State Tax Panel Meeting

May 12, 2015, 10:00 am in Room 2B
Minutes


Chairman Nickerson welcomed everyone and reiterated that staff was guiding the process but everyone was to weigh in how to procedurally move ahead and also share their ideas and concerns. Today we would go over the guiding principles and criteria.

Don Marchand spoke of Connecticut municipalities significant reliance on the property tax. He mentioned that local sales tax revenue should be considered. Another item he had concerns with was the administration of the tax system. He felt rates should follow the Federal system and then be adjusted for market forces. He feels that DRS should allow preponderance of evidence instead of burden of proof. Time periods to apply for refunds should also be adjusted. Bill Nickerson remarked that he did not feel that the second issue was within our purview but encouraged dialogue with Cmsr. Sullivan. Cmsr. Sullivan commented that our purview is whatever we deem it to be. He is happy to look at the issues, the policy reasons and discuss at any time. Don Marchand said they have spoken but disagree and he wants to look at fairness to the taxpayers and not just revenue for the State.

David Nee indicated that taxes are a cost we pay to live in a civil society. We have to look at fairness to the individual and municipalities. We need to look at the principle of vertical equity and look for solutions and not just off-load to municipalities. He also discussed adequate education and how that fits with revenue neutrality. Taxation feels like a strait jacket and we need to see if we want to be part of the education dialogue. Bill Nickerson responded that the criteria are set in the legislation that created the task force.
Ben Barnes stated that how we fund education is very expensive. Tax fairness is difficult to measure and we need to raise funds to provide all services that municipalities provide.

Marian Galbraith remarked that she was very concerned about the property tax and variables that occur whether burden is shifted to businesses or residents. This has led residents to vote against school funding in some municipalities. We need to attract businesses.

Cmsr. Sullivan responded that we need to look at what is raised and spent locally and also what goes back to the State.

John Elsesser spoke of the needs capacity gap report from PRI and the Boston Fed. We have to look at societal burdens and ability to pay. Under activity 16 of our schedule we should look at towns/cities that are efficient and those that are inefficient. Property tax ties into other sources of State money. We should look at the inter relation of credits and look at homestead exemptions.

Alan Clavette remarked that we need to look at what we will do related to predictability and stability with a long term view. We should look at what attracts people to stay as well as what causes them to leave. Tax expenditures are important and we need to broaden some taxes and make them less targeted.

Bill Nickerson indicated that we need to always be mindful as to why we are here? The policies have often been built session by session but we need a long term approach to see the shape of the policies.

David Nee wants to see our comments structured because now if you look at some they appear to be silly i.e. admissions tax some arenas not others. We need to build on the economic development engine that we in general have a good work force. We have to look at the cycle of poverty. We need to endorser collaborative behavior and search for equity in many dimensions.

Cmsr. Sullivan indicated that our agenda is very energetic with a long march to the end. We may not be able to do all that we set out to do. Where is the focus?

Lou Schatz remarked that the legislation tells us where we are headed to review the tax structure. We need to look at the extent and impact on business and consumer decision making. We have experts on this panel that should be allocated to assist the consultants.

Bill Nickerson indicated that is why we are looking at neutral principles and guideposts for staff. Second is the details as to how we look at the taxes.

Robert Ebel said that they would look at a fiscal sense, trends and demographics. The overarching framework in the handouts delineates principles as well as criteria.
Principles would include avoiding fiscal obsolescence, intergovernmental system, revenue diversification and tax mix, broad bases, low rates, public values, transparency, public accountability, and uniformity.

Criteria as described in the handout would be certainty and reliability on a tax by tax basis, economic efficiency (neutrality), equity (fairness), competitiveness, and simplicity. We may find that taxes are in conflict but we will supply options not recommendations.

**John Elsesser** questioned the difference between principles and criteria and hopes that we are not saying that principles have a higher weighting than the criteria.

