

# Finance, Revenue and Bonding Committee JOINT FAVORABLE REPORT

**Bill No.:** SB-1141

**Title:** AN ACT CONCERNING PROPERTY TAX REFORM.

**Vote Date:** 5/1/2019

**Vote Action:** Joint Favorable Substitute

**PH Date:** 4/29/2019

**File No.:**

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## **SPONSORS OF BILL:**

Finance, Revenue, and Bonding Committee

## **REASONS FOR BILL:**

To provide grant funding for municipal programs based on the municipality's fiscal capacities, as well as provide property tax relief to tax payers investing in commercial and industrial properties.

## **RESPONSE FROM ADMINISTRATION/AGENCY:**

None Expressed.

## **NATURE AND SOURCES OF SUPPORT:**

### [Lisa Hammersley, Deputy Executive Director, Connecticut School Finance Project](#)

states that the association supports the bill, especially the clause on using a needs-capacity formula to distribute non-education state aid to municipalities, as the testimony states that the current system simply does not support non-educational spending. Hammersley also addresses the issue of fiscal disparity and how resolving that issue is the critical path to fiscal stability for the state.

[Connecticut Conference of Municipalities](#) state that they support the intent of the bill, stating it would start the foundation for local revenue diversification while also reducing dependency from municipalities. However, CCM has concerns with some of the proposed language, specifically that which would direct revenues generated from the sales tax to roughly 60 municipalities trying to consolidate the fiscal deficit. CCM also offered these sentences in their testimony: "CCM's...release of our comprehensive report in 2017, [This Report is Different](#), which outline a new path forward for towns and cities. This report

highlighted that we cannot solve our ongoing fiscal crisis by relying exclusively on spending cuts or tax increases...[CCM's State and Local Partnership panel] offered recommendations that would enable towns and cities to: diversify local revenue; provide needed cost containment language; and encourage saving through increased regional collaboration." In the last three pages of the testimony, they include data regarding support for the bill for areas such as municipal revenue enhancement and diversification, Stormwater maintenance fees, and public safety and infrastructure benefit charge(s). In closing, they state that the insertion of local revenue diversification along with what is listed above for cost control will yield the most stable results in terms of building stronger fiscal foundations for municipalities.

#### **NATURE AND SOURCES OF OPPOSITION:**

[Kathleen Flaherty, Executive Director, CT Legal Rights Project](#) calls the rising sales tax regressive and notes its potential for disproportionate effects on the lower and middle income tiers. Flaherty suggests that this proposal simply might not be up to par, and recommends options offered from Connecticut Voices for Children, which include proposals like raising the marginal tax rate on the highest earners by 1%. Attached to the testimony were pie charts that advocated potential allocation of fixed costs versus discretionary spending.

[Betsy Gara, Executive Director, Connecticut Council of Small Towns](#) wrote in opposition to the bill on the basis that it does not solve the issue this state has with reliance on property taxes as funding for over 100 municipalities. Gara sheds concerns of residents that the increasing property taxes are diminishing the value of their homes.

[Paul Hopkins, Assistant Town Manager, Town of Killingly](#) found issue with Section 3 of the bill stating that it would be an unfunded mandate. Hopkins states that this bill creates an issue with tax credits if there are multiple investors in a property, and that this would create an "administrative hardship for local Cities/Towns."

[Scott, Shepard, Policy and Research Director, Yankee Institute for Public Policy](#) states that this proposal needs other components to make it worthwhile. One listed is making the sales-tax facility optional, and in exchange municipalities who use the option reduce their property taxes. Another point made is that the Institute opposes asset transfers from already deprived municipalities to government relief for mismanaged towns, unless those towns reform their problems on their own.

[John Chunis](#) suggests that the sales tax will ultimately hurt sales tax revenue, and references monies going from one town to be used in another city as a big reason why this state is the only one in the Northeast with a population decline.

**Reported by: Logan Cotter**

**Date: 05/08/2019**