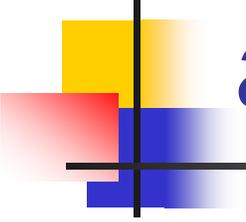


# Property Tax Review Commissions: 1969-2003

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Property Tax Cap Commission  
October 29, 2007

*Prepared by:  
Judith Lohman, Chief Analyst  
John Rappa, Principal Analyst  
Office Of Legislative Research*



# History of Tax Commissions and Task Forces

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- Eight commissions and task forces since 1969
  - Seven Legislative
  - One Executive
- Scope
  - Four examined property tax as part of broader state and local tax system
  - Two focused exclusively on property tax
  - Two examined how the property tax affected other issues and problems



# Differences in commission and task force charges

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- 1969 and 1972—leveraging federal dollars
- 1972
  - Capacity to fund municipal services
  - State business climate
- 1981—distribution of tax burden
- 1987—Assessment practices
- 1991 and 1995—system-wide analysis
- 1996—Taxes and urban development
- 2003—Property tax and development patterns



# General Recommendations

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- Assessment Reforms, including more revaluations (six commissions)
- Mandatory Restraints (two commissions)
- State Funding (six commissions)
- Tax Relief (four commissions)
- Revenue Diversification (four commissions)



# 1969 State Revenue Task Force

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- Authorization: SA 69-274
- Composition: 24 members appointed by governor and legislative leaders
- Chair: Chosen by task force
- Public Hearings: Yes
- Duration: One year (report filed August 15, 1970)



# Charge

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- Study common municipal fiscal problems:
  - Local tax structure
  - Impact of state and federal grants
  - Status of tax exempt property
  - Evaluate other ways to generate revenue for meeting long-term needs
- Study state finances:
  - Assess federal grants, programs, and policies
  - Examine current tax structure
  - Evaluate other ways to generate revenue for meeting long-term needs



# Recommendations

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## Assessments

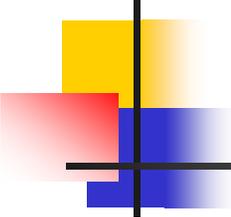
- Shift valuation function to State Tax Commission.
- Establish uniform statewide assessment ratio.
- Revalue property at least once every four years or sooner based on monitored changes in assessment/value ratio.
- Establish appraisal guidelines incorporating three conventional appraisal methods.
- State Funding
  - Increase PILOTs for state-owned property in large cities.
  - Increase PILOTs for state-owned property or authorize new local revenue sources.



# Recommendations, cont.

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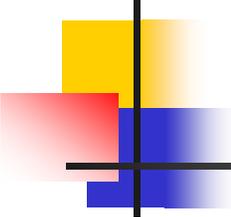
- Tax Exemptions
  - Tax otherwise exempted property if leased.
  - Impose user fees on privately owned exempted property.
  - Authorize partial recapture of 490 benefits when property is sold or transferred.
  - Make all mandated exemptions local option.



# 1972 Governor's Commission on Tax Reform

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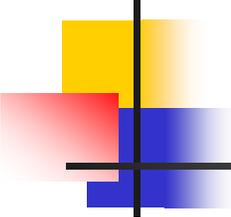
- Authorization: Executive Order 13
- Composition: 9 gubernatorially appointed members (five public, four private), plus six-member staff and eight consultants
- Chair: Private member appointed by governor
- Public Hearings: Yes
- Duration: Five months (report filed December 18, 1972)



# Charge

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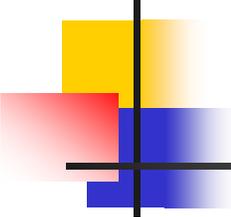
- Examine property tax system based on:
  - Constitutional issues raised by courts
  - Ability to fund cost of municipal services
  - Burden impose on property owners
- General revenue system
  - Analyze all existing and potential revenue sources and how they can leverage federal dollars
  - Determine the tax burden on different groups and sectors
- Determine how revenue system affects business climate and state's competitiveness



# Major Property Tax Recommendations

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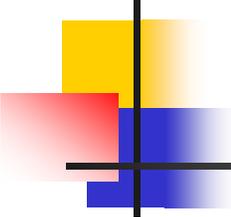
- Assessment
  - Establish uniform assessment year and assessment/value ratio.
  - Require five-year revaluations.
- Tax Relief
  - Adopt circuit breaker property tax relief method.
  - Phase out property tax on manufacturing machinery and equipment (MME) over 10 years .
- Other Funding Sources
  - Authorize user fees for certain tax-exempt property.