**William Bell** responded that in his view principles describe the revenue system and its dependence on many factors. Criteria apply to possible options under the taxes.

**John Elsesser** reiterated that we need to see principles of evaluation and as we move forward does revenue neutrality have capacity for greater growth? Secondly we need to assist the Finance committee as to where they may need to look for sustained revenues.

**Ben Barnes** stated that public values should be explicit as they are often undermined by special tax treatments. This is tricky terrain and we should avoid it unless there is a compelling reason to do it. Credits and exemptions should be evaluated with a rigorous framework in a rational way.

**Melinda Agsten** questioned if we were talking about revenue neutrality in terms of efficiency versus being neutral when it is about private market decisions. Neutrality is broad with yield versus decisions. We need to look at the whole picture and not decision making by snapshot. Is the tax system driving the decision. When it all comes together does it look the way we want?

**Michael Bell** answered that we need to see if the system changes our behavior. If the taxes on the building are too high do we let it run down and pay less? We will take an analytical approach and assume all property is taxable, then look at PILOT, distribution implications as well as residential versus commercial.

**Cmsr. Sullivan** indicated that the world of taxation needs to be certain and reliable and be more dynamic to adapt to the ever changing world and keep pace with what is not what was.

**Alan Clavette** admitted that some members may have biases because they are tax practitioners but he sees the need for convenience of payment, economy of collection and reduction of any tax gap as critical.

**Bob Ebel** indicated that per the co-chairs they would be explicit in carrying out the analysis as taxes can distort economic behavior.
David Nee wanted to know the framework overall; regressive, progressive, or proportional.

Bill Dyson indicated that everyone would be heard and the terms were just being defined not indicative of any decision making. Results matter to him. In concert with Bob Ebel he said these are your criteria and overall direction would come from the panel.

Cmsr. Sullivan remarked that we need to share a common definition of each word as otherwise it is a political football. Progressive could be pay based upon ability to pay or at the other extreme just soak the wealthy.

Bill Nickerson stated that progressive versus regressive is in the eye of the beholder and it will be studied.

Sen Scott Frantz agreed with Bill Nickerson that it is a dynamic equation and we need to protect the tax base here and look at all characteristics.

Al Casella said that we may need to be progressive on some and regressive on others.

Bill Dyson indicated that residing on the other side of progressivity is regressive to him. However, we will function as a group where everyone will be heard and all thoughts will be considered.

Annika Singh Lemar questioned under the scope of study what had happened to sub-committees?

Mary Finnegan responded that initially there was a possibility of four sub-committees and members overwhelmingly wanted to serve on only two or did not choose at all. It was the consensus of the leaders to not break into official sub committees as that would slow the progress of the work with such an ambitious agenda and short timeframe.

The co-chairs indicated that anyone who wants to weigh in on topics would be given that opportunity. This could occur by e-mail or conference call and the members could be in working groups to assist the consultants.

Tiana Gianopulos asked how the papers would be assigned. The answer from the chairs and others was that areas of interest and original subcommittee choice would allow for input from members and non-member alike.

A motion was made by Bill Nickerson and seconded by Lou Schatz that we approve the Principles and Criteria as presented. The motion passed 11 yea-1nay (Don Marchand).
Bill Nickerson expressed his appreciation to the staff of OPM, DRS, OLR and OFA and the Comptroller for all their assistance to the consultants despite it being their busiest and most hectic time of session.

**Next Meeting is Wednesday, September 16, 2015 at 10:00 am in Room 2B. A public hearing will be held that same day from 4:00-8:00 pm in the same location.**

**Members were made aware of changes to the calendar. All meetings would start at 10:00 am not 9:30 as indicated on the calendar.**

The September 28th meeting was changed to September 30th at 10:00 am in Room 2B.

The meeting adjourned at 12:30 pm.

Respectfully submitted,

Mary E. Finnegan
Administrator, State Tax Panel