



FINANCE REVENUE & BONDING COMMITTEE

February 26, 2016

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 over 96% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

HB 5047, "An Act Concerning Exemptions under the Property Tax"

My name is Edmond Mone, I am the First Selectman for the town of Thomaston, and a member of CCM.

CCM **opposes** HB 5047.

The bill would exempt business personal property with a total value of less than \$10,000 from the property tax. This would **create another unfunded mandate on towns and cities in addition to the 76 current unfunded mandated property tax emptions** (see attached). This proposal would further increase pressure on already tight local budgets. Furthermore, the property tax relief offered in this bill to a select few would simply result in a shift to other local taxpayers, rather than provide meaningful relief.

In the Town of Thomaston, the proposed legislation would **reduce the personal property tax portion of our grand list by 3% which equates to revenue loss of \$36,253.81**. While on its face this may appear to be an insignificant number, however understand that this represents the annual salary of one full time staff person in our Town Hall, staff that is available to service resident needs on a daily basis. Additionally, when combined with the **\$35,223 reductions in PILOT, ECS and school transportation funding** in the recent deficit mitigation bills, these "insignificant" amounts become increasingly meaningful to towns and cities alike.

The Department of Revenue Services recently issued a report which clearly concludes: the property tax is the most burdensome and regressive tax paid by residents and businesses.

Further:

- *Many of the cities and towns facing cuts are among the poorest communities in the country.* They face many challenges: extremely high unemployment, crime, shrinking grand lists, poverty and educational disparities. They suffer disproportionately from our property tax system. Such communities bear a disproportionate burden when it comes to providing services for Connecticut's neediest residents. At the same time, many are regional hubs for economic development, culture and emergency care.

- Although CCM appreciates flat-funding of major grants, after a brief increase, largely due to temporary revenue sharing, the amount of non-education aid provided to towns and cities is set to *decrease*.
- *Education funding is significantly underfunded*. The ECS grant remains underfunded by more than \$600 million -- and special-education costs continue to rise while state reimbursement of those costs has been flat.

CCM urges the Committee to consider:

- Property taxes are the primary source of revenue for financing local services in Connecticut. When individuals work in or visit hospitals, attend or work in colleges, visit museums, or attend concerts, they take advantage of the services of a host municipality. Patrons, workers, and the tax-exempt institutions enjoy police protection, use of roads and sidewalks, garbage collection, sewerage, and the entire range of services funded from local property taxes. But, because of state-mandated exemptions, no property tax dollars are available from these institutions to finance the local services that support them.
- When the State provides less than 100% reimbursement for the loss in revenue that results from these property tax exemptions, residents and businesses in the municipalities where these exempt properties are located must pay for (subsidize) the services used by others.
- Because all state residents benefit in one way or another from the existence of tax-exempt institutions and from the services provided by their host municipalities to support them, all state residents should share the cost burden. State reimbursement for these exemptions -- funded from the many sources of revenue paid to the State by individuals and businesses -- is the appropriate mechanism for ensuring that host municipalities, and their residential and business property taxpayers, are made whole.
- The cities of Bridgeport, Hartford and New Haven account for one-third of the value of all exempt private colleges and hospitals in the state. In Hartford, for example, if the PILOTs for state-owned property and private colleges and hospitals were fully funded, property taxes on homeowners and businesses could be reduced by 10%.

CCM understands the pressure the state budget is under, and asks that General Assembly understand that those pressures are being played out in 169 towns and cities. The imposition of a new and unfunded mandate no matter how well intended simply cannot be shouldered by our municipalities and their residents.

CCM urges the committee to **oppose** HB 5044.



If you have any questions, please contact Randy Collins, Advocacy Manager of CCM at rcollins@ccm-ct.org or (860) 707-6446.

STATE MANDATED PROPERTY TAX EXEMPTIONS

Every year there are many well-intentioned proposals to reduce the property tax burden of one group or another. Everybody wants out of the property tax – but peeling off one group after another is not reform. Again, these would only serve to shift the burden of those taxes to the remaining property owners of a given municipality.

Currently, there are close to two-dozen opportunities for property tax abatement at municipal option and **76 mandated ones** (see below).

