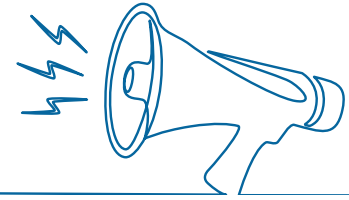




# PROPERTY TAXES

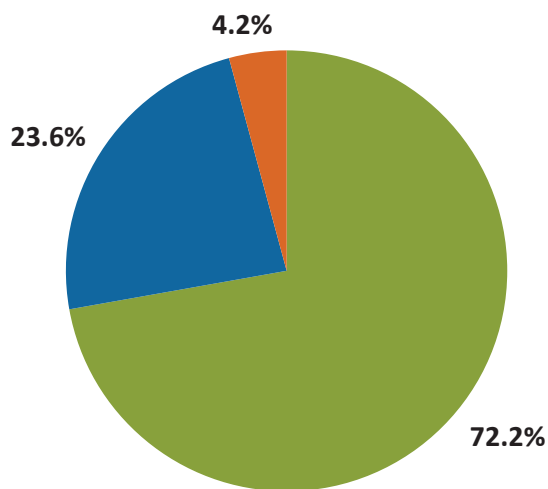
## CCM Public Policy Issue Bulletin



Towns and cities provide the majority of public services in Connecticut. These services include elementary and secondary education; public safety; roads and infrastructure; and social and recreational services. In addition to these services, municipalities must also comply with numerous mandates imposed on them by the state legislature. Many of these mandates are unfunded or underfunded. To put it in perspective, the state has imposed over 1,300 mandates onto municipalities. In isolation many of these mandates are considered “minor,” but altogether these mandates add significant costs to municipal operations.

Funding to provide the services can come from a variety of sources such as taxes, fees, federal and state aid, but the majority of this funding comes from the property tax, more than 72%. This has created a system that requires municipalities to be overdependent on revenue from the property tax.

### Municipal Revenue Sources General Fund, FY 20

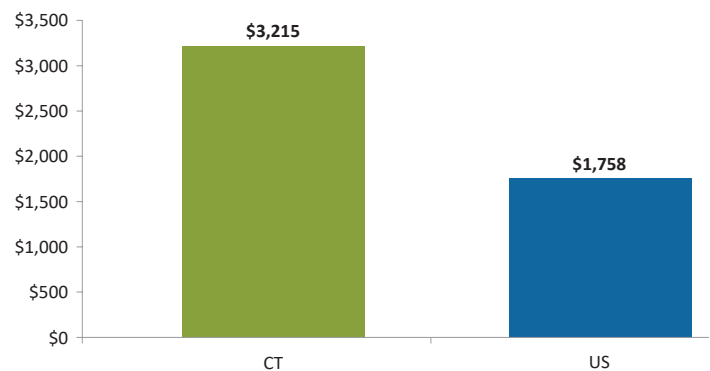


■ Property Tax   ■ Intergovernmental  
■ Charges, Fees, and Other Sources

Source: CCM calculations based on OPM *Municipal Fiscal Indicators 2016-2020*

The per capita property tax burden in Connecticut is \$3,215, well above the national average of \$1,758 and the 3rd highest in the nation. This burden has continued to rise, placing more burden on residential and business taxpayers. In fact, for many businesses, the property tax is their largest tax liability.

### Per Capita Property Tax Collections, FY 19



Source: Tax Foundation

The benefit of using property taxes to fund local government is that property taxes are relatively stable and predictable, unlike income and sales taxes, which can vary widely based on the economy and the market.

There are also downsides to the property tax.

- It is regressive.
- It can pit municipalities against each other as they attempt to expand their tax bases.
- It results in revenue shortfalls in cities and towns that host facilities used for state government, colleges and universities, hospitals, prisons, and nonprofits
- Administration of the tax is difficult and time-consuming, especially regarding motor vehicles and personal property
- The personal property tax can discourage business investment on new equipment, which can impact productivity and competitiveness.
- It often divides communities, especially pitting older residents on fixed income against young families with school-age children.

## The Tax Base

Taxable property includes:

- Real property such as housing, commercial buildings and land;
- Personal Property such as but not limited to construction equipment, restaurant kitchen appliances, computers, printers and copiers.
- Motor Vehicles.

