Property Tax Reform
If Not **NOW, WHEN?**

A Project of the Property Tax Working Group of 1,000 Friends of Connecticut

Updated, December 2022

Property Tax Working Group

The Property Tax Working Group is a project of 1,000 Friends of Connecticut. The Property Tax Working Group's primary focus is to significantly reduce the share of total state and local revenue collected from property taxes, and to do so in a way that advances economic growth, equity and fairness and minimizes adverse land-use decisions.

taxpolicyct.org

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1. Executive Summary

Connecticut has a rare opportunity, in light of its robust annual budget surpluses and explosive revenue growth, to correct the greatest inadequacy and inequity in its tax structure: the longstanding over-reliance on the local property tax. Property tax reform should be focused on correcting the serious flaws associated with this tax, which now constitutes the major source of funding for municipalities, and makes up 43.2% of the total tax burden for Connecticut residents.

There are **two fundamental flaws** in Connecticut's property tax system. (1) **Horizontal inequity:** owners of property with similar values are taxed at different rates depending on which town they live in, and owners paying similar tax rates receive widely different services. (2) **Vertical inequity**: low and moderate-income households are subjected to far higher effective property tax rates[1] than high-income households.

The Property Tax, which is collected by municipalities, has the largest tax impact on Connecticut households. The Property Tax's $7.3 billion impact equates to almost 42% of the entire tax incidence. The Personal Income Tax accounts for one-third of the tax incidence, Sales and Use is almost 15% and Excise Taxes are 4%. Together, these tax categories account for 94% of the overall incidence of Connecticut taxes in Connecticut.

DRS Connecticut Tax Incidence Report, December 2014

Property tax reform must be done in a way that corrects these structural flaws. If we fail to correct both the vertical and horizontal inequities, we will continue down a path of widely disparate educational opportunity, fractured and inefficient delivery of needed services, hollowed out cities, widening racial and economic disparities, sprawling suburbs, fleeing businesses and an out-migration of talent.

High property taxes inhibit economic growth. Disproportionately high effective property tax rates on low-income households diminish their capacity to pay for goods and services, suppressing the principle driver of the economy: aggregate demand. High tax rates in towns with less taxable property drive businesses to lower property tax towns, where additional infrastructure often must be built. That tends to increase long-term overall costs and induces companies to move jobs away from cities – key to economic growth – where infrastructure already exists and where cross-fertilization of ideas maximizes innovation. Property taxes on businesses in high property tax towns make interstate and international businesses less competitive and tend to spur the relocation of businesses and jobs to lower property tax states.

Over-reliance on the property tax fosters the fragmentation of services and discourages municipalities from thinking beyond their borders to act regionally or in a shared approach - forcing 169 cities and towns to compete with one another and interfering with logical long-term economic development and smart growth. The property tax drives land-use boards to make decisions based on what members believe (rightly or wrongly) will increase tax revenues. These attempts to attract high valuation properties are at the expense of preserving farmland and open space, and expanding housing options. The result is wide disparities in the capacity of municipalities to meet essential needs, both educational and non-educational.

Analysts at the Federal Reserve Bank of Boston have identified what they call a **"needs-capacity gap"** in many towns. All towns need non-educational services such as police, fire, and public works, but many lack the capacity to pay for them. Similarly, the Federal Reserve Bank analysts note that all school

[1] What Is the Effective Tax Rate? The effective tax rate is the percent of their income that an individual or a corporation pays in taxes. The effective tax rate for individuals is the average rate at which their earned income, such as wages, and unearned income, such as stock dividends, are taxed. The effective tax rate for a corporation is the average rate at which its pre-tax profits are taxed, while the statutory tax rate is the legal percentage established by law. https://www.investopedia.com/terms/e/effectivetaxrate.asp

districts must pay for education that meets the needs of their students. But many school districts lack the capacity to pay – producing a "**cost-capacity gap**."

Making minor modifications to the state's revenue stream while ignoring the failings in the property tax system is likely to undermine economic growth, worsen overall financial conditions and do nothing to lessen the fragmentation in the delivery of services. Rebalancing our tax system and ending our over-reliance on the property tax will encourage a robust economy fueled by increased demand for goods and services by low- and moderate-income families; effective local government; strong communities; and a healthy environment.

Property tax reform requires real change, with long-term benefits - not gimmicks. Any reforms must reject seductive proposals such as providing cities and towns with a means for revenue diversification such as a local option sales tax or local option income tax. Local option revenues are not a panacea for fiscally strapped municipalities. The competition for a robust property tax base would simply be replaced by a competition for sales tax or income tax bases, and towns that are not fiscally heathy would continue to be disadvantaged. Additionally, eliminating property taxes on motor vehicles with no replacement revenue to towns/regions is not tantamount to reform ~~as~~ nor is granting additional property tax exemptions without full PILOT reimbursement. Finally, capping property taxes "… hamstrings localities' ability to provide services that boost opportunity for their residents. And they increase racial and economic inequities, in part by leading localities to use revenue sources that fall harder on lower-income people."[2]

Rebalancing is different than property tax relief. Relief means lessening the financial weight of property tax payments made by individual families by reducing their tax payments. Rebalancing means reducing the burden of property taxes by changing the structure of the state-local fiscal relationship so that municipalities need to rely less on property taxes to fund essential needs. Our proposals address both taxpayer relief and a fundamental rebalancing of the current system.

Connecticut also lacks information as to the how its taxes (as well as any proposed changes) affect different income groups. Connecticut conducted its first tax incidence study in 2014 and put in place a statutory requirement that it be repeated biannually. But it was not until 2022 that the second tax incidence study was completed for FY19.

We additionally lack a government supported nonpartisan policy center to provide lawmakers with timely, high-quality research and analysis on public policy issues critical to our state. Such centers provide, which many states have,[3] provide policymakers and the public with valuable information. The General Assembly had in place the Program Review and Investigations Committee with the staffing expertise to undertake such work. Unfortunately, that committee was eliminated in 2017.

In summary, Connecticut's property tax system undermines economic growth, is regressive, lacks equity, and inefficient.

Recommendations To Create A Framework For Property Tax Reform

We offer the following as achievable change to the current property tax system:

1. Fix Structural Vertical and Horizontal Inequity

Put in place targeted property tax relief, with refundable property tax credits and/or circuit breakers to make the property tax more progressive in terms of overall tax burden.

[2] Iris J. Lav and Michael Leachman, State Limits on Property Taxes Hamstring Local Services and Should Be Relaxed or Repealed Michigan, Massachusetts, Oregon, and New York Reveal Range of Problems With Limits, Center on Budget and Policy Priorities, July 18, 2018

[3] Example: Washington State Institute for Public Policy (WSIPP) - https://www.wsipp.wa.gov/

2. Close the Needs-Capacity Gap for Municipalities

Phase in, with a hold-harmless provision, a restructuring of municipal state aide and provide additional new aid consistent with the 2015 recommendations of the New England Public Policy Center to **utilize such aide as a primary means to address fiscal disparities across communities and ensure that all localities have the resources needed to provide high-quality public services**.

3. Close the Cost-Capacity Gap for Education

a. **Correct the current deficiencies in the Educational Cost Sharing formula to resolve the cost-capacity gap.** The 2021 New England Public Policy Center study[4] on the cost-capacity gap suggests ways to correct the current deficiencies in ECS. We suggest that policymakers examine this report and use its findings and suggestions to further modify aid for education.

b. **Fully fund special education**. Such a change would provide immediate and significant local tax relief and would remove one of the largest unknown costs from each school district's budget. More importantly, it would render local discussion of the cost of special education moot and place the focus where it belongs -- on the needs of special education students.

c. **Provide increased funding to ensure the adequacy of K-12 education.** Funding should be provided in an adequate and equitable manner that more closely reflects the real costs of educating students should include appropriate weightings for students with disabilities, English language learners and students from families living in poverty.

d. **Enable towns and cities to be more collaborative in creating efficiencies, reducing costs and enhancing educational options for their students by providing school districts with a wider array of governance options** that would successfully address the typical challenges that cause towns and districts to back away from or not consider regionalization and/or collaboration.[5]

4. Commit to Regional and Collaborative Solutions for the Delivery and Coordination of State and Local Services

a. The **nine regional councils of governments and the six regional education service centers are the foundation for regional and shared services**. They must be harnessed for the delivery of services by both the state and its cities and towns.

b. **Review and modify statutes that are an impediment to the creation of regional, cooperative and inventive regional and shared approaches for the delivery of educational services,** including special education.

c. **Connecticut's economic development approach** must be changed to one where recruitment and expansion are done on a shared and/or regional basis with consideration of both costs and revenues as well as regional impact, rather than the current town specific approach.

5. Provide Policymakers with Up-to-Date Facts and Independent Non-Partisan Analyses

a. Reinstitute the legislature's Program, Review and Investigations Committee.

b. Provide public funding for a nonpartisan, independent public policy research center.

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[4] Zho, Bo, Reforming Connecticut's Education Aid Formula to Achieve Equity and Adequacy across School Districts, New England Public Policy Center, Research Report 21-1, February 2021 -

[5] https://www.cga.ct.gov/fin/tfs/20200201_Task%20Force%20to%20Promote%20Municipal%20Shared%20Services/20200129/Final%20Report.pdf

Paying for Reform

The cost to realize and sustain equity in the property tax system and correct both the needs-capacity gap for cities and towns and the cost-capacity gap for education is in excess of $1 billion annually - money which we believe can be found within the state's existing budget and revenue framework.

1. Seize the Moment

New state revenue is not essential to implement the property tax reforms we propose because there is more than sufficient surplus revenue (what we terms the "surplus-surplus") generated by the state's current revenue system and budget allocations to completely fund the reform package. The budget surplus that exceeds the statutorily required deposit of surplus into the Rainy Day Fund has been dedicated to prepayment of the state's pension debt. We propose that a portion of that "surplus-surplus" be dedicated to property tax reform.

As this report demonstrates, restructuring Connecticut's state-local financial relationship by diminishing the burden of the property tax should be a public policy priority second to none because of its benefits for stimulating economic growth, equitably funding education, restoring affordability for our cities and reducing tax regressivity for residents.

We put forward for consideration that restructuring the state's property tax system for FY24 should be viewed by state policymakers as analogous to the successful program enacted by policymakers in FY18 to restructure Connecticut's pension debt. The budget controls that prioritized pension debt prepayment—including the volatility cap and raising the ceiling on the Budget Reserve Fund-- had the effect of elevating debt prepayment above the typical yearly budgets. The result was, in effect, a new budget structure.

If the current revenue structure continues to generate annual surpluses, the state's challenge in implementing property tax reforms is not to legislate new funding to finance the reforms but rather to elevate the status of property tax reforms as a policy priority to make an appropriate claim on the revenue already generated by the current tax system. In short, balancing the policy priorities of **property tax reform and debt prepayment can BOTH be accomplished** within the parameters of the revenue generated by the FY18 budget reforms.

Despite our belief that new revenues are not key to property tax reform, if historic annual revenue surpluses do not continue, or if current policy priorities are not changed to allocate an appropriate share of the "surplus surplus" to funding reforms, where could the revenue come from to implement these reforms?