# Major Property Tax Recommendations, cont.

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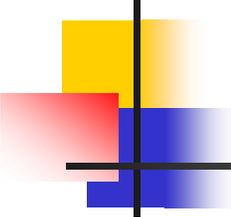
- State Funding
  - Tie increased funding for core cities to property tax reductions.
- Municipal Finance
  - Require towns to adopt uniform fiscal year.
  - Require referenda for budget increases over 3%.
  - Require education budget approval in same way as other department budgets.
  - Authorize local property tax system to finance schools.



# 1981 Property Tax Study Commission

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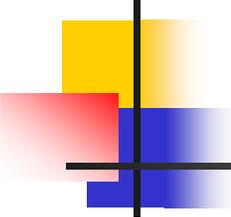
- Authorization: PA 80-321
- Composition: Finance, Revenue and Bonding Committee and six private experts appointed by legislative leaders
- Chair: Legislator co-chairs
- Public Hearings: Yes
- Duration: Six months (report filed March 1981)



# Charge

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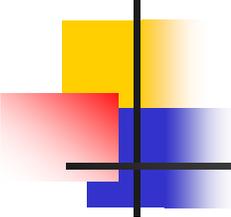
- Study distribution of property tax burden
  - Residential and nonresidential property
  - Impact on cities
  - Burden borne by commercial property
  - Relationship of property tax burden to other taxes and other local revenues



# Major Property Tax Recommendations

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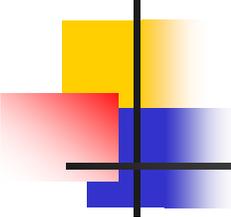
- Establish five-year statistical revaluations and more frequent revaluations based on changes in sales/assessment ratios.
- Extend circuit breakers to low-income households.
- Eliminate property tax on motor vehicles.
- Increase state aid to low-income communities.
- Full PILOT funding.



# 1987 Property Tax Assessment Task Force

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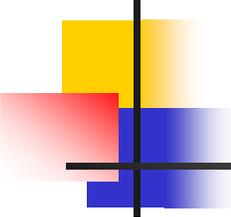
- Authorization: PA 87-1, July Special Session, as amended by PA 88-78
- Composition: 27 members, including legislators and private citizens
- Chair: Finance, Revenue and Bonding Committee co-chairs
- Public Hearings: No hearings
- Duration: 17 months (report filed January 1989)



# Charge

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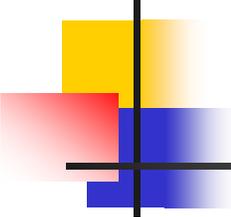
- Analyze how periodic revaluations affect homeowners, renters, and businesses.
- Consider ways to reduce revaluation impact on homeowners and renters, including through tax abatements, circuit breakers, and homestead exemptions.
- Review, assess, and make recommendations on commercial valuations.
- Assess use of more frequent revaluations.
- Consider adopting statewide mill rate for taxable personal property, including motor vehicles.



# Major Property Tax Recommendations

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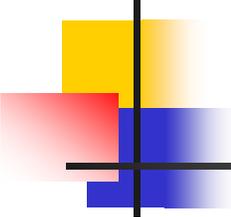
- Repeal motor vehicle property tax, but reimburse towns for revenue loss.
- Create statewide assessment board of appeals.
- Extend interest penalty for delinquent taxes to un- or under-reported personal property assessed at over \$50,000.
- Make personal property depreciation schedules statutory.



# 1991 State Tax Review Commission

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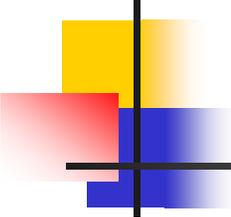
- Authorization: PA 91-3, June Special Session, as amended by PA 93-74.
- Composition: 10 members appointed by the governor and legislative leaders and five ex-officio members, including OPM secretary, Finance Committee co-chairs and ranking members, and revenue services commissioner.
- Chair: Chosen by commission
- Public hearings: No (invited speakers)
- Duration: 3 years (reports filed on December 17, 1992 and January 6, 1994)



# Charge

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- Evaluate entire tax system
- Recommend complete revision or partial revision eliminating direct taxes on income.



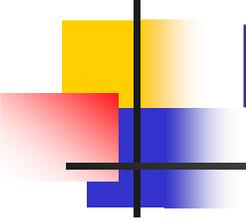
# Property Tax Recommendations – First Report

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No Consensus on property tax recommendations.  
Instead, report lists options for legislative  
consideration.