The problem with over-reliance on the property tax is that too often the taxable base within a community is limited and this requires towns and cities to increase the mill rate and tax liability to meet expenses. This problem is compounded by properties that have been exempted from taxation by the state legislature. **There are currently more than 100 mandated property tax exemptions and in some communities such as Hartford, Mansfield, and New Haven more than 50% of the property within their communities is tax-exempt.**

These exempted properties still utilize public services but do not share in the cost to provide and maintain these essential services. By exempting these properties, it shifts the burden to fund these services to residential and business taxpayers.

This increases the cost of housing for both homeowners and renters and the cost of doing business, which limits needed affordable housing and economic development opportunities.

## State Impacts on the Property Tax

As mentioned previously, the property tax provides 72% of all local revenue, with the majority of the remainder coming from state aid to municipalities.

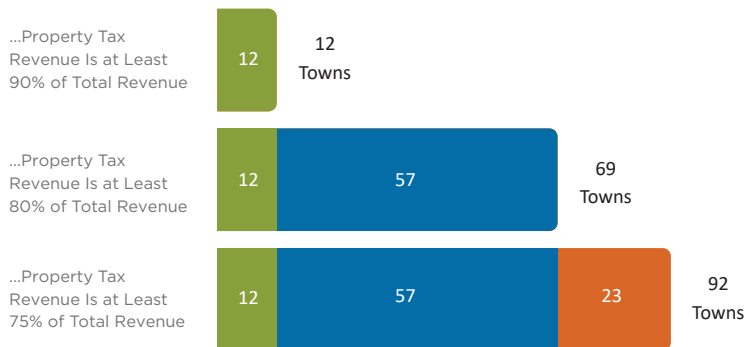
While this state aid is essential, it has been provided at inconsistent amounts over the years and often falls short of the statutorily-required levels. With limited options for filling those revenue shortfalls, towns are forced to raise property taxes.

The state also passes down numerous mandates onto towns, many of which are unfunded or underfunded. As stated previously, there are currently over 1,300 state mandates around the areas of education, the environment, and public safety, among others.

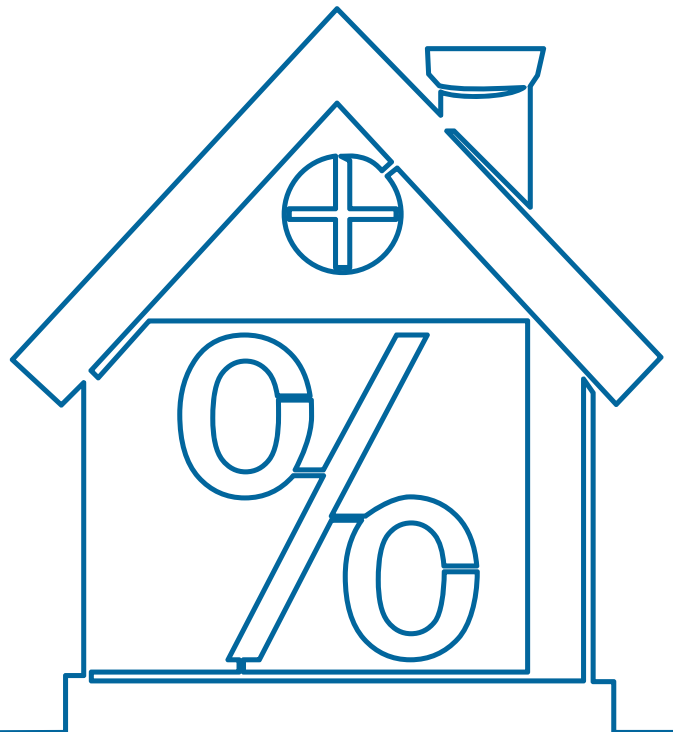
CCM asks legislators to refrain from passing any more mandates unless they are accompanied by state aid and to fulfill its financial obligations for prior commitments.

For more information on the property tax in Connecticut, please visit [www.ccm-ct.org/Research/The-Property-Tax](http://www.ccm-ct.org/Research/The-Property-Tax).

### Number of Towns Where...



Source: CCM calculations based on OPM Municipal Fiscal Indicators 2016-2020



Public Policy  
and Advocacy

**Brian O'Connor**  
Director of Public Policy  
[boconnor@ccm-ct.org](mailto:boconnor@ccm-ct.org)  
203-498-3026

