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Property Tax Relief – A Sample Menu of Options

A comprehensive effort at property tax relief could include one or more of the various ideas that have been either discussed by CT study groups and/or undertaken in other states:

FUNDING & INVESTMENT AREAS

- Shift the source for funding certain municipal services from a local to a state tax base. For example, significantly increase the State's share of funding K-12 public education.
- Fully fund existing PILOTs, and create new PILOTs for public housing projects, business inventories, and personal properties owned by state colleges and hospitals.
- Reimburse towns for at least half of special education costs.
- Share 50% of the Pequot/Mohegan revenues with municipalities.
- Provide state tax abatements/incentives for residential restoration in urban areas.
- Make urban-investment districts (through state tax incentives) a priority.
- Provide other state-funded incentives to encourage development in communities, particularly distressed municipalities, which already have the infrastructure to support it. This will discourage costly, destructive sprawl.

REVENUE SHARING & REGIONALISM

- Share sales tax revenue between large cities and their surrounding suburbs. Allow regional councils of government to levy sales and income taxes, a move that shifts some of the tax burden to nonresidents who work or shop in the region. Several states allow municipalities to levy various taxes, but in Connecticut that might lead to inter-municipal competition – regionalized options might work best.
- Allow regionally financed capital projects.
- Strengthen existing revenue-sharing provisions with joint economic development projects.
- Room occupancy tax: enable municipalities to collect and retain a portion of the room occupancy tax.
- Make permanent – and maintain – existing real estate conveyance tax rates.

MANDATES REFORM

- Enact a prohibition against all new unfunded state mandates – and oppose reinstating costly workers' compensation mandates such as, the heart disease and hypertension (H&H) mandates.
- Amend the state prevailing wage rate law to adjust the thresholds for both new and renovation local projects to \$1 million each, and index such thresholds for inflation thereafter.

CIRCUIT BREAKER

- Allow taxpayers to subtract from state income tax property taxes that exceed 5% of income (with eligibility based on income limits).

LAND USE

- Enact smart/responsible growth initiatives that encourages (i) development in infrastructure-rich communities, (ii) brownfield remediation, (iii) preservation of open and green spaces.
- Provide additional resources to the Office of Responsible Growth so that it can provide needed technical and financial resources to regions.

LOCAL-OPTIONS

- Homestead exemption: such exemption programs reduce property taxes on residential property by exempting a certain amount of a home's assessed value from taxation. Local governments should be reimbursed by the State for any resulting tax loss.
- Differential assessment ratios: classify and assess different types of properties at different assessment ratios such as, residential and commercial and industrial. In Connecticut, all real property is assessed at 70% of market value. The purpose of different assessment ratios shifts the property tax burden from one class of property to another.

SPLIT RATE PROPERTY TAX

- Tax land in urban/distressed communities, regardless of how it is used, at a higher rate than buildings, a practice often referred to as the "split rate" tax. In cities with many vacant lots and blighted or abandoned buildings, the split rate tax encourages owners to develop or improve the property in order to offset the higher tax on land.

REDUCE INEQUALITIES AND OTHER PROBLEMATIC TAXES

- Establish statewide personal property tax (non motor vehicle) to be collected and retained locally - reimburse municipalities where revenue is lower than at non-uniform rate.
- Reform the motor vehicle property tax to either (i) relieve the costs of collection and improve fairness, or (ii) eliminate the tax as proposed by the Governor but ensure 100% sustained reimbursement for lost property tax revenue.
- Make changes to the depreciation schedule under the telecommunications tax collected by the state and returned to municipalities via a more gradual depreciation schedule and a residual value of at least 20%.

OTHER

- Impose the property tax on exempted property if it is leased.
- Impose user fees on exempted property used for private purposes - require exempted property to make payments for specific services they receive.
- State fiscal oversight - establish tighter state financial oversight with earlier triggers for state intervention.

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