- Tax Relief

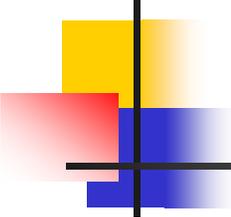
- Establish property tax credit against the income tax based on the taxpayer's income.
- Enhance use of property tax circuit breakers to limit overall property tax burdens to a taxpayer's ability to pay.
- Establish a state-reimbursed homestead exemption.



# Recommendations – First Report, cont.

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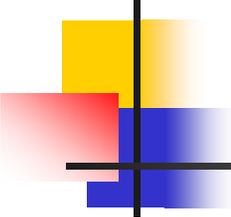
- State Funding
  - Provide unrestricted grants to high-tax municipalities that are phased out as effective tax rates decline.
  - Provide greater state support for PILOTs.
  - Require state to assume the cost of certain services provided by municipalities that serve a region or the state as a whole.
  
- Other Options
  - Require regional tax sharing among towns.
  - Reduce the categories of property eligible for property tax exemptions.



# Property Tax Recommendations – Second Report

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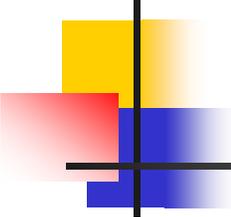
- Repeal property tax on commercial vehicles with an offsetting increase in registration fees.
- Use the revenue from higher registration fees to offset municipal revenue losses from the property tax repeal.



# 1995 Property Tax Reform Commission

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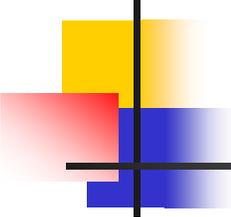
- Authorization: PA 94-4.
- Composition: 32 members appointed by the governor and legislative leaders.
- Chairs: Finance Committee House chair and ranking member.
- Public hearings: Yes
- Duration: By law, 3 years but the commission filed only one report (January 15, 1994).



# Charge

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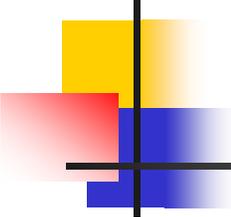
- Study and evaluate:
  - The real and personal property tax system, including possible alternative structures and procedures.
  - Methods of reducing property tax burdens.
  - Alternative revenue sources to replace lost municipal revenue.
  - Method of administering and collecting property taxes.



# Major Property Tax Recommendations

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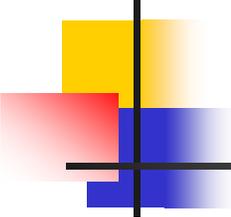
- Tax Relief
  - Allow income tax deduction for property taxes exceeding 5% of income.
  - Establish statewide motor vehicle taxation (off-budget with proceeds allocated to municipalities) and repeal income tax credit for motor vehicles.
- State Funding
  - Fully fund PILOTs for state and college and hospital property and increase grants to 100%.
  - Create new PILOTs for public housing; business inventories; and state, college, and hospital personal property.
  - Establish a land use grant to be distributed based on population density.



# Major Property Tax Recommendations, (cont.)

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- Assessment
  - Establish uniform depreciation schedules for personal property.
- State Mandates
  - Reform and reduce the following state mandates: (1) binding arbitration, (2) the minimum expenditure requirement, (3) special education, (4) heart and hypertension, (5) prevailing wage, (6) residency requirement prohibition, and (7) lead paint abatement.
- Exemptions
  - Retain exemptions for federal and religious property but eliminate other exemptions where possible.
  - Extend MME exemption from four to five years.

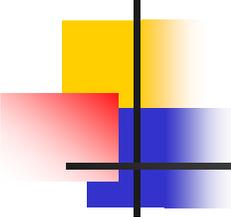


# Recommendations on Administration, Technology & Appeals

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34 recommendations in the following areas:

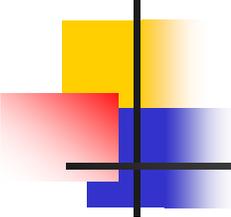
- Adopt statewide Computer Assisted Mass Appraisal (CAMA) System and computerized administration standards.
- Modify state grant-in-aid programs.
- Adopt performance-based revaluation testing.
- Increase revaluation frequency.
- Require assessor certification.
- Establish a Tax Court to hear appeals.
- Revise board of tax review appeal procedures.
- Support state's Geographic Information System (GIS) initiative.