2. Collect What is Owed From Taxes Already in Place

According to the 2021 Connecticut CREATES Report[6], there may be as much as $1.1 billion in revenue due the state which is not now being collected and the Department of Revenue Services has stated that the number may be as high as $2.6 billion[7].

3. Act in Whole or in Part On the Recommendations of the Connecticut Creates Report

4. Regionalize Services Through the Councils of Governments and the Regional Education Service Centers

The following report details and supports our findings and recommendations.

[6] Connecticut Creates Report, https://portal.ct.gov/Office-of-the-Governor/News/Press-Releases/2021/03-2021/Governor-Lamont-Receives-Report-With-Suggestions-on-Government-Efficiency

[7] Connecticut Voices for Children, "Candidate Briefing Book, June 2022," p. 36. A subsequent Voices report, "State of Working Connecticut, 2022," cites DRS Deputy Commissioner John Biello, from the video recording of the "2022 Tax Incidence Report Briefing" to the Finance, Revenue and Bonding Committee on March 11, 2022. See Biello's comments on the video (https://www.youtube.com/watch?v=q7nb5kON6cI), starting at 1 hour 0 minutes,]

2. Introduction

Connecticut has a rare opportunity, due to its unprecedented budget surplus budget situation[8], to correct the greatest inadequacies and inequities in our state's tax structure: **the longstanding over-reliance on the local property tax**.

The **property tax**, which is collected by municipalities, **has the largest impact on Connecticut households**. It's more than $10 billion impact equates to 43.2% of the entire tax incidence.[9] The personal income tax accounts for 32.4% of the tax incidence, while the sales and use tax is almost 19.9% and excise taxes are 4%. Together, these tax categories account for 99% of all state and local taxes paid by Connecticut residents.

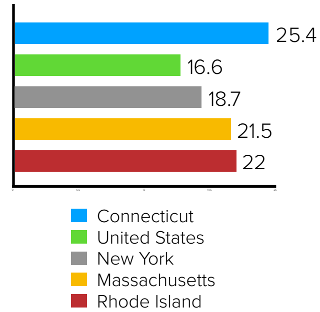
> "Municipal property taxes are as high as they are primarily because the state has not been able to raise enough revenue to provide municipal aid,…We are, after all, one state, and we need to look at [taxes] on a statewide basis, and not a hyper-local basis."
>
> Senate President Pro Tem Martin M. Looney
> CT Mirror, January 21, 2021

New revenue estimates for the next two fiscal years, recently released by the state Office of Policy and Management and the legislature's Office of Fiscal Analysis, project substantial increases in state revenue beyond that anticipated when the budget for FY 22 was adopted. Setting aside increases in covid-related relief funding from the federal government, which must be viewed as "one-shot" revenue, there appears to be ongoing "own source" revenue (income tax, sales tax, fees and other taxes) for the state. This good news has spurred calls for tax reduction.[10]

In our view, **tax reduction should be focused on correcting the serious flaws associated with local property taxes,** which now (2019) make up 43.2% of the total tax burden for Connecticut residents.[11] And it must be done in a way that enhances the overall fairness or our tax system. Making minor modifications to the state's revenue stream while ignoring the failings in the property tax system is likely to undermine economic growth and make overall financial conditions worse.

In **failing to correct the fundamental vertical and horizontal inequities in the tax system**, we will continue down a path of **widely disparate educational opportunity, fractured and inefficient delivery of needed services, hollowed out cities, widening racial and economic disparities, sprawling suburbs, fleeing businesses and an out-migration of the next generation of talent**. We must rebalance our tax system and end our over-reliance on the property tax to create a robust economy fueled by increased demand for goods and services by low- and moderate-income families; a solvent, stable and effective government; strong communities; and a healthy environment.

Property Tax as a Percentage of State-Local General Revenue, 2018



Source: Property Taxes: What Everybody Needs to Know Working Paper WP21RF1, Lincoln Institute of land policy

This subject has been discussed and debated for decades. But the time to act is now while Connecticut is in the position to take action. A recent report by Connecticut Voices for Children, which focuses on the economic injustice of Connecticut's regressive tax system, also makes the case that the state's tax

[8] Neil Ayers, Director of the Office of Fiscal Analysis DIRECTOR, CONNECTICUT GENERAL ASSEMBLY, FISCAL ACCOUNTABILITY REPORT - December 5, 2022 - https://www.cga.ct.gov/app/related/20221205_2022 Fiscal Accountability Presentations/OFA FAR 2022 - Presentation_FINAL.pdf and Jeffery Beckham, Secretary of the Office of Policy and Management - December 5, 2022 presentation to a joint meeting of the Appropriations and Finance, Revenue and Bonding Committees - https://www.cga.ct.gov/app/related/20221205_2022 Fiscal Accountability Presentations/OPM FAR presentation 12-5-22.pdf

[9] Note: Tax incidence is the study of the effects of tax policies on prices and the welfare of individuals. Tax incidence is not an accounting exercise but an analytical characterization of changes in economic equilibria when taxes are changed. Source: Tax Incidence and Efficiency Costs of Taxation Stefanie Stantcheva, Harvard, 2017

[10] supra, note 1

[11] Connecticut Tax incidence study - Tax Year 2019, page 21 - https://portal.ct.gov/-/media/DRS/Tax-Incidence/Connecticut-Tax-Incidence-Study-TY2019.pdf.

system inhibits economic growth. "By disproportionately burdening the typical household, especially one of color, with a higher effective tax rate that decreases the amount of income and wealth available to spend and increase economic demand, Connecticut's regressive tax system contributes to slowing economic growth. For example, the Economic Policy Institute, a non-partisan think tank, explains, "Income inequality in the United States is suppressing growth in aggregate demand (spending by households, businesses, and governments) by shifting an ever larger share of income to rich households that save rather than spend."[12]

And what is the greatest contributor to the overall higher effective tax rate on low- and moderate-income households? The property tax. More than half of the total effective tax rate (23.62%) on the 725,202 households in the lowest income decile is due to the property tax. The effective property tax rate in this decile is 12.52%.[13]

To provide a blueprint for meaningful change, we offer the following analysis of the case for, and the goals of, tax reform, and an achievable framework for tackling the longstanding challenges of local property tax reform.

Property tax dependence is killing our state, but we keep failing to fix it. Connecticut has the third-highest property taxes in the country; we are fifth in property taxes as a percentage of state revenue. Property tax dependence is even more extreme for our cities and towns. In Connecticut, 60 percent of local revenue comes from property taxes, compared with 30 percent across the nation. Unlike other property tax-dependent states such as New Hampshire and Massachusetts, we do little to equalize revenue between property rich and poor municipalities. This exacerbates inequality, undermines efforts at regionalization, and kills economic development in our struggling cities…Property tax dependence also continues wasteful divided governance between our 169 cities and towns. With most revenue coming from property taxes, cities and towns have little incentive to regionalize services. If you're raising the money yourself without much help from the state, why share services with your neighbor?… There are no easy solutions. Limiting property tax dependence requires more state funding to local governments, which means raising more state revenue from other taxes, and likely claiming a portion of local tax revenues for redistribution. But while the solutions aren't easy, they are necessary to make Connecticut the prosperous, just, and integrated state that it can and must be.

Connecticut's Ongoing Failure to Address Property Tax Dependence - By Connecticut Law Tribune Editorial Board | August 22, 2019

Goal and Desired Outcomes

The goal of this initiative is to assist Connecticut lawmakers in achieving property tax equity both for individuals and municipalities. The desired outcomes of this initiative are to:

- **Keep property taxes from undermining economic growth**;
- **Provide horizontal equity,** ensuring that owners of similar property value in different towns pay similar amounts, and that taxpayers in different towns receive similar levels of public services;
- **Reduce the property tax share of total taxation**;
- **Reduce the municipal reliance on property taxes t**o fundeducation and non-educational services;
- **Lessen the regressive nature** of property taxes, thereby **reducing vertical inequity**;
- **Reduce the negative influence of property taxes on land-use** thereby reducing vertical inequity and spending decisions in municipalities;
- **Incentivize alternatives to property tax dependency** through **shared services** and **regionalization t**o gain efficiencies and enhanced services; and,
- **Reduce the role of disparate property taxes in decisions by people and businesses about where to live and work**.

[12] Advancing Economic Justice Through Tax Reform, Patrick R. O'brien, Ph.D., Research & Policy Fellow Daniel Curtis, Research & Policy Associate, Connecticut Voices for Children, 2021, page 33 - https://ctvoices.org/publication/advancing-economic-justice-through-tax-reform/

[13] IBID

3. The Problem - The State's Over-Reliance on the Property Tax

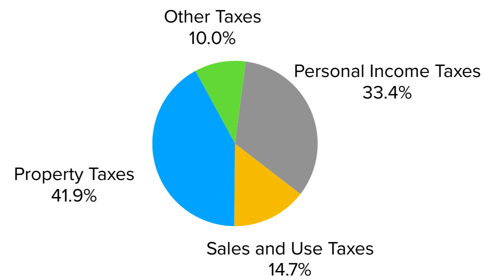
Connecticut, with few exceptions, relies on the property tax to fund government services to a far higher degree than most states. This is manifest in several ways:

1. **Municipalities in Connecticut realize an average 71.8% (76.1 median) of their revenues[14] from the local property tax** and an average of 23.5% (20.4% median) from intergovernmental revenues for FY20.[15]
2. As a percentage of state-local revenue (2018) - as opposed to taxes - **property tax revenue is the third highest - 25.4% - in the nation**, substantially higher than the national average of 16.6%.
3. As a share of state and local tax revenue (excluding other forms of revenue), as reported in the **Tax Incidence Studies conducted by the state Department of Revenue Serves (DRS) in 2014 and 2019, 41.9% and 43.2%, respectively of all state and locally generated taxes came from the property tax**.[16]

Whether calculated as a share of taxes or of all general revenue, the high percentage of property taxes in Connecticut distorts the overall revenue system.[17]

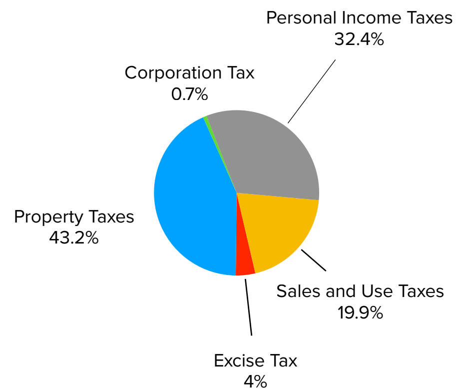
Connecticut needs a balanced tax structure to address the challenges of the property tax which hampers our economic competitiveness, encourages harmful land use decisions and fosters economic and racial inequities.

