the amount of revenue lost due to tax-exempt property</li> </ul> </li> <li>• Remove barriers to increased state grants to municipalities by revising the state's spending cap calculation or earmarking revenues</li> <li>• Reduce reliance on the property tax to 33% to 35% of all tax revenues in a 3 to 5 year phase-in period by increasing state funding to municipalities</li> <li>• <i>Require the Connecticut Advisory Commission on Intergovernmental Relations to periodically identify and describe municipal mandates, quantify the cost of major mandates, and determine the effect of eliminating or reducing them</i></li> </ul>
<b>ASSESSMENT REFORMS</b>	None	Require the Office of Policy and Management (OPM) or a special task force to examine property tax exemptions for nonprofit organizations
<b>TAX RELIEF</b>	None	<ul style="list-style-type: none"> <li>• Eliminate or modify the property tax credit against the income tax and redirect the funds to expand the circuit breaker program</li> <li>• Create a state-funded property tax deferral program for Connecticut residents whose property tax liability exceeds a certain percentage of their income</li> <li>• Create a single property tax rate for motor vehicles set at (1) the median rate across towns (with the state making up town revenue loss) or (2) a revenue neutral rate (with a redistribution mechanism across towns)</li> <li>• Reduce or eliminate the tax on manufacturer's machinery and equipment</li> </ul>
<b>REVENUE DIVERSIFICATION</b>	Allow municipalities to collect and retain local revenue other than property taxes, including locally generated sales and hotel taxes (sales tax sharing should be regional)	<ul style="list-style-type: none"> <li>• Expand the taxing authority of local governments to levy an income or sales tax</li> <li>• Earmark a portion of state sales tax revenue to (1) targeted municipalities or (2) each of the state's planning regions (regional approach could be combined with an incentive program to regionalize municipal services)</li> </ul>

Table 1: -Continued-

	<i>Blue Ribbon Commission on Property Tax Burdens and Smart Growth Incentives: Recommendations</i>	<i>PRI's Connecticut Tax System Study: Recommendations* and Policy Options</i>
<b>FISCAL CONTROLS</b>	<ul style="list-style-type: none"> <li>• Increase municipal fiscal accountability and ensure reduced property taxes in return for increased state aid</li> <li>• Implement a temporary cap on municipal spending increases at an annual rate of 2.5% or inflation, whichever is greater</li> <li>• Establish financial triggers for state financial oversight of municipalities</li> <li>• Give regional authorities, such as councils of governments, greater authority; allow them to negotiate regional master teacher contracts</li> <li>• Give local legislative bodies more control over local education budgets</li> </ul>	<ul style="list-style-type: none"> <li>• Require municipalities to enact a local tax and expenditure limitation (e.g., a tax rate, assessment, or expenditure limit; revenue roll back; or tax freeze)</li> </ul>
<b>ACCOUNTABILITY</b>	None	<ul style="list-style-type: none"> <li>• <i>Require the Department of Revenue Services to include in its annual report information on total annual property tax collections for the most current five-year period</i></li> <li>• <i>Require OPM to include in its municipal fiscal indicators report trends in local property values and taxes, including measures indicating the accuracy and uniformity of local revaluations</i></li> </ul>

\* PRI's recommendations are in italics.

**HYPERLINKS**

Blue Ribbon Commission on Property Tax Burdens and Smart Growth Incentives report, October 2003,  
<http://www.cga.ct.gov/pd/FullBlueRibbonCommissionReportFinal.pdf>,  
 last visited November 20, 2013.

PRI's *Connecticut Tax System*, January 2006,  
[http://www.cga.ct.gov/2005/pridata/Studies/pdf/CT\\_Tax\\_System\\_Final\\_Report.pdf](http://www.cga.ct.gov/2005/pridata/Studies/pdf/CT_Tax_System_Final_Report.pdf), last visited November 20, 2013.

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