## 1996 Task Force To Study Alternative Tax Policies To Benefit Urban Centers

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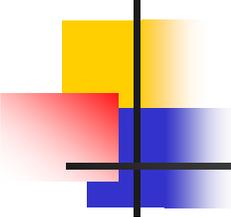
- Authorization: PA 96-245.
- Composition: 9 members appointed by legislative leaders.
- Co -Chairs: Appointed by House speaker and Senate president pro tempore
- Public Hearings: No (invited speakers)
- Duration: 6 months (report filed January 1997)



# Charge

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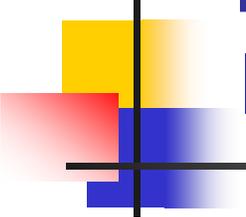
- Evaluate alternative tax policies to help urban centers.



# Property Tax-Related Recommendations

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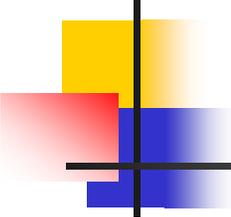
- Limit 100% exemption for MME to businesses located in urban centers.
- Grandfather businesses located outside the state's five largest cities that already receive the exemption.
- Reduce property tax rate on automobiles in the five cities and reimburse cities for lost revenue.



# 2003 Blue Ribbon Commission On Property Tax Burdens And Smart Growth Incentives

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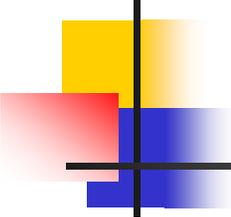
- Authorization: SA 02-13.
- Composition: 16 members appointed by legislative leaders, the governor, and designated organizations. OPM secretary is 17<sup>th</sup> member.
- Chair: Designated jointly by Connecticut Conference of Municipalities and Council of Small Towns.
- Public hearings: No
- Duration: 5 months (report filed October 2003).



# Charge

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- Evaluate property tax burdens in Connecticut compared to other states and among Connecticut municipalities.
- Consider changes and alternatives to the current property tax system.
- Evaluate smart growth incentives and disincentives.



# Property Tax Recommendations

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- State Funding
  - Fully fund the ECS grant.
  - Increase state aid for education so each municipality receives at least 50% of its minimum expenditure requirement.
  - Reimburse each town for at least 50% of special education costs.
  - Modify ECS formula to better balance income and property wealth.
  - Fully fund PILOT programs.
- Alternate Revenue Sources
  - Allow municipalities to collect and retain local revenue other than property tax, including locally generated sales and hotel taxes (sales tax sharing should be regional).

# Property Tax

## Recommendations, cont.

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- Fiscal Controls
  - Increase municipal fiscal accountability and ensure reduced property taxes in return for increase state aid.
  - Implement a temporary cap on municipal spending increases at annual rate of 2.5% or inflation, whichever is greater. Allow cap override by 2/3 vote of local legislative body.
  - Establish financial triggers for state financial oversight of municipalities.
  - Give regional authorities, such as councils of governments, greater authority. Allow them to negotiate regional master teacher contracts.
  - Give local legislative bodies more control over local education budgets.

## Summary of Commission Recommendations

<i>Commission</i>	<i>Recommended Policy Options</i>				
	<i>Assessment Reforms</i>	<i>Mandatory Restraints</i>	<i>State Funding</i>	<i>Tax Relief</i>	<i>Revenue Diversification</i>
1969 State Revenue Task Force	Yes (more frequent revaluations)	No	Yes	No	Yes (user fees)
1972 Governor's Commission on Tax Reform	Yes	Yes (referendum on increases over 3%)	Yes	Yes (Circuit breaker)	Yes (User fees)
1981 Property Tax Study Commission	Yes	No	Yes	Yes (Circuit breakers for low-income taxpayers)	No
1987 Property Tax Assessment Task Force	Yes	No	No	No	No
1991 State Tax Review Commission (policy options to consider)	No	No	Yes	Yes (property tax credit on income tax, circuit breaker, homestead exemption)	Yes (regional tax sharing)
1995 Property Tax Reform Commission	Yes	No	Yes	No	No
1996 Task Force to Study Alternative Tax Policies to Benefit Urban Centers	No	No	No	Yes (motor vehicles and tax exemptions)	No
2003 Blue Ribbon Commission on Property Tax Burdens & Smart Growth Incentives	No	Yes (temporary)	Yes	No	Yes
2007 Property Tax Cap Commission	No	Yes	Yes	No	No