

HARTFORD - It was a day when lawmakers tried to separate the potential winners from the prospective losers.

If the state property tax on privately owned vehicles were eliminated, would families who earn \$100,000 a year and have two pretty nice cars come out ahead? The answer seemed to be yes.

Would a single person who makes \$55,000 a year and owns one car do better or worse than now? Maybe worse.

After hours of debate in a General Assembly hearing room, the bottom line was that few lawmakers thought Gov. M. Jodi Rell's proposal to dump the car tax is perfect. But Republicans insisted that it's pretty good.

"We'd like to be in a win-win situation every time, but this is real property tax relief," said Sen. John McKinney, a Fairfield Republican whose district includes Newtown.

Here's the catch: Rell needs hundreds of millions of dollars to compensate cities and towns for lost car tax revenue. She would target money the state gets from Connecticut's two American Indian-owned casinos. And she would collect more in overall property tax revenues.

Rell wouldn't boost tax rates. Instead, she would get rid of a property tax break that can be worth \$400 this year to many residents. That tax credit is claimed on state income tax returns.

While every car owner pays the vehicle tax, not everyone gets the property tax credit. Many renters don't pay enough in property taxes to take the credit. Many wealthy people make too much money to take the credit.

Those groups would clearly come out ahead under Rell's plan. As for others? It's hard to tell.

Rell's proposal faced its first public hearing Monday in front of the Finance, Revenue and Bonding Committee, which approves tax policy. Democrats on the committee chided the proposal, called it a gimmick and said it favored the wealthy.

"The type of car one owns represents the socioeconomic status of an individual," said Rep. Carlo Leone, D-Stamford. "The owner of a Chevy Cavalier may or may not own a home. But the owner of a Mercedes-Benz in a wealthier town is not eligible for the property tax credit. I'm wary this will hit the middle class hard."

What's unfair is the current car tax, Robert Genuario, secretary of the Office of Policy and Management, told the committee. Because each town sets its own tax rate, Genuario said that the owner of a 2005 Mercedes Benz in Greenwich pays \$273 in car taxes, while the owner of a 2000 Cavalier in Waterbury pays \$278.

"Under Gov. Rell's proposal, no Connecticut resident will ever have to pay this regressive, frustrating tax again," Genuario said. "This would eliminate the tax on 2.2 million vehicles in the state."

The proposal would not get rid of the tax on commercial vehicles.

Any two-income, two-car family would come out ahead under the proposal, Genuario said. Also, families that make \$100,000 who pay an average of \$700 in car taxes and aren't eligible for the property tax credit would be big winners.

"Other folks won't do quite as well," he said. "If a single person with one car makes \$55,000 a year and pays just \$250 in car taxes, he would lose out on the \$350 property tax credit," Genuario conceded. "But under this proposal there is more tax relief generated to more people than under the circular tax credit system."

That's because far more people own a car than own a home, he said.

But even fellow Republicans have questions for the Rell administration. While the governor is promising she'll fully compensate cities and towns for lost property tax revenue, some local and state officials wonder if the state will keep its promise over the long haul. Sen. Andrew Roraback, a Goshen Republican whose district includes Brookfield and New Milford, supports the tax cut but wants assurances.

"Municipalities have to be protected against any future state retreat from its commitment," said Roraback, a member of the finance committee. "It would be fair to reserve the right for a municipality to reinstate the tax if we don't follow through on funding."

The casino money would be in a designated Casino Assistance Revenue fund, or CAR fund, dedicated to cities and towns, Rell said. That should give reasonable assurance that a future governor or legislature won't raid the money.

"If I could guarantee anything in the future, I would be more than the governor," Rell said. "The reason the CAR fund is not in the general fund is so the legislature can't automatically put it in the general fund."

One Democratic lawmaker questioned the governor's focus. Rep. Brendan Sharkey, D-Hamden, said the average person is concerned more about residential property taxes, "Only 8 percent of the property taxes collected are from the car tax. Two-thirds comes from residential property taxes," Sharkey said.

But taxpayers aren't making that distinction, because the money comes out of the same wallet, said Rep. Mary Ann Carson, R-New Fairfield, a finance committee member.

"People are not saying we will happily pay our car tax," Carson said. "People get two or three bills in their town. They want a reduction in what they pay, period."

Thus far, Democrats have criticized the elimination of the property tax credit, but have not opposed the elimination of the car tax, leaving some hope for at least a compromise bill.

Rell told reporters Monday she was optimistic and is open to working with Democrats. "As more people understand this, and who's affected, I believe they will see this is not a bad deal at all," Rell said.

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