

# **Manufacturing Machinery and Equipment and Commercial Motor Vehicle Property Tax Exemption and Municipal Payment-in-lieu of Tax Program**

## **(Office of Policy and Management)**

### Quality of Life Result to Which Program Contributes

The direct purpose of this program is to provide a partial payment-in-lieu-of-tax to municipalities to make up for lost local property tax revenue lost because of companies that qualify for statutorily created exemptions for certain aspects of the local property tax.

One indirect purpose is to help retain qualifying business entities within the State of Connecticut to retain or create jobs by creating a more friendly business climate through the use of local property tax exemptions. The other indirect purpose is to provide relief to other local property taxpayers by providing a payment to municipalities that reduces the need to raise the mill rate (and thereby the tax burden) on local taxpayers.

### Program's Contribution to Result

The underlying exemptions provide incentives for businesses to either remain in or relocate to Connecticut. The program provides a payment to towns to reimburse them for a portion of lost local property tax income, thereby stabilizing municipal revenue needs and helping to mitigate the size of local property tax increases.

### Partners

The most directly affected partners are the municipalities who receive the annual payment. Indirect partners include the companies who benefit from the underlying local property tax exemptions, employees of those companies who retain jobs or are hired, and local taxpayers, who may not be taxed as heavily as they might, if this program did not exist.

### Performance measures

There are three separate qualifying parts to this grant program: The historic Manufacturing Machinery & Equipment (MM&E) Program (CGS 12-94b - exemption in CGS 12-81(72)); the Supplemental MM&E Program (CGS 12-

94f) and the Commercial Motor Vehicle Program (CGS 12-94b - exemption in CGS12-81(74))

For each the chart below tabulates:

- 1) Number of municipalities and special taxing districts paid;
- 2) Number of Claims paid
- 3) Total dollar amount of claims paid
- 4) Average Claim Payment Size

<b>Performance Measure</b>	<b>Portion Of Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
# of municipalities & special taxing paid	Hist. MM&E	202	210	208
	Supp. MM&E	0*	175	193
	Comm. Mot. Veh	166	164	161
# of Claims Paid	Hist MM&E	3946	4029	4084
	Supp. MM&E	0*	2654	2939
	Comm Mot Veh	2480	2806	3360
Total \$ value of paid claims	Hist MM&E	47,276,010	41,996,523	36,979,240
	Supp MM&E	0*	8,099,204	16,528,988
	Comm Mot Veh	2,967,704	3,283,830	3,839,986
Average claim payment size	Hist MM&E	11,980.74	10,423.56	9,054.66
	Supp MM&E	0*	3,052.00	2,939.00
	Comm Mot Veh	1,196.65	1,170.29	1,142.85

\* No payments made as the Supplemental MM&E program did not exist during the FY 2007 payment year.

Measures will vary as appropriations are decreased or increased. As of FY 2010, all three programs are capped by the appropriation, prior to FY 2010, the Supplemental MM&E was not capped by the appropriation. Due to the varying nature of the amounts budgeted for this program, these measures are not accurate for any public policy purpose, except to tracking payments made.

#### Story Behind the Baseline

These measures were developed for historic payment tracking only and do not measure the effectiveness of the public policy behind the underlying exemptions created by the General Assembly. This agency does not have either the staff, nor does the dedicated staff have the necessary economic development expertise to create public policy measures; collect, review or analyze data required to

measure the effectiveness of the program in carrying out the public policy aspects of these underlying exemptions.

There are a number of issues with regard to this underlying data as the total amount of claims paid and average claim size will vary greatly, based on the annual appropriation.

Additionally, these two indicators will vary as the Historic program is phased out and the Supplemental program is phased in.

#### Proposed Actions to Correct Weaknesses of Measures

Additional funding will be required to fully reimburse municipalities for lost local property tax revenue. Additionally, if the General Assembly wishes to measure the effectiveness of this program in job retention or creation, staff with an economic; economic development and economic measurement background would have to be hired to design a model of data collection to measure effectiveness of this program.

Finally, even that analysis may be less than valuable, as Connecticut is one of only a few states in the northeast to tax business personal property.