Overall Connecticut Tax Incidence, 2011



Source: CT DRS Tax Incidence Study, 2014

Overall Connecticut Tax Incidence, 2019



Source: CT DRS Tax Incidence Study, 2019

A Tax System Without Balance

Connecticut needs a balanced tax structure to address the challenges of the property tax which hampers our economic competitiveness, encourages harmful land use decisions and fosters economic and racial inequities. "Connecticut … punishes itself through the property tax which undermines the principal driver of the economy: aggregate demand. Reforming the property tax system would strengthen the state's economic performance."[18]

"Rebalancing" is Different Than Property

[14] Municipal Fiscal Indicators, July 2022, Office of Policy and Management, Property Tax Revenues as a % of Total Revenues*, FYE 2020 https://portal.ct.gov/-/media/OPM/IGP/munfinsr/Municipal-Fiscal-Indicators/Municipal-Fiscal-Indicators-2016-20-Final-AsOf7-28-22.pdf page C-19

[15] IBID, page C-20 - Intergovernmental Revenues as a % of Total Revenues*, FYE 2020

[16] DRS Tax Incidence Study, December 2014, p. 3. - https://portal.ct.gov/-/media/DRS/Research/DRSTaxIncidenceReport2014pdf.pdf?la=en. Property taxes make up about 42% of total stateand local revenues not shifted to out-of-state taxpayers. Ibid. See also, for FY 2010, Tax Foundation, "The Sources of State and Local Tax Revenues" (January 29, 2013) and Connecticut Tax incidence study - Tax Year 2019, page 21 - https://portal.ct.gov/-/media/DRS/Tax-Incidence/Connecticut-Tax-Incidence-Study-TY2019.pdf

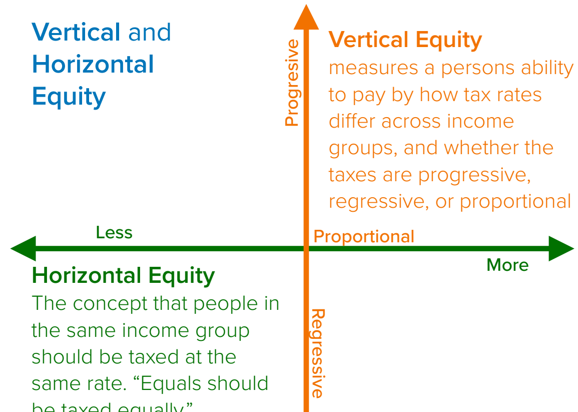
[17] If the property tax share was to be reduced to 33% of total state and local revenue, total property taxes would be reduced by about $1.5 billion.

[18] Fred V. Carstensen, Professor of Finance and Economics. Director, Connecticut Center for Economic Analysis, University of Connecticut. Private communication

Tax "Relief."

"Relief" means lessening the financial weight of property tax payments made by enabling individual families to reduce their tax payments. "Rebalancing" means reducing the burden of property taxes by changing the structure of the state-and-local fiscal relationship so that municipalities need to rely less on property taxes to fund essential needs.

Both "rebalancing" and "relief" programs benefit local taxpayers but "relief" often ends up bringing only short-term or temporary benefits to families depending on the state's budget largess whereas "rebalancing" is designed to offer a permanent reduction in the role that local property taxes play in financing local government.



Source: Adapted from Economics Help - https://www.economicshelp.org/blog/935/economics/horizontal-and-vertical-equity/

A balanced state tax structure requires correcting two inherent flaws in the property tax as utilized in Connecticut: vertical and horizontal inequity. Critics of the existing state and local tax structure in Connecticut have for many years identified the need to rebalance that structure to remedy the regressivity (vertical inequity) and inter-town fiscal disparities (horizontal inequity) of the property tax – the major tax paid by Connecticut residents."[19]

The objective is to treat 'equals equally' (horizontal equity) and 'unequals unequally' (vertical equity), so that those with the same property values have the same tax liabilities and those with higher value property pay more than those with lower value property.

Source: The Tax Everyone Loves to Hate: Principles of Property Tax Reform Jay K. Rosengard Harvard Kennedy School, 2012

Vertical Inequity

Property taxes in Connecticut are fundamentally regressive (lower-income taxpayers pay taxes at higher rates than higher-income taxpayers) which results in vertical inequity. This is demonstrated by Connecticut's two (2014 and 2022) tax incidence studies that, while different in approach, confirm the vertical inequities of Connecticut's current system. Tables 1 and 3, which provides data by income deciles, shows that households (2011) and individuals (2019) in the bottom income decile [about HALF of all households in the state], pay an astonishing 12.52% and 13.3%, respectively, of their income in property taxes. In 2011, households in the second income decile still had an effective property tax rate of 7.65%, and households in income decile No. 5 had an effective property tax rate of nearly 5% --- with only the 124,904 households in the top five income deciles having an effective property tax

Property Tax: Income Deciles, 2011

Decile	Households	Average Household Income	% of Total	% of Aggregate Property Tax Burden	Property Effective Tax Rate
1	725,202	$20,826	48.3	25.9%	**12.52%**
2	251,321	$60,095	16.7	15.8%	7.65%
3	173,126	$87,238	11.53	13.8%	6.68%
4	129,303	$116,798	8.61	12.1%	5.84%
5	97,426	$155,020	6.49	10.3%	4.98%
6	67,958	$222,240	4.53	8.3%	4.03%
7	37,893	$398,598	2.52	6.0%	2.88%
8	15,050	$1,003,526	1.0	3.8%	1.82%
9	3,646	$4,145,323	0.24	2.3%	1.10%
10	357	$42,269,441	0.02	1.9%	**0.92%**

Source: DRS Connecticut Tax Incidence Report, December 2014

[19] Anexcellent description of horizontal and vertical equity may be found in the Staff Report to the State Tax Panel in 2015. See Staff Report: Context for the Panel's Recommendations, Part I: Connecticut Economy and the Policy Framework, in Conectecticut Tax Panel, Final Report of Policy Recommendations, Volume 1, at pages 38-39. This document is archived on the website of the Finance, Revenue and Bonding Committee of the General Assembly, under the heading "State Tax Panel." - https://www.cga.ct.gov/fin/taskforce.asp?TF=20140929_State%20Tax%20Panel

rate of 4.03% or less. In 2019, individuals in the lower four deciles paid nearly two-thirds of all property taxes - while the top four deciles paid just under 13% of the total. Even if the first and tenth deciles are removed from consideration (as the most recent study suggested), the lower deciles burden is more than four times that of the top deciles. Thus the data confirm the vertical inequity of the property tax given that households with the lowest income pay an effective property tax rate that is more than triple what households in the top 5 income deciles pay. The new study further shows that the property tax impacts the lowest income decile income persons by a four to fivefold differential.

Property Tax: Population Deciles, 2011

Decile	Households	Average Household Income	Property Effective Tax Rate
1	150,200	$980	**
2	150,063	$11,036	**15.35%**
3	150,127	$21,411	11.67%
4	150,219	$31,842	9.52%
5	150,033	$43,666	8.45%
6	150,129	$57,162	7.77%
7	150,127	$74,523	7.13%
8	150,128	$97,887	6.35%
9	150,128	$135,387	5.38%
10	150,128	$532,119	**2.29%**

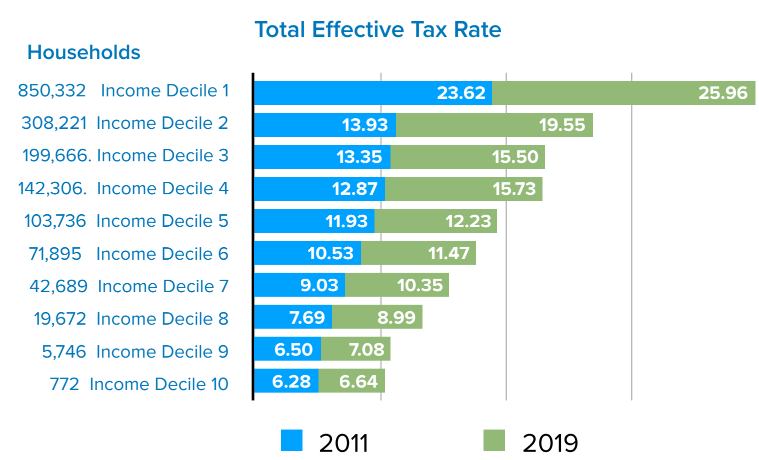
Source: DRS Connecticut Tax Incidence Report, December 2014

Another way to look at this is by population decile - which unfortunately, the 2022 study does not. As shown in Table 2, which provides data by population deciles, the 90% of households in the bottom nine deciles, which had an average Connecticut AGI of less than $135,387 in 2011, pay on average two to seven times higher effective property tax rates – property taxes as a percentage of income – than the 10% of taxpayers with the highest incomes. All but the top 150,128 households in Connecticut paid an effective property tax rate of at least 5% [most far higher], while the top decile had an effective property tax rate of only 2.29%.

Property Tax: Personal Income Deciles, 2019

Decile	Population	Median Personal Income	**Decile Contribution to Total Tax**			**Property Tax as a Percentage of Income**		
1	850,332	$22379	27.97%	**73%**		**13.3%**	**34.72%**	
2	308,221	$59,723	19.3%		**45.03%**	9.18%		**21.42%**
3	199,666	$91,256	12.64%			6.01%		
4	142,306	$127,952	13.09%			6.23%		
5	103,736	$176,640	7.32			3.48%		
6	71,895	$260,854	6.89%			3.28%		
7	42,689	$459,383	5.9%	**12.79%**	**11.81%**	2.81%	**6.09%**	**5.62%**
8	19672	$1,116,813	3.94%			1.87%		
9	5746	$4,939,081	1.97%			0.94%		
10	772	$198,035,337	0.98%			**0.47%**		

Source: DRS Connecticut Tax Incidence Report, 2022



Source: Patrick R. O'Brien, Ph.D. Research and Policy Fellow, Connecticut's 2022 Tax Incidence report: A High-Level Overview and Comparison to the 2014 Report, Connecticut Voices for Children, pg. 5 - https://ctvoices.org/wp-content/uploads/2022/02/CT-Voices-Tax-Incidence-Report-02282022.pdf

Horizontal Inequity

Significant and similar disparities among similarly situated taxpayers results in horizontal inequity. "Horizontal equity demands that similarly situated individuals pay the same amount of tax, without regard to what they choose to consume or how they choose to invest."[20]

In Connecticut, owners of property with the same fair market value pay vastly different property taxes based on the town in which they live. So taxpayers in

[20] David Elkins, Horizontal Equity as a Principle of Tax Theory, 24 Yale L. & Pol'y Rev. (2006) - https://digitalcommons.law.yale.edu/ylpr/vol24/iss1/3

different towns receive very different levels of non-educational public services for the same amount of taxes paid. And great differences in funding for public schools produce vast educational inequities for children in richer and poorer towns. Despite some relief provided by the General Assembly in the form of PILOT (Payment in Lieu of Taxes), there is no reason to believe that an updated tax incidence study would result in markedly different outcomes.

High property taxes drive businesses to lower property tax towns, where additional infrastructure often must be built, thus increasing long-term overall costs. High property taxes also induce companies to move jobs away from cities – key to economic growth –where infrastructure already exists and where cross-fertilization of ideas maximizes innovation because of the synergy of knowledge workers and related infrastructure (such as higher education institutions and inter-office mobility). Moreover, disparate property taxes further reinforces vertical inequity since low-income households are overwhelmingly located in high property tax towns.

