



CCM 2015 Testimony

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PLANNING AND DEVELOPMENT COMMITTEE

March 6, 2015

The Connecticut Conference of Municipalities (CCM) is Connecticut’s statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent 156 towns and cities and over 96% of Connecticut’s population. We appreciate the opportunity to testify on bills of interest to towns and cities.

HB 5878, “An Act Expanding Municipal Revenue Streams”

CCM supports HB 5878 which would allow towns to raise revenue through the imposition of fees such as but not limited to a 10% increase in the hotel tax, public parking facility surcharge and truck permits for port cities to.

This important proposal would begin to put towns and cities on the road to economic security and less dependence on state aid. It would benefit property tax burdened communities -- without adversely impact the hospitality industry. CCM is unaware of any compelling evidence that portends harm to the hotel industry.

It should be noted that, according to the Office of Legislative Research (OLR), in the Northeast, Massachusetts, New Jersey, New York, Pennsylvania, Rhode Island, Vermont allow some form of local hotel taxes:

OLR STUDY (2008-R-0695) HOTEL TAX RATES IN NINE NORTHEASTERN STATES

	Hotel Tax Rate	Hotel Tax Rate
	(State)	(Local)
Connecticut	12%	No tax
Maine	7%	No tax
Massachusetts	5. 7%	Up to 4%
New Hampshire	8%	No tax
New Jersey	12%	Up to 3%
New York	4%	Up to 5%
Pennsylvania	6%	1%
Rhode Island	12%	1%
Vermont	9%	1%

As the Committee well knows, the State faces a current deficit of \$1.3 billion, and a deficit for the next biennium of up to \$1.4 billion. Clearly, the State is continually hard-pressed to provide towns with sufficient state aid to survive the financial crisis.

Connecticut towns and cities have been making uncomfortable budget cuts and are making preparations for additional cuts. The situation is even more dire for Connecticut's central cities as they continue to be pressed financially to meet the needs of their residents. Cuts in services and layoffs have occurred in these communities – with more cuts and layoffs to come without state action.

The ability of towns and cities to raise revenues beyond the property tax by enacting a modest increase in the hotel tax will provide much-needed assistance to municipalities – and regions. Let's be honest: much of it will be paid by non-Connecticut residents.

Property Tax Dependence

Connecticut statutes dictate that towns and cities are dependent on one tax — the property tax — for the vast majority of their revenue. But it's been clear for years that the property tax can no longer carry the burden by itself — it is a regressive tax that is not adequate for the task of funding local government services in the 21st Century.

In early America, the property tax made sense as a proxy for wealth. The people in town with the most property, case anymore. People on fixed or slowly growing incomes own homes whose value has risen significantly since they purchased the property. Their property taxes rose with the increased values. The property tax, however, is income blind. Your property tax liability has no relation to how much you earn or whether you've lost your job and life savings — you just have to pay it.

What worked in 1810 doesn't work in 2015.

Connecticut is more dependent on property taxes to fund local government than any other state in the nation. It also is the 2nd most dependent on property taxes to fund education. That means that the educational opportunity a child has is directly tied to the property tax wealth of the community in which he or she lives.

The property tax in Connecticut is the largest single tax on residents and businesses in our state. Overall, property taxes account for more than 40% of all state and local taxes paid in our state. Property taxes are the biggest tax burden placed on local businesses.

Statewide, 69% of municipal revenue comes from property taxes. Most of the rest, 23%, comes from state aid. Some Connecticut municipalities are almost totally dependent on property taxes to fund local government. Nine towns depend on property taxes for at least 90% of all their revenue. Another 48 municipalities rely on property taxes for at least 80% of their revenue.

Municipal aid from the State isn't increasing any time soon. The General Assembly has heretofore refused to enact significant mandates relief. That leaves local revenues. Unless additional local revenue sources are created, failure to provide municipal aid and real mandate relief is a policy choice by the General Assembly to increase property taxes.

Most States Allow Local Revenue Diversity

Only 15 states allow municipalities just the property tax.

- ▶ **23 states** allow at least some municipalities to levy both **property and sales taxes**
- ▶ **6 states** allow at least some municipalities to levy both **property and income taxes**, and
- ▶ **5 states** allow at least some municipalities to levy all three — **property, sales and income taxes**.

In 2015, more than any previous year, local officials need and want tools and flexibility to 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.

CCM urges you to draft and favorably report HB 5878.



If you have any questions, please contact Randy Collins, Senior Legislative Associate, at rcollins@ccm-ct.org or (860 707-6446).