In an economy where local officials are struggling to sustain critical services – amidst growing deficits, evaporating revenues, and layoffs – this bill would negatively impact hometown budgets. Towns and cities have already suffered significant cuts in state aid over the last several years and the State is currently grappling with a huge deficits. This is not the time for enacting any new unfunded mandates, no matter what the reason.

The following property is exempt from taxation per Connecticut General Statutes (C.G.S. §12-81):

1. Property of the United States
2. State property, reservation land held in trust by the state for an Indian tribe.
3. County Property (repealed).
4. Municipal Property.
5. Property held by trustees for public purposes.
6. Property of volunteer fire companies and property devoted to public use.
7. Property used for scientific, educational, literary, historical or charitable purposes.
8. College property.
9. Personal property loaned to tax-exempt educational institutions
10. Property belonging to agricultural or horticultural societies.
11. Property held for cemetery use.
12. Personal property of religious organizations devoted to religious or charitable use.
13. Houses of religious worship.
14. Property of religious organizations used for certain purposes.
15. Houses used by officiating clergymen as dwellings.
16. Hospitals and sanatoriums.
17. Blind persons.
18. Property of veterans' organizations.
 - a. Property of bona fide war veterans' organization.
 - b. Property of the Grand Army the Republic.
19. Veteran's exemptions.
20. Servicemen and veterans having disability ratings.
21. Disabled veterans with severe disability.
 - a. Disabilities.
 - b. Exemptions hereunder additional to others. Surviving spouse's rights.
 - c. Municipal option to allow total exemption for residence with respect to which veteran has received assistance for special housing under Title 38 of the United States Code.
22. Surviving spouse or minor child of serviceman or veteran.
23. Serviceman's surviving spouse receiving federal benefits.
24. Surviving spouse and minor child of veteran receiving compensation from Veteran's Administration.

25. Surviving parent of deceased serviceman or veteran.
26. Parents of veterans.
27. Property of Grand Army Posts.
28. Property of United States Army instructors.
29. Property of the American National Red Cross.
30. Fuel and provisions.
31. Household furniture.
32. Private libraries.
33. Musical instruments.
34. Watches and jewelry.
35. Wearing apparel.
36. Commercial fishing apparatus.
37. Mechanic's tools.
38. Farming tools.
39. Farm produce.
40. Sheep, goats, and swine.
41. Dairy and beef cattle and oxen.
42. Poultry.
43. Cash.
44. Nursery products.
45. Property of units of Connecticut National Guard.
46. Watercraft owned by non-residents (repealed).
47. Carriages, wagons, and bicycles.
48. Airport improvements.
49. Nonprofit camps or recreational facilities for charitable purposes.
50. Exemption of manufacturers' inventories.
51. Water pollution control structures and equipment exempt.
52. Structures and equipment for air pollution control.
53. Motor vehicle of servicemen.
54. Wholesale and retail business inventory.
55. Property of totally disabled persons.
56. Solar energy systems.
57. Class I renewable energy sources and hydropower facilities.
58. Property leased to a charitable, religious, or nonprofit organization.
59. Manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
60. Machinery and equipment in a manufacturing facility in a distressed municipality, targeted investment community, or enterprise zone.
61. Vessels used primarily for commercial fishing.
62. Passive solar energy systems.
63. Solar energy electricity generating and cogeneration systems.
64. Vessels.
65. Vanpool vehicles.
66. Motor vehicles leased to state agencies.
67. Beach property belonging to or held in trust for cities.
68. Any livestock used in farming or any horse or pony assessed at less than \$1000.
69. Property of the Metropolitan Transportation Authority.
70. Manufacturing and equipment acquired as part of a technological upgrading of a manufacturing process in a distressed municipality or targeted investment community.
71. Any motor vehicle owned by a member of an indigenous Indian tribe or their spouse, and garaged on the reservation of the tribe (PA 89-368)

72. New machinery and equipment, applicable only in the five full assessment years following acquisition.
73. Temporary devices or structures for seasonal production, storage, or protection of plants or plant material.
74. Certain vehicles used to transport freight for hire.
75. Certain health care institutions.
76. New machinery and equipment for biotechnology, after assessment year 2011.
Real Property of any Regional Council or Agency