Correcting the Property Tax for Town Services

Rebalancing the property tax system to correct the current inequities will require significant changes to the way the state contributes to the financial wellbeing of cities and towns. In 2014, in cooperation with the General Assembly's Municipal Opportunities and Regional Efficiencies (MORE) Commission, Program Review and Investigations Committee and others - the New England Public Policy Center (NEPPC) at the Federal Reserve Bank of Boston prepared a report, "Measuring Fiscal Disparities in Connecticut."[21] This extensive 2015 analysis identified a needs-capacity gap between the non-educational needs in each town and the capacity of the town to fund those needs. In 2019 the legislature considered but did not enact Senate Bill 1141, An Act Concerning Municipal Capacity and Property Tax Reform[22] in response to that study. "The bill [would have] required the Office of Policy and Management to determine the distribution of funding to municipalities by determining a fiscal capacity gap metric for each municipality, calculated in accordance with the New England Public Policy Center's 2015 research report."[23]

Some commentators have attributed differences in municipal spending to waste, mismanagement or the desire to provide more or better services. But as the NEPPC analysts are careful to point out, the analysis does NOT depend on "actual spending or revenues, but instead is based on factors that are outside the direct control of local officials. Thus, under this framework, a town that engages in wasteful spending would have higher actual expenditures but the same underlying costs as an otherwise identical town that is better managed. Likewise, two communities that have access to the same amount of economic resources have identical capacity, even if one chooses to

Needs-Capacity Gap

The measurement of the difference (gap) between the costs of providing non-school public services ("costs") and the economic resources available to cities and towns to pay for those services ("capacity").

Measuring Municipal Fiscal Disparities in Connecticut - Federal Reserve Bank of Boston - https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2015/measuring-municipal-fiscal-disparities-in-connecticut.aspx

"**Need**" should be measured by factors outside the control of local officials (such as population density, poverty and unemployment rates, and jobs per capita). "**Capacity**" should be measured by taxable property value. This model excludes factors that can distort fair distribution, such as local decisions to pay employees a higher wage, hire more employees, or to provide a higher than average level of services (on the cost side) or to raise or lower tax rates (on the capacity side). Filling the gap may be phased in over time and adjusted as the factors making up need and capacity change

Measuring Municipal Fiscal Disparities in Connecticut - New England Public Policy Center Research Report 15-1 by Bo Zhao and Jennifer Weiner - Federal Reserve Bank of Boston - May 2015 - https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2015/measuring-municipal-fiscal-disparities-in-connecticut.aspx

[21] Measuring Municipal Fiscal Disparities in Connecticut - Federal Reserve Bank of Boston - 2015 - https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2015/measuring-municipal-fiscal-disparities-in-connecticut.aspx

[22] Senate Bill 1141, File 929, An Act Concerning Municipal Capacity and Property Tax Reform - https://www.cga.ct.gov/2019/FC/pdf/2019SB-01141-R000929-FC.PDF

[23] OLR File Report on Senate Bill 1141, https://www.cga.ct.gov/2019/FC/pdf/2019SB-01141-R000929-FC.PDF

levy a higher tax rate than the other."[24]

The study identified five **key cost factors outside the control of local officials**: the **unemployment rate, population density, private-sector wages, miles of locally maintained roads,** and the **number of jobs located within the community** relative to its resident population.[25] The underlying data in the report, show that objective cost in what we call the most "distressed" municipalities is not much more than 35% above the average cost in all towns.[26]

But the more important factor in the needs-capacity gap is the disparity in municipal capacity – the result of huge differences in revenue-raising capacity. "Because municipalities in Connecticut rely almost exclusively on property taxes for own-source revenue, this is directly tied to the uneven distribution of the property tax base. The most resource-poor towns had, on average, 1/8 the per-capita revenue capacity of the average resource-rich communities."[27]

In 2021, the Connecticut's School + State Finance Project, a nonpartisan, nonprofit organization updated their 2019 report, "Distributing State Aid to Municipalities through a Needs-Capacity Formula[28]," based on the 2015 NEPPC study.

- It replicated the analytic framework used by the NEPPC, calculating need not on the basis of spending by municipalities (since that could be affected by political decisions and waste and mismanagement), but on objective factors not under the direct control of municipal officials.
- It evaluated objective factors of need other than those identified by NEPPC, but concluded, and thus validated, that the cost factors used by NEPPC were the appropriate ones to use.
- It updated - to FY18 - the data for both need and capacity used to calculate the per capita amount for each town required to close the needs-capacity gap. or (on the other hand) to identify the per capita amount by which the revenue-raising capacity in each town exceeded the needs-capacity gap.
- It extended the analysis of the NEPPC by multiplying the per capita needs-capacity gap amounts by the municipality's population to determine how many dollars in state grant aid (if any) would be required to close the needs-capacity gap for each town.

Connecticut's current system of town aid does not fully consider equity because many of the municipalities that currently receive aid have the revenue capacity to provide a common level of government service, and the aid formulas currently used do not explicitly account for municipal wealth or resident need. A needs-capacity formula would go beyond the current municipal aid system in terms of distributing funding equitably.

Source: School + State Finance Project, Distributing Non-Education State Aid to Municipalities through a Needs-Capacity Formula, {pony Briefing - Updated February 26, 2021

High levels of fiscal disparity between municipalities raise two primary concerns.

First, it is not equitable for two otherwise-identical households to pay different amounts in taxes to receive the same level of service, simply because the households are located in different municipalities.

Second, fiscal disparities place some municipalities at a disadvantage in terms of economic competition because high taxes and a low quantity of public services makes the municipality less appealing to potential residents and businesses.

Source: School + State Finance Project, Distributing Non-Education State Aid to Municipalities through a Needs-Capacity Formula, {pony Briefing - Updated February 26, 2021

[24]Measuring Municipal Fiscal Disparities in Connecticut - Federal Reserve Bank of Boston, 2015 - https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2015/measuring-municipal-fiscal-disparities-in-connecticut.aspx

[25] IBID

[26] IBID

[27] IBID

[28] School and State Finance Project. (2021). Distributing State Aid to Municipalities through a Needs-Capacity Formula. New Haven, CT: Author. Retrieved from https://schoolstatefinance.org/resource-assets/Needs-Capacity-Formula-for-State-Aid.pdf

- Finally, It recognized that each town in the state already receives significant state aid for non-educational purposes, and then calculated the additional amount, if any – above and beyond the state aid already received by towns – which would be necessary to close the needs-capacity gap for municipalities.

In short, **there is extensive analysis of the magnitude of horizontal inequity created by the existing property tax disparities in Connecticut.**

The 2021 update estimated: "If a needs-capacity formula were enacted in Connecticut, one possible method for funding this formula could be to aggregate existing non-education aid funding into the formula. **Fully funding the needs-capacity formula under this sample implementation would require approximately $863 million, which is a net increase of approximately $359 million over the State's current non-education municipal aid expenditure**."[29] A rigorous application of this formula would result in many towns, those with capacity to cover their needs (as defined by the formula), with less state aid than they currently receive. Such an approach would, most likely, not politically viable. To hold all towns harmless while such a new formula was put in place would cost approximately $516 million[30] more than is currently granted cities and towns.

Correcting Horizontal Inequity in the Provision of Local School District Educational Services

In 2021, the New England Public Policy Center released a study[31] which addressed the gap between the costs of providing appropriate levels of education in local school districts and the capacity of municipalities to pay for those costs – the "Cost-Capacity Gap." The report concludes that "**On average, districts with the lowest socioeconomic status have the largest cost-capacity gaps, because they tend to have the highest education costs and the lowest revenue capacities. In contrast, districts with the highest socioeconomic status often have cost-capacity gaps with negative values, because their revenue capacities tend to be more than sufficient to fund their costs required to achieve the given common level of student test performance.**"[32]

Cost Capacity Gap

The measurement of the difference (gap) between the costs of providing public education ("costs") and the economic resources available to cities and towns to pay for those services ("capacity").

Federal Reserve Bank of Boston

Disparities among services that towns are able to provide drive some prospective homeowners and renters to uproot their families to find the services they need. This places further stress on towns - often exacerbating disparities - especially in education. According to the School + State Finance Project: "Local property taxes play a critical role in funding public schools. In Connecticut, 58% of all education funding comes from local property taxes, and funding local public schools is the most significant cost of most cities and towns." Their report goes on to describe the compounding inequities resulting from the current

"…the state paid, on average, $2,700 per pupil in 2020 to cover the pension contributions owed by the 25 highest-performing school districts in the state, and only $1,870 per pupil to cover the 25 lowest, the analysis found. [The statewide average was $2,312 per pupil.] White students make up 51.5% of Connecticut's student population, but the pension payments the state made on their districts' behalf represented 68% of all contributions. Similarly, students of color comprise 48.3% of the student population, but the payments the state made on their behalf were just 30% of the total.

(Keith Phaneuf, CT Mirror.)

[29] IBID, page 7

[30] Property Tax Working Group estimates based on the School + State Finance Project (2021). Distributing State Aid to Municipalities through a Needs-Capacity Formula. New Haven, CT: Author. Retrieved from https://schoolstatefinance.org/resource-assets/Needs-Capacity-Formula-for-State-Aid.pdf

[31] Zho, Bo, Reforming Connecticut's Education Aid Formula to Achieve Equity and Adequacy across School Districts, New England Public Policy Center, Research Report 21-1, February 2021 -

[32] Ibid, Pg. 19

property tax system. "Due to the lower value of their taxable property, Connecticut's less affluent communities frequently have higher mill rates in order to generate the property tax revenue they need to fund their local schools and public services. As a result, residents in communities with higher mill rates have a greater tax burden — by percentage of property value — than residents in communities with lower mill rates. However, many communities are not able to raise enough revenue from property taxes to support their schools or services, and cannot raise mill rates so high to where the town becomes an unaffordable place to live or own a business. To help with this, the State of Connecticut provides education and municipal aid, but it is frequently not enough to make up for the disparities caused by the state's property tax system."[33]

The NEPPC released its analysis of the cost-capacity gap in October 2021. Like the School + State Finance Project, the NEPPC report noted that: "Connecticut's public K–12 education system relies heavily on local funding, resulting in substantial disparities between affluent districts and low-income districts with a large proportion of socioeconomically disadvantaged students who are more costly to educate. Despite recent improvements, the existing state aid formula has been criticized for failing to provide sufficient funding to districts with the fewest resources and the highest education costs. To help improve state aid distribution, this report estimates a "cost-capacity gap," which measures the difference between a district's education cost and revenue capacity and uses it as an indicator of the district's need for state education aid. The report proposes a series of state aid formulas based on the gap measure that Connecticut policymakers may use to improve equity and adequacy in education funding."[34]

