



Betsy Gara
Executive Director
Connecticut Council of Small Towns
Before the Finance, Revenue & Bonding Committee
March 22, 2016

Re: SB-466 - AN ACT CONCERNING PROPERTY TAXES AND PAYMENTS IN LIEU OF PROPERTY TAXES.

Motor Vehicle Tax Cap – Revaluation Issue

The Connecticut Council of Small Towns respectfully requests that a minor revision be made to the provisions regarding the motor vehicle tax cap to address concerns regarding towns that were required to conduct revaluations when the tax cap provisions were implemented.

It is our understanding that towns that lost revenues due to the motor vehicle tax cap would receive reimbursement under the Municipal Revenue Sharing Account to keep them whole.

Under the statute adopted last year, the base year for determining if you are above or below the cap is FY 14-15. Towns like Tolland and Coventry were below the cap. However, towns required to perform revaluation at a time when housing market prices declined, saw declines in their grand lists, causing significant increases in the mill rates.

As drafted, however, the statute does not ensure that these towns will be fully reimbursed for lost revenues associated with the motor vehicle tax cap because of the base year that is used. Towns should not be penalized for performing a state mandated revaluation. The base year should be considered 2015-16 for any town required to perform a revaluation to ensure that the town is made whole under the MRSA reimbursement.

Attached is suggested language which makes a minor adjustment to the statute to ensure that towns that had to perform revaluations in 2015 are not unfairly penalized. Failure to address this issue will result in a significant loss of revenue for these towns.

Municipal Spending Cap

COST members identified the elimination of the Municipal Spending Cap as one of their top priorities this legislative session.

As constructed, the Municipal Spending Cap is unworkable. The exemptions are ill-defined and confusing. Instead of addressing concerns with the Municipal Spending Cap, SB-466 adds additional exemptions from the cap which raise more questions than answers.



The state and municipalities must work together to address the budget deficit in ways that do not undermine the ability of towns to meet the needs of residents. Municipalities are struggling to fund the delivery of core services – education, public safety, transportation and other infrastructure. The Municipal Spending Cap is simply adding to the burden of crafting a local budget that addresses the needs of these communities.

COST urges lawmakers to repeal or suspend the municipal spending cap at this time and work with municipal officials to craft balanced, reasonable solutions to the issues facing the state and municipalities.

MOTOR VEHICLE TAX CAP

PROPOSAL

Section 207(c) of Public Act 15-244, as amended by Public Act 15-5, June Special Session, is repealed and the following is substituted in lieu thereof:

(c) (1) For the fiscal year ending June 30, 2017, motor vehicle property tax grants to municipalities that impose mill rates greater than 32 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 32 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the assessment year commencing October 1, 2015^[13], and the amount such levy would have been if the mill rate on motor vehicles for said assessment year was 32 mills; and (2) for the fiscal year ending June 30, 2018, and each fiscal year thereafter, motor vehicle property tax grants to municipalities that impose mill rates greater than 29.36 mills or that, when combined with the mill rate of any district located within the municipality, impose mill rates greater than 29.36 mills, shall be made in an amount equal to the difference between the amount of property taxes levied by the municipality and any district located within the municipality on motor vehicles for the current assessment year [commencing October 1, 2013] and the amount such levy would have been if the mill rate on motor vehicles for said assessment year was 29.36 mills. Not later than fifteen calendar days after receiving a property tax grant pursuant to this section, the municipality shall disburse to any district located within the municipality the amount of any such property tax grant that is attributable to the district.