



Testimony to the Finance, Revenue and Bonding Committee Regarding:

S.B. No. 475 AN ACT INCREASING THE SALES TAX RATE AND DEDICATING THE ADDITIONAL REVENUE TO MUNICIPALITIES

HB 6032 AN ACT REQUIRING A STUDY OF MUNICIPAL RETENTION OF A PORTION OF THE REVENUE GENERATED BY THE SALE AND USE OF TAXES ON HOTEL AND LODGING HOUSES.

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Good afternoon Senator Fonfara and Representative Rojas and distinguished members of the Finance, Revenue and Bonding Committee. My name is Thomas Madden and I am the Director of Economic Development for the city of Stamford.

I am here to speak on two issues before the committee today, the first on S.B. 475 and second, in support for HB 6032.

On the first issue, the S.B. 475 proposes to “increase the sales tax rate by one-half percent, with the revenue generated by the additional one half per cent to be returned to the municipalities in which the sales take place, except that for sales occurring at retail establishments located in large regional shopping malls, the revenue generated by the additional one-half per cent that is attributable to such sales shall be distributed as follows: (1) Sixty per cent distributed to the municipality or municipalities in which the shopping mall is located, and (2) forty per cent distributed on a per capita basis to the municipality or municipalities contiguous to the municipality or municipalities in which the shopping mall is located.”

Most states collect sales taxes, and rebate a portion of taxes back to cities based upon where they were generated. Our state, Connecticut, keeps 100 percent of the sales tax. According to revenue numbers from Department of Revenue Services in 2018, Sales & Use Tax was \$4.2 billion or 23 percent of the State budget.

Looking at the surrounding states bordering Connecticut, New York has a 4.00% sales tax while cities are allowed to collect a local-option sales tax that ranges from 0.00% to 4.875% across the state. This means if you shop in Yonkers, New Rochelle, White Plains or Mt Vernon, you are paying a sales tax of 8.375% to 8.875%. Rhode Island and Massachusetts have state sales tax of 7.00%, and 6.25% respectively and do not allow local governments to collect a local sales tax. New Jersey has a statewide sales tax rate of 6.625%. As we know, here in Connecticut the state sales tax is 6.35%, and the State does not allow local governments to collect a local sales tax.

The proposed legislation is a step forward in reducing the property tax burden in local municipalities, while address a way to capture tax revenue from nonresidents that enjoy the conveniences and services offered in a particular municipality.

There are several questions that will need to be addressed in the disbursement calculations of the legislation.

1) With the proposed changes to the sales tax, will this decrease current transfer payments from the State or will it be in addition to current levels of funding?

2) As Stamford has a large regional mall, the proposed forty per cent distributed on a per capita basis to the municipality or municipalities contiguous to the municipality or municipalities in which the shopping mall is located seems unfair for the municipality that has the mall. The influx of people shopping at the mall cause additional costs on the municipality (i.e. road repair, police and medical services, proper firefighting apparatus and training, etc.). The current language would have a portion of the sales tax from the Stamford Town Center going to Greenwich, New Canaan and Darien. While the new Norwalk mall would see a portion of the sales tax go to New Canaan, Darien and Westport. The question I ask, is this a fair disbursement?

I applaud the State for taking steps to help municipalities reduce overall property tax burden on residents by increasing the sales tax and having this new portion come back to the municipality.

On the second issue of HB 6032, to require a study of allowing municipalities to retain a portion of the hotel and lodging house occupancy tax revenue generated by hotels and lodging houses located in the municipality, the City of Stamford supports this study.

Most states collect this tax and rebate either all or a portion back to the municipal government from where the monies were generated. Before the hotel tax was swept into the State's general fund, the city of Stamford would receive over a \$1 Million to be use for arts and cultural activities and to help with marketing for economic development purposes. As a city that boast over 2,700 hotels rooms with a 72% occupancy rate, this would generate significant revenues for the city that could be used for economic development.

I have several questions;

1) Will the study look at caveats that the money is to be used for economic development and marketing purposes?

2) Will the study look at the impact from an increase or decreasing in funding for groups such as the Connecticut Convention and Sports Bureau, which help fill the hotel rooms in the State, if the municipalities receive a share of the tax proceeds?

I thank you for your time and consideration of our request.