As it did with its analysis of non-educational disparities, the NEPPC report "…measures each school district's education cost and revenue capacity based on factors that are outside the direct control of local officials at any given point in time. The cost factors include, among others, the percentage of school-age children from families living in poverty and the percentage of students living in single-parent or non-family households. The revenue capacity estimate for each district is based mostly on taxable property wealth. The analysis shows large disparities in the cost-capacity gap across the state. While districts with larger gaps, on average, receive more per-pupil state aid under the current formula compared with smaller-gap districts, the largest-gap districts still receive less aid than they need to close their cost-capacity gaps. As a result, inequity and inadequacy remain in the state's education finance system."[35]

A fair, balanced and sustainable system of funding public schools is essential for the state's long-term economic prosperity, social justice, and democratic functioning. Moreover, the State Constitution requires the equitable funding schools. Connecticut ranks fifth nationally in terms of state spending, as a percentage of total dollars, on local education (K-12) at 55.9%. Despite this infusion of support to local education, "[T]he value of taxable property, as well as community wealth, varies greatly across Connecticut's municipalities. As a result, a system has been created where it is easier for wealthier, property rich communities to raise revenue from property taxes — and in turn fund their local public schools — than it is for less affluent or economically disadvantaged communities…Just like the value of taxable property, however, town mill rates vary greatly across the state. On average, wealthier, property rich communities have lower mill rates. This is because the higher value of properties in these communities make it easier for the town to raise the revenue it needs for local schools and public services without charging higher mill rates…This is not the case, however, for Connecticut's poorer, higher-need communities, which are also home to a disproportionate amount of the state's Black and Latinx residents.""[36]

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33 Mismatch Between Funding & Student Needs in CT, School & State Funding project Policy Briefing, October 2021 - https://ctschoolfinance.org/resource-assets/Mismatch-Between-Funding-and-Student-Needs.pdf

34 Reforming Connecticut's Education Aid Formula to Achieve Equity and Adequacy across School Districts By Bo Zhao, New England Public Policy Center Research Reports - RESEARCH REPORT 21-1 -https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2021/reforming-connecticuts-education-aid-formula-to-achieve-equity-and-adequacy-across-school-districts.aspx

35 IBID, page 3

36 Connecticut School Finance Project, https://ctschoolfinance.org/issues/property-taxes

An additional "wild card" for cities and towns is the cost of special education. These costs can vary greatly year to year and the state's reimbursement has been both inconsistent and frozen - leaving the balance to the cities and towns and their primary local revenue source - the property tax. The state is currently required to provide excess cost payments to cities and towns. "In fiscal year 2019, the Excess Cost grant was funded at 74%, meaning districts received grants prorated to that level. For FY 2019, a fully-funded Excess Cost grant would have required approximately $200 million in funding from the State."[37]

The property tax has the additional effect of keeping cities and towns from working together as regional school districts. Connecticut has not had a new regional school district since 1987 and just 47 towns belong to 17 regional districts. The law authorizing regional districts was enacted in 1941 for high schools and 1945 for elementary schools. That so few regional school districts exist and that it has now been 34 years since the last one was established should be cause for concern. The reason for the lack of movement may be that municipalities are reluctant to enter into such arrangements because of the aggregate population voting rules and the concern that a larger community will impose larger property taxes on the smaller communities in the district. A 2020 Advisory Commission on Intergovernmental Relations report stated: "As a state Connecticut is not an innovator in terms of school governance - hindering new and shared approaches."[38]

Heavy reliance on locally- collected property taxes also creates competition among municipalities for development that brings fiscal benefits and an aversion to development that does not. This often leads to perverse land use decisions, including limitations on residential land uses that restrict the supply of housing. Further, the system discourages the types of cooperation needed to keep down costs of providing public services.

Source: Fundamental Property Tax Reform: Land Use Implications Of New Jersey's Tax Debate A Regional Plan Association / Lincoln Institute of Land Policy Partnership Project, October 2005, page 4

Housing and the Property Tax

Housing affordability and location are greatly influenced by the property tax. **Because the fair market value of residential property is not always commensurate with the income of residents (both renters and homeowners), persons with limited ability to pay are often charged property taxes they cannot afford.** The median monthly property tax for a owner-occupied home in 2019 was $465 (second highest in the nation behind New Jersey at $653) - compared to a monthly cost of $198 nationally.[39] Because the incidence of property taxes falls on renters as well as homeowners, high property taxes (computed as a share of income) make housing less affordable and discourage both renters and homeowners with low and fixed income from staying in or relocating to towns with high property taxes. In our state, median-income taxpayers in most towns typically pay more in local property taxes than they pay in state income taxes and sales taxes combined. "Almost any tax policy that tips the scales back toward renters, including renter credits, would increase economic and racial equity."[40] In Connecticut, as with the rest of the nation, persons of color are more likely to be renting their housing (as well as spending more of their disposable income on housing) than owning their home.

"Renters do not escape property taxes. A portion of the property tax on rental property is passed through to renters in the form of higher rent — and these taxes represent a much larger share of income for poor families than for the wealthy. This adds to the regressivity of the property tax."

Source: Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, 6th Edition, pg. 21

In Connecticut, more than two-thirds of people of color live in only 15 of the state's 169 cities and towns.

Source: A Steady Habit of Segregation: The Origins and Continuing Harm of Separate and Unequal Housing and Public Schools in Metropolitan Hartford, Connecticut

A 2020 report by the Urban Institute reported that:

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[37] Connecticut School Finance Project -https://ctschoolfinance.org/resource-assets/Excess-Cost-Grant-FAQs.pdf

[38] Report of the Task Force to Promote Municipal Shared Services, Prepared by the Advisory Commission on Intergovernmental Relations Work Groups, https://www.cga.ct.gov/fin/tfs/20200201_Task Force to Promote Municipal Shared Services/20200129/Final Report.pg. pg. 9

[39]Lincoln Institute of Land Policy, Property Taxes: What Everybody Needs to Know - Working Paper WP21RF1, Ronald C. Fisher, Michigan State University - https://www.lincolninst.edu/publications/working-papers/property-taxes

[40] https://www.urban.org/urban-wire/tax-credits-renters-could-increase-racial-and-economic-equity

"Today, the homeownership rate in the US for non-Hispanic white households is 76 percent, according to the Federal Reserve System, yet the homeownership rates for Hispanic or Latino and non-Hispanic Black households are 51 and 47 percent. Tax policies that favor homeowners provide disproportionate benefits to non-Hispanic white households. A refundable renter's tax credit would help people with lower incomes more than tax deductions and could reduce economic inequality. Low-income people are able to receive the full value of a credit that is refundable, rather than having their credit limited by taxes owed. As such, these credits are proportionally more helpful to people with lower incomes than tax deductions, which can only reduce taxes owed. And unlike deductions, the value of a credit does not scale up with income. Because many low-income households have no tax liability, a renter's credit would need to be refundable to reach households who need it the most."[41]

The Property Tax Impedes Acting Beyond City and Town Borders

As long as towns must raise the bulk of their revenue using property taxes, they are discouraged from thinking beyond their borders when making decisions. This discourages regional solutions that would protect the environment, improve the economy or reduce duplicative services. This is despite the fact that cities and towns have, through state statute, a seemingly wide array of options to act regionally or to share serves. State statute (7-148cc) provides that, "….two or more municipalities may jointly perform any function that each municipality may perform separately…" Similarly, CGS 7-148bb enables …"two or more municipalities may initiate a process for such municipalities to enter into an agreement to share revenues received for payment of real and personal property taxes…" This option has only been attempted to be used twice and both attempts have failed. State statute further enables regional councils of governments (8-31b) to providing that "…any political subdivision of the state [city or town] may enter into an agreement with a regional council of governments to perform jointly or to provide, alone or in cooperation with any other entity, any service, activity or undertaking that the political subdivision is authorized by law to perform…"

Despite being enabled to act on a shared or regional basis and while there are many examples of shared and regional services - cities and towns are still reluctant to embrace the approach.[42] **The property tax coupled with the historic allegiance to home rule acts to restrict cooperative approaches to the provision of municipal services.** The common assumption is that cities and towns have autonomy and significant latitude in determining policy. The reality is that cities and towns have no independent powers - except those provided them by the state. "The statutes delegating home rule powers are often so vague as to be useless, or so

Local property taxes have also contributed to sprawl. Municipalities seeking to complement residential property tax revenue with commercial property tax and sales tax revenue have aggressively sought out the construction of new malls and retail development. Property taxes help explain why our suburbs are littered with large-footprint and underused commercial landscapes—aka, sprawl.

Source:
Fundamental Property Tax Reform:
Land Use Implications Of New Jersey's Tax Debate
A Regional Plan Association / Lincoln Institute of Land Policy Partnership Project

There has also been a long-term increase in the residential share of the overall property tax base. This means that homeowners could face rising tax bills even if total collections remain stable (Gravelle and Wallace 2009). This trend is driven by changes in the economy, with growing service and knowledge sectors that utilize far less real estate than traditional manufacturing, and growing health and education sectors that are largely tax exempt. Competition for jobs has also led many local governments to offer business tax incentives as a means of attracting new employers (Kenyon, Langley, and Paquin 2012).

Source: Property Tax Relief for Homeowners, 2021 Lincoln Institute of Land Policy. Page 11

[41] IBID

[42] Dispelling the Myth of Home Rule Local Power in Greater Boston, David J. Barron, Gerald E. Frug and Rick T. Su - Rappaport Institute for Greater Boston Cambridge, Massachusetts - John F. Kennedy School of Government Harvard University - https://www.hks.harvard.edu/sites/default/files/centers/rappaport/files/home_rule.pdf

specific as to provide towns no real authority to act in many areas in which they might take the lead in formulating public policy."[43]

The over-reliance on property taxes fosters fragmentation in decisions forcing Connecticut's 169 cities and towns to compete with one another. Driven by the over-reliance on the property tax, land-use boards make decisions based on what members believe (often incorrectly) will increase property tax revenues such as attempting to attract high valuation properties at the expense of preserving farmland and open space. Although short-term revenue growth may occur from such decisions, the need for additional infrastructure (such as schools, roads, and utilities) often increases long-term costs, saddling towns with unsustainable obligations to build and maintain their infrastructure. Nowhere is this more evident than in education and land use. Since schoolchildren are typically a town's largest expense and reliant on property tax revenues, an "anti-kid" and by extension anti-housing (anything other than single family housing houses) has evolved. This often prompts towns to take steps to keep out young families by utilizing large lot zoning and similar techniques to "zone out" families that the towns (often incorrectly) believe may cause an increase in student population. This may be especially true when the families represent racial and/or economic diversity. The result is an aging of Connecticut's suburbs and rural towns - which are losing prime working-age adults – ages 25 to 44.[44]

Environmental Consequences of the Property Tax

The **over-reliance on property taxes is detrimental to our Connecticut landscape, environmental features and fosters climate change**. The search for additional property tax revenue causes towns to attempt to attract high valuation properties at the expense of preserving farmland and open space. Property tax inequity, by increasing the dispersion of jobs and housing, increases transportation costs and excessive, non-productive use of energy. "The key point here is that the environmental effects of sprawl arise from two factors: population density and energy waste. Density, of course, is a direct result of zoning: minimum lot sizes define the density of a development. Waste of energy is more complex, but zoning in a way that obligates residents to use cars to accomplish the slightest errand is clearly more wasteful than zoning for compact neighborhoods with schools and small shops within walking distance. America is zoning for pollution and global warming; we are zoning our farmland and wilderness out of existence."[45]

The state's cost to subsidize infrastructure construction (schools, roads, utilities, etc.) puts additional strain on the state budget, diverting state funds from where they are most needed to support the fragmented needs of the state's 169 cities and towns and 159 school districts.

