

April 5, 2015

Dear Chairs Berger and Fonfara,
Dear Members of the Finance, Revenue and Bonding Committee,

I am writing on behalf of Western Connecticut Council of Governments (WestCOG) to share the region's concerns regarding Senate Bill 1.

We do not take issue with the assertion that local government in Connecticut is overly reliant on the property tax, or that the state's cities and towns could benefit from regional approaches to problems. SB1, however, is not the answer. In our view, it could make the challenges the state faces worse.

SB1 would make three major changes:

1. Dinequalize PILOT reimbursements
2. Create a state car tax
3. Create a regional property tax

WestCOG's comments on these changes follow.

DISEQUALIZATION OF PILOT REIMBURSEMENTS

SB1 would slash PILOT reimbursements for some municipalities, while sparing others. Current law already gives a handful of municipalities special payments under PILOT. It is unclear how extending this preferential treatment across the state aids the state's economy or serves the public interest. Pitting communities against each other by creating winners and losers is not a productive way to foster regional collaboration.

WestCOG supports continued funding of PILOT at current levels. Should financial exigencies make this impossible, WestCOG urges the General Assembly to ensure that reimbursement cuts are made on a fair and proportional basis. If we are to work together as a state, the sacrifice must be shared.

CREATION OF A STATE CAR TAX

SB1 would establish a statewide mill rate for motor vehicles and entrust the State with the collection of those property taxes. While this would ensure that the same taxes for the same car would be paid, regardless of the municipality in which the car is parked, WestCOG has identified three problems with the current language of the bill:

1. Many car owners will get slammed with higher tax bills. It has been reported to WestCOG that the statewide mill rate would rise to between 29 and 51. This is much higher than what many car owners currently pay. The lack of public discussion about such a huge tax hike is troubling to WestCOG.
2. Taxes will not be returned to municipalities in accordance with the motor vehicle grand list but will be used instead to prop up state finances and to subsidize large, poor communities. Per the bill, 25% of the growth in taxes collected will be used to supplement PILOT (read: allow the state to stop funding PILOT). The remainder will be returned proportional to the population (50%) and the low-income population (25%) of the municipality. With inflation, these transfers will become an ever-larger fraction of car

tax receipts. Again, the absence of public discussion about such a massive transfer of wealth is disturbing to WestCOG.

3. Entrusting the state with the car tax may endanger municipal access to those funds over the long term. History has shown that, when budgets are tight, dedicated funds get repurposed. Given the state's fiscal problems, WestCOG is concerned that the temptation to 'skim off' the top of the motor vehicle taxes—or to sweep them altogether—will prove irresistible.

CREATION OF A REGIONAL PROPERTY TAX

SB1 would create a regional tax sharing system, where Councils of Governments such as WestCOG are transformed into regional tax collectors. While there may be benefits to such an arrangement, WestCOG is extremely concerned about its impact on continued economic development.

Western Connecticut is not only the second most populous region in the state; it is also the state's economic engine. While Connecticut has lagged economically, Western Connecticut has boomed. The region's economic dynamism is borne out by the fact that it no longer has even a single distressed municipality (by state or federal criteria). As the vibrant and growing downtowns of Stamford and Norwalk show, we have managed share the proceeds of our economic growth across the region. Indeed, it would not be an exaggeration to say that the rest of Connecticut has benefited from our success—our income tax revenues certainly support the rest of the state.

WestCOG does not understand the need for SB1. We have become one of the highest-performing regions in the world without regional taxes; what is the benefit of creating another layer of taxation? Businesses tell us that consistency in policy is key to private sector investment, yet SB1 would upend decades of stability overnight. By slowing economic growth in the region, SB1 could become a very costly policy experiment, for our region and, through depressed income tax growth, for the rest of the state as well. Given this, WestCOG can only ask: why risk killing the goose that lays the golden egg with an untested and unneeded new tax system?

WestCOG would like to be clear: just because regional taxes are not right for Western Connecticut does not mean we wish to deny them to those whom they may be able to assist. The economy of the rest of Connecticut is different from Western Connecticut, and tax reform may be needed to spur growth in those areas. WestCOG would therefore like to propose that the General Assembly consider allowing interested regions to test out regional taxes, much as municipalities may currently take part in the Land Value Taxation Pilot Program. CRCOG has frequently invoked the Minnesota legislation on which SB1 we understand is based as an example; perhaps the Capitol Region would be interested in applying to pilot a regional tax program?

WestCOG understands that Connecticut is facing challenges, and that innovative thinking is needed. The problems that SB1 seeks to address are real, and we commend the legislature for its efforts to set the state on a more sustainable and equitable path. We are concerned, however, that SB1 may cause more problems than it solves. Given this, we felt it necessary to bring our concerns to your attention. We look forward to working with you to improve the legislation and make Connecticut a better state in which to live and to do business.

Should you have questions, please do not hesitate to contact me.

Sincerely,

Francis R. Pickering
Executive Director

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