Reforming the Property Tax Will Enhance the Economic Health of Our State

The **over-reliance on property taxes is detrimental to economic growth as high property taxes on businesses in high property tax towns make interstate and international businesses less competitive and tend to drive businesses and jobs to lower property tax towns and lower property tax states**.

Within our state, property tax inequities drive businesses (especially small businesses) to lower property tax towns, where additional infrastructure (schools, roads, utilities, etc.) must often be built at indefensibly high costs for construction, maintenance and replacement. Further, these town-to-town inequities induces companies to move jobs away from cities, where infrastructure to support existing and new businesses is already in place, and where cross-fertilization of ideas maximizes innovation. As a result of Connecticut's

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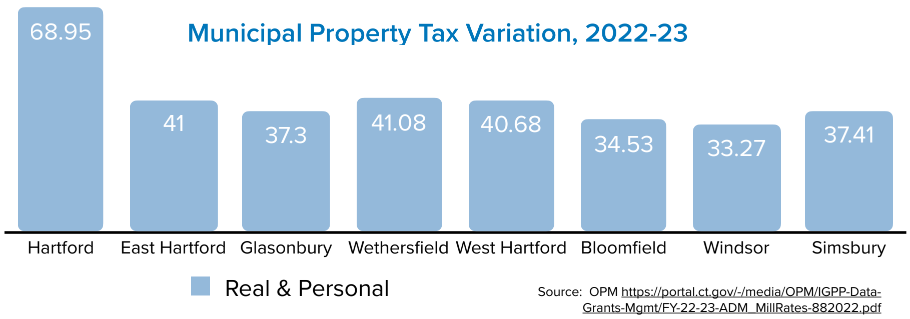
[43] THe Myth And Reality Of Home Rule Powers In Connecticut By Timothy S. Hollister - Connecticut Bar Journal, 1985, page 389

[44] Connecticut's median age, according the the Census for 2019 was 41 years of age, compared to 38 years of age nationally. For the cities of Bridgeport, Hartford and New Haven the median age was 34.3, 32.1 and 30.8 respectively. Compare this to suburban and rural town median ages in Glastonbury (45.2), Bethany (47.9), Cheshire (46.2), Hampton (51.4), Marlborough (44.6), Litchfield (53.9) and Union (53.3).

[45] Divide And Sprawl, Decline And Fall: A Comparative Critique Of Euclidean Zoning - Eliza Hall, University of Pittsburg Law Review, https://doi.org/10.5195/lawreview.2007.77 -

political fragmentation agglomeration economies[46] where cities and clusters of activity boost the productivity of firms located within them, are very much stifled from developing. "Economists have long recognized the importance of urban areas as focal points of economic production and exchange. In recent decades, they have also come to better understand the productivity benefits of firms being located in large urban areas. A variety of advantages may accrue to firms that cluster together in large cities relating, for example, to access to specialized labor, information spill-overs, and interactions with customers or suppliers."[47] The cross-fertilization of ideas maximizes innovation when firms and people locate near one another in cities and industrial clusters. Unfortunately, our central cities have experienced an out-migration of companies to our suburbs and other states - diminishing the agglomeration principle making them less attractive for new investment and growth. During the deliberations of the 2015 State Tax Panel Syracuse University Professor Michael Wasylenko, provided an analysis titled "Connecticut's Competitiveness."[48] for the 2015 State Tax Panel. That presentation, in part, reviewed the "need to continue to attract knowledge workers and with them knowledge industries. Agglomeration economies are at the heart of growing these industries."[49]



The cross-fertilization of ideas maximizes innovation when firms and people locate near one another in cities and industrial clusters. Unfortunately, our central cities have experienced an out-migration of companies to our suburbs and other states - diminishing the agglomeration principle making them less attractive for new investment and growth.

Why is that? There is a structural impediment standing in the way of Connecticut cities being "sufficiently attractive magnets for millennials, young families and economic growth in general," as Jim Loree of Stanley Black and Decker has said. That structural defect is the penalty businesses and housing developers must pay when they locate in cities. While business owners and developers of housing for millennials must pay 68.95 mills on the assessed value of their property in Hartford, property tax rates in nearby towns such as Simsbury, Bloomfield, Windsor, Wethersfield, Rocky Hill and Newington are near or below 30 mills.[50] Moreover, taking into account how property is assessed, the commercial property tax rate in Boston is less than half that of Hartford.[51] If the revitalization of Connecticut's cities is to occur, the disincentive occasioned by the horizontal inequity of property taxes must be rectified.

A Change in Economic Development Strategy Can Help Reduce Horizontal Inequity

Connecticut's approach to economic development on a singular location basis as compared to regional approach heightens property tax inequity. Currently the approach is to conduct economic development on

[46] The Logic of Agglomeration Gilles Duranton and William R. Kerr Harvard Business School Working Paper, No. 16-037, September 2015 - https://www.hbs.edu/faculty/Pages/item.aspx?num=49829

[47] Agglomeration Economies, Jason Cao, Michael Iacono, David Levinson, and Mengying Cui - https://conservancy.umn.edu/bitstream/handle/11299/201655/48-1-cao-iacono-levinson-cui.pdf?sequence=1&isAllowed=y

[48] Michael Wasylenko, "Competitiveness: Connecticut's Economy and the Role of Fiscal Variables in Growth," presentation to the State Tax Panel, September 30, 2015, See https://www.cga.ct.gov/fin/tfs/20140929_State Tax Panel/20150930/wasylenko competitiveness ppt 9-30-2015.pdf

[49] IBID, pg. 19

[50] Source: OPM https://portal.ct.gov/-/media/OPM/IGPP-Data-Grants-Mgmt/FY-22-23-ADM_MillRates-882022.pdf

[51] Commercial property in Boston is assessed at 100% of market value. The commercial property tax rate in Boston is 25.2 mills.

a town-by-town basis with all benefits (property tax) accruing to the host community for any new business location or expansion. No consideration is given to impacts on neighboring communities in terms of transportation, housing, education and other land-use matters. Revenue sharing, which our statutes allow, is not even considered. **The result is companies shopping for the best deal town-to-town and the state enabling this development approach.** Instead of promoting and selling the collective elements of a region - we promote further fragmentation. Unfortunately, the current system incentivizes growing the grand list (property tax receipts) at the expense of logical long-term smart growth.

Central cities at the heart of Connecticut's metro areas are still missing what has been identified as a critical factor in future economic growth - **agglomeration**.

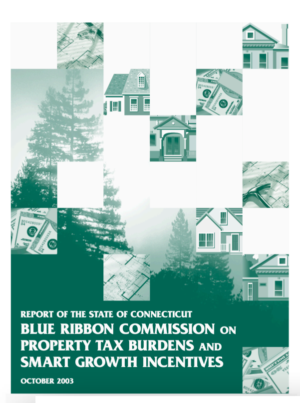
The property tax is the biggest impediment.

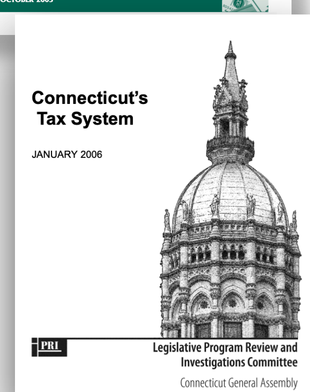
In a 2021 article, "How States Can Direct Economic Development to People and Places in Need," the Pew Charitable Trust states, in part:

> "To address local disparities and help struggling areas thrive, governments at all levels have spent hundreds of billions of dollars over the past 40 years on a range of geographically targeted, or "place-based," economic development programs—mostly in the form of financial incentives—designed to boost job creation and business investment, incentivize real estate development, or increase property values in specific places.
>
> However, previous research has shown that place-based programs often fail to benefit the places and people they are intended to aid. ..Pew's analysis found that the criteria that states use to geographically target their programs are often ill-conceived or out-of-date, with the result that initiatives end up serving wealthy locations instead of disadvantaged ones. And even when programs do reach the intended communities, they often are not well-suited to help residents."[52]

Property Tax Reform Studies and Actions

Since 2000, there have been multiple Connecticut studies that have either focused on or included proposals for property tax reform. There also have been numerous national reports on the subject, including one released in late 2021 from the Lincoln Institute of Land Policy titled "Property Tax Relief for Homeowners"[53] that evaluated more than a dozen approaches to property tax reform.





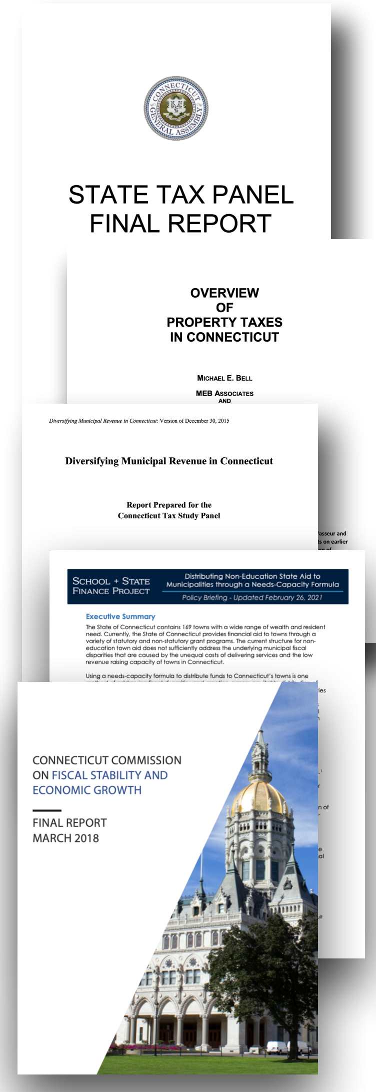
The General Assembly's **Program Review and Investigations Committee** conducted an in-depth analysis of taxation in Connecticut in 2006 - including the property tax. PRI concluded that:

- **Property taxes in Connecticut take a larger share of the incomes of lower- and moderate- income taxpayers** than in most other states.
- **Current property tax relief programs are limited or are poorly targeted**.
- The **property tax is perceived as unfair** and is the focus of much resentment.
- Because different property tax rates are applied to the same motor vehicles valued at the same price in different towns, **individuals in similar**

[52] https://www.pewtrusts.org/en/research-and-analysis/reports/2021/02/how-states-can-direct-economic-development-to-places-and-people-in-need

[53] Property Tax Relief for Homeowners by Adam H. Langley And Joan Youngman - Policy Focus Report Lincoln Institute Of Land Policy, 2021 - https://www.lincolninst.edu/publications/policy-focus-reports/property-tax-relief-homeowners

circumstances do not pay the same amount. For example, a taxpayer with a motor vehicle valued at $20,000 would pay about $220 in property taxes in Washington and over $1,200 in Hartford.[54]



PRI recommended three general policy reforms for the property tax.[55]

- **Property Tax Refund Program** - Eliminate or modify the property tax credit from the income tax and redirect the funds to better target tax relief to lower-income individuals through a refund program. This option would essentially be an expansion of the circuit breaker program.
- **State Sponsored Property Tax Deferral Program** - Create a property tax relief program for all Connecticut residents that defers that portion of the tax on their primary residence that exceeds a certain percentage of income. It would also require payment to the town of an amount equal to the total amount of taxes deferred plus interest when the property is sold, changes owners, or a change in property use occurs.
- **SingleMotorVehicleTaxRate** - Create a single property tax rate for motor vehicles either: at the median (middle) rate (half of the towns' rates are higher and half are lower); or at a revenue neutral rate, which would bring in the same amount of total revenue.

A recurring approach to property tax reform one is to provide cities and towns with a means for **revenue diversification** utilizing tools such as a local option sales tax, local option income tax or the ability to impose user or impact fees. Simply put, **local option sales or income taxes are not a panacea for fiscally strapped municipalities**. The competition for a robust property tax base would simply be replaced by competition for sales tax or income tax bases – and towns that are not fiscally heathy would continue to be disadvantaged. The 2003 Blue Ribbon Commission On Property Tax Burdens and Smart Growth Incentives "… found that local-option taxes levied on a municipality-by-municipality basis in a small state like Connecticut are generally counterproductive in that they tend to foster tax competition between communities and make high-tax towns that opt for additional taxes less competitive."[56]

This assertion was further affirmed and expanded upon by David L. Sjoquist, Professor of Economics at the Andrew Young School of Policy Studies, Georgia State University, in a report he prepared for the Connecticut Tax Panel in 2015, "Diversifying Municipal Revenue in Connecticut."[57] Sjoquist concluded[58] that while revenue from local option sales taxes would diversify the local revenue structure and could be used to reduce property taxes, that:

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[54] https://www.cga.ct.gov/pri/archives/ctts/20060101FINAL_Full.pdf

[55] IBID

[56] Report Of The State Of Connecticut Blue Ribbon Commission On Property Tax Burdens And Smart Growth Incentives October 2003, Page 9 - https://www.ctdatahaven.org/sites/ctdatahaven/files/CT%20Prop%20Tax%20Burden%20%26%20Smart%20Growth%202003.pdf

[57] Diversifying Municipal Revenue in Connecticut Report Prepared for the Connecticut Tax Study Panel David L. Sjoquist, Professor of Economics Andrew Young School of Policy Studies Georgia State University, December 2015 - https://cslf.gsu.edu/files/2016/04/Diversifying-Municipal-Revenue-in-Connecticut_Sjoquist-2016.pdf

[58]IBID

the ct mirror *Connecticut's Nonprofit Journalism.*

A pledge to share sales tax receipts with towns still goes unfulfilled. Was it a case of fiscal bait-and-switch?

by **Keith M. Phaneuf**
February 19, 2021

From left, Connecticut Conference of Municipalities Executive Director Joe DeLong, Council of Small Towns Executive Director Betsy Gara, and former Gov. Dannel P. Malloy

For some municipal leaders, the state legislature's 2015 promise to send hundreds of millions of dollars in sales tax revenue to cities and towns is one of the worst examples of fiscal bait-and-switch in Connecticut politics.

And for the Democratic state legislators — who won re-election after making that pledge — the promise is something they'd like to forget.

- **"Differences in local sales tax rates across towns[s] will result in some shifting of sales between towns similar to the shifting across state borders"**[59]
- **"If local governments adopt a sales tax, it is expected that towns will compete for sales tax base in a way similar to how they currently compete for property tax base."**[60]
- **"It appears that neither a local nor a or regional sales tax will reduce the fiscal disparities between towns**."[61]

Sjoquist's analysis of the impact of local option income taxes also pointed out that, in addition to difficulties of administration (since income is often earned in towns and states other than the residence of a taxpayer):

- Whether imposed on the employer or on the employee, "the employer may decide to move to a city without an income tax." The consequence: "**The city will lose jobs**."[62]
- "The adoption of an income tax will change the incentives for local government competition for tax base. Currently, towns compete for property tax base, with commercial and industrial property being more desirable. . . . An income tax provides an incentive for towns to compete more strongly for high-wage households or high-wage jobs, and somewhat less for property."[63]
- Because "[income] tax revenue per capita is generally larger for towns with better fiscal health, . . . the adoption of local income taxes will not in general offset existing fiscal disparities."[64]

The **2015 State Tax Panel**'s final report noted that while municipal taxation was not within its mandate for study **the Panel concluded** "(1) **Property taxes are regressive**; (2) The property tax **fails to meet requirements of horizontal and vertical equity**; (3) The property tax system is **detrimental to Connecticut's economic competitiveness**; (4) **State grant policies should be re-examined** in an effort to further relieve pressure on the property tax to address fiscal disparities across municipalities; and (5) the **State needs to look at the distribution formula which addresses closing the "needs-capacity gap**."[65]

The Connecticut Commission On Fiscal Stability And Economic Growth's 2018 final report explained that: "The current **heavy reliance on property taxes to fund city services pushes those taxes to levels in our cities far beyond those in the suburbs, thereby creating a strong incentive for those who can leave our urban cores to do so**—if only for the economic benefit. This creates an unhealthy circumstance where fewer are asked to pay more, until they too leave."[66] The Commission's approach to property tax reform was primarily one of revenue diversification for cities and towns. The Commission's follow-up report speaks little

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[59] Diversifying Municipal Revenue in Connecticut Report Prepared for the Connecticut Tax Study Panel David L. Sjoquist, Professor of Economics Andrew Young School of Policy Studies Georgia State University, December 2015 - https://cslf.gsu.edu/files/2016/04/Diversifying-Municipal-Revenue-in-Connecticut_Sjoquist-2016.pdf - page 34

[60] IBID, page 35

[61] IBID, page 33

[62] IBOD, Page 41

[63] IBID, Page 42

[64] IBID, page 51

[65] Connecticut State Tax Panel Final Report, page 10 - https://www.cga.ct.gov/fin/tfs/20140929_State%20Tax%20Panel/CT%20State%20Tax%20Panel%20Final%20Report.pdf

[66] Connecticut Commission On Fiscal Stability and Economic Growth's 2018 Final Report, page 116. - https://www.cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180301/Final%20Report%20with%20Appendix.pdf

to the question of property tax reform. Its primary recommendation was: to "Eliminate the business personal property tax for most current taxpayers by creating an exemption of $25,000 in assessed value. This would have no revenue impact at the state level, but would reduce total local property tax collections by a few hundredths of 1 percent."[67]

The ongoing question as to whether property tax reform is best achieved locally or by the state seems to fall to the state as the most logical approach. "**Wealth disparities among communities make locally funded property tax relief programs inherently problematic**. **Funding property tax relief at the state level is a better option**, since communities with large concentrations of needy taxpayers are unlikely to have the resources to fund local-option tax relief programs. State funding also eliminates inequities in property tax relief among communities."[68] However, without a strong and consistent commitment to state funding for property tax relief, disparities incurred by our cities and towns can be heightened.

The uncertainty of **PILOT** funding levels, which are prorated when they cannot be fully paid, leaves municipalities in a bind when setting their budgets.

MRSA was a well-intentioned program but it did not rebalance property taxes

Following the Federal Reserve Bank report and the ongoing work of the General Assembly's Municipal Opportunities and Efficiencies (MORE) Commission, lawmakers have attempted to provide property tax relief - specifically **PILOT** and the creation of the **Municipal Revenue Sharing Account (MRSA**). Unfortunately, these actions have fallen short in closing the needs-capacity gap. PILOT is a longstanding grant program established by the General Assembly in which the state pays municipalities a percentage of the lost local property taxes caused when otherwise taxable local property used by hospitals, nonprofit colleges or state buildings causes the property to become tax-exempt. This is literally a state-funded property tax replacement program. The uncertainty of PILOT funding levels, which are prorated when they cannot be fully paid, leaves municipalities in a bind when setting their budgets. The 2021 General Assembly addressed PILOT by establishing "a minimum reimbursement rate for PILOT grants and a method for prorating the grants when appropriations are not enough to fund the full grant amounts. This new proration method is based on each municipality's equalized net grand list per capita, designation as an alliance district, and percentage of state-owned property. It requires that municipalities and districts be divided into three tiers based on these criteria, and ties their PILOT grant percentage (ranging from 30% to 50%) to the tiers."[69] While the 2021 changes fell short of "fully funding" all PILOT payments, it did restructure the state-local revenue relationship by amending the PILOT statute to close the gap between the actual PILOT payments and the amount of PILOT funds owed to each town based on need and the PILOT burden. In short, this action was a step forward, but a partial one.

MRSA[70] was originally created to provide municipal property tax relief but has been diverted to the General Fund for other uses. Cities and towns that were promised $246 million in 2016-17 actually got $185 million — but other municipal aid was reduced by $100 million to help balance the budget. And by 2017-18, when more than $360 million in sales tax receipts were supposed to be transferred, the revenue-sharing program was suspended and has remained in limbo since.

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[67] IBID, page 21

[68] Property Tax Relief: The Case for Circuit Breakers, Lincoln Institute of Land Policy • Land Lines • A p r i l 2 0 1 0, Daphne A. Kenyon, Adam H. Langley, and Bethany P. Paquin, page 9 - https://www.lincolninst.edu/sites/default/files/pubfiles/1772_991_3_circuit_breakers.pdf

[69] Office of Legislative Research - Acts Affecting Municipalities By: Julia Singer Bansal, Senior Legislative Attorney August 4, 2021 | 2021-R-0135 - https://www.cga.ct.gov/olr/Documents/year/AA/2021AA-0135_2021%20Acts%20Affecting%20Municipalities.pdf

[70] "The municipal spending cap that is tied to these revenue sharing grants is the greater of the inflation rate or 2.5% or more of the prior fiscal year's adopted budget expenditures, including expenditures from a municipality's general fund and any non budgeted funds. Municipalities that increase their adopted budget expenditures over the previous fiscal year by an amount that exceeds this cap receive a reduced revenue sharing grant. The reduction is equal to 50 cents for every dollar the municipality spends over the cap. However, OPM may not reduce a municipality's grant in any year in which its adopted budget expenditures exceed the cap by an amount proportionate to its population" - Office of Legislative Research, Municipal Revenue Sharing Account.

In lieu of this $360 million, lawmakers created a 'stabilization grant' that shared $38 million in annual relief among most cities and towns. A second 'transition grant' provided another $38 million — spread among just eight communities — to ensure that car taxes didn't exceed 45 mills. The original plan was to freeze car tax rates statewide at 32 mills. A final grant of $37 million was distributed among just five cities and towns with large amounts of tax-exempt property. In all, less than one-third of the promised funding was delivered, and only $38 million went farther than a handful of municipalities."[71] The most recent budget transfers MRSA revenues of $262.7 million in FY 22 and $276.3 million in FY 23 from MRSA back to the General Fund.[72] Total property tax exemptions were more than $60.5 billion for non-taxed properties in FY 2020 and more than $8.5 billion for taxed properties receiving partial exemptions, according to OFA.[73] MRSA was a well-intentioned program but it did not rebalance property taxes for two reasons. First, it was never adequately funded. Second, the program lacked independent statutory authority and therefore was always subservient to the state's budget needs. So instead of rebalancing local property taxes, legislators chose to "raid" this "promised" local property tax rebalancing revenue as the best method to hold down state taxes.

Connecticut provides a variety of property tax relief for homeowners[74], non-profits and businesses. As pointed out by the 2015 Connecticut Tax Panel Study outlined the then 22 full property tax exemption, 66 partial exemptions, 15 exemptions intended to promote economic and housing development and 11 miscellaneous exemptions. Their conclusion was that: "Property tax relief provided to residential property owners in Connecticut is very modest. Few properties receive property tax relief and the relief provided is generally modest. As a result, the effective property tax rate for properties receiving property tax relief is only slightly lower than the effective property tax rate for property not receiving any relief."[75] During the 2021 legislative session attempts were made to cap property tax increases at 2.5% and repeal the motor vehicle tax - neither made it out of committee.[76]

Connecticut's use value assessment law, commonly referred to as "490 or Public Act 490" allows farm, forest, open space, maritime lands to taxed at their use value rather than their market value. The state policy in statute for this law (12-107a), in part, reads: "…that it is in the public interest to prevent the forced conversion of farm land, forest land, open space land and maritime heritage land to more intensive uses as the result of economic pressures caused by the assessment thereof for purposes of property taxation at values incompatible with their preservation." Since its original adoption in 1960 the law has been essential to protecting those lands. There are, as was noted by the State Tax Panel[77], issues around its administration. Specifically, property owners using the law to incorrectly shield themselves from the property tax at the expense of other town property owners. Additionally, the state uses 490 values in calculating PILOT reimbursements to towns for open space and forest lands. The 490 values were never intended for this purpose and the resulting payments to municipalities is well below appropriate compensation.

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[71] A pledge to share sales tax receipts with towns still goes unfulfilled. Was it a case of fiscal bait-and-switch? CT Mirror, by KEITH M. PHANEUF FEBRUARY 19, 2021 -https://ctmirror.org/2021/02/19/a-pledge-to-share-sales-tax-receipts-with-towns-still-goes-unfulfilled-was-it-a-case-of-fiscal-bait-and-switch/

[72] Office of Fiscal Analysis Budget Information Pages, 2022-23 State Budget - https://www.cga.ct.gov/ofa/add-bb.asp

[73] CONNECTICUT TAX EXPENDITURE REPORT, Office of Fiscal Analysis, February 2020 https://www.cga.ct.gov/ofa/Documents/year/TER/2020TER-20200203_Tax%20Expenditure%20Report%20FY%2020.pdf

[74] Local Option Property Tax Relief Programs for Homeowners - Office of Legislative Research, November 24, 2021 | 2021-R-0173 - https://www.cga.ct.gov/2021/rpt/pdf/2021-R-0173.pdf

[75] Overview Of Property Taxes In Connecticut Prepared For The Connecticut Tax Study Panel Discussion Draft October 27, 2015, page 4 - https://www.cga.ct.gov/fin/tfs/20140929_State%20Tax%20Panel/20151027/CT%20Property%20Tax%20Primer%20Bell.%20Draft.pdf

[76] Bills to repeal motor vehicle tax and cap property taxes are in political limbo by Keith M. Phaneuf April 22, 2021 https://ctmirror.org/2021/04/22/bills-to-repeal-motor-vehicle-tax-and-cap-property-taxes-are-in-political-limbo/ There's a plan to get rid of property tax on cars. But how would towns make up the difference? by Keith M. Phaneuf, April 19, 2021CT Mirror - https://ctmirror.org/2021/04/19/theres-a-plan-to-get-rid-of-property-tax-on-cars-but-how-would-towns-make-up-the-difference/

[77] Connecticut STATE TAX PANEL FINAL REPORT December 31, 2015 Final - https://www.cga.ct.gov/fin/tfs/20140929_State%20Tax%20Panel/CT%20State%20Tax%20Panel%20Final%20Report.pdf - Recommendation 6.

Choose Real Change, With Long Term Benefits - NOT Gimmicks

Some **proposals that appear superficially attractive should be rejected**, such as providing cities and towns with a means for revenue diversification tools such as a **local option sales tax or local option income tax, eliminating property taxes on motor vehicles** with no replacement revenue to towns/regions, taxing previously tax-exempt property such as manufacturing equipment, granting additional property tax exemptions without full PILOT reimbursement, or **capping property taxes**. On closer examination, these proposals prove to be temporary, ad hoc reactive measures that likely will turn out to be counterproductive in the long term. "Property tax limits not only encourage a shift from property taxes to sales taxes and fees, which increases burdens on low-income people and people of color, but also reduce opportunity and increase inequality, making it harder to create a desirable economy and quality of life."[78]

"… local-option taxes levied on a municipality-by-municipality basis in a small state like Connecticut are generally counterproductive in that they tend to foster tax competition between communities and make high-tax towns that opt for additional taxes less competitive."

Source: 2003 Blue Ribbon Commission On Property Tax Burdens and Smart Growth Incentives, https://www.ctdatahaven.org/data-resources/report-state-connecticut-blue-ribbon-commission-property-tax-burdens-and-smart-growth

Property Tax Reform Requires Information and Independent Analysis

Connecticut, like most other states, lacks information as to the how its taxes (as well as any proposed changes) affect different income groups. In 2013, the state undertook a proactive action to understand the impact of taxation in the state - including the property tax - by requiring a tax incidence study to be conducted on a biannual basis. Tax incidence studies provide policymakers with the information to understand comprehensively "… how proposed changes in their tax laws would affect the amount of taxes owed by different income groups in their populations or how total tax obligations are distributed across income groups at a particular point in time."[79] Without this type of analysis states are limited to an understanding of "…determining how much proposed tax cuts will cost or tax increases will raise [and]… estimating the total amount of revenue that will be generated by their current tax structure."[80] DRS conducted the state's first ever tax incidence study in December 2014. But before subsequent studies occurred, as specified in the 2013 legislation, five statutory changes postponed the due date, before the second study was completed in 2022 (based on 2019 information).

Nonpartisan analysis, study, or research means an independent and objective exposition of a particular subject matter, including activities that qualify as educational activities. Nonpartisan analysis, study, or research may advocate a particular position or viewpoint as long as there is a sufficiently full and fair exposition of the relevant facts to enable the public or an individual to form an independent opinion or conclusion. However, a mere presentation of unsupported opinion does not qualify as nonpartisan analysis, study, or research.

Source: Internal Revenue Service, Exception for Nonpartisan Analysis, Study and Research - https://www.irs.gov/charities-non-profits/private-foundations/exception-for-nonpartisan-analysis-study-and-research

There is also a pressing need for an independent public policy center committed to timely, high-quality, and nonpartisan research and analysis on public policy issues critical to our state. There are only a few organizations that comes close to meeting this need - notably the Connecticut+State Finance Project, Connecticut Voices for Children and the New England Public Policy Center at the Federal Reserve Bank of

[78] Iris J. Lav and Michael Leachman, State Limits on Property Taxes Hamstring Local Services and Should Be Relaxed or Repealed Michigan, Massachusetts, Oregon, and New York Reveal Range of Problems With Limits, Center on Budget and Policy Priorities, July 18, 2018

[79] Developing the Capacity to Analyze the Distributional Impact of State and Local Taxes Issues and Options for States by Michael Mazerov, Center on Budget and Policy Priorities, January 2002, page 7 - https://www.researchgate.net/publication/228130036_Developing_the_Capacity_to_Analyze_the_Distributional_Impact_of_State_and_Local_Tax

[80] IBID, Page 7.

Boston. They have researched and written numerous independent policy reports[81] on Connecticut. The General Assembly had in place, until 2017, the Program Review and Investigations Committee with the staffing expertise to also undertake similar policy studies.

In summary, the current level and manner of property taxation undermines economic growth, fosters inequity, impedes efficiency in delivering services, and is both vertically and horizontally inequitable. What follows are our recommendations for change and options to pay for these changes.

[81] Connecticut+School Since Project https://ctschoolfinance.org Connecticut Voices for Children https://ctvoices.org, and the Federal Reserve Bank of Boston: https://www.bostonfed.org/publications-and-data.aspx#/

4. Recommendations to Create A Framework For Property Tax Reform And Relief

It is important to view the state and local revenue systems as a single unified whole and to make the total system rational and effective. The same is true of spending. Principled, rational revenue raising and spending controls are both necessary aspects of reform.[82] Piecemeal or ad hoc tinkering with the state/local revenue and spending systems without an overarching framework can, in fact, exacerbate the problems. Unfair, regressive, improperly balanced, inequitable, inadequate, inefficient and ineffective systems could be made worse unless changes are made in a thoughtful and planned manner within the context of a framework that provides guidance toward achieving clearly articulated goals.

A key start to implementation would be to adopt a more integrated framework both for revenue and for spending and to take orderly steps in the direction of fulfilling the framework. Ad hoc and occasional fits and starts will not be sufficient to move the agenda in an orderly or timely way. **Changes to the current system should be undertaken deliberately during the course of an established timeline (we suggest four years) and not in a manner where disruptions may have negative impacts.**

1. Fix Structural Vertical and Horizontal Inequity

Property taxes in Connecticut are, as both the 2014 and 2022 Tax Incidence studies confirm, **fundamentally regressive** (lower-income taxpayers pay taxes at higher rates than higher-income taxpayers) which results in vertical inequity. Similarly, **owners of property with the same fair market value pay vastly different property taxes based on the town in which they live.** So taxpayers in different towns receive very different levels of non-educational public services and great differences in funding for public schools produce educational inequities for children in richer and poorer towns.

Primary Recommendations:

a. **Close the Needs-Capacity Gap for Municipalities** (additional funding required, if ALL towns are held harmless, and towns with Needs-Capacity Gap fully funded - **$516.3 million** (2021)

Phase in, with a hold-harmless provision, a restructuring of municipal state aid and provide additional aid consistent with the 2015 recommendations of the New England Public Policy Center. Utilize state aid as a primary means to address fiscal disparities across communities and ensure that all localities have the resources needed to provide high-quality public services. The reason for this, as this report demonstrates, is that not all municipalities have the capacity to increase property taxes to the level needed to invest in important services and infrastructure. In our view, state aid should be provided to close the gap between a town's ability to provide basic services (e.g. police, fire, public works) at some average level of cost, and its capacity to address them. The approach put forth in Senate Bill 1141, An Act Concerning Property Tax Reform (raised during the 2019 General Assembly Session) sought to put in place the reforms suggested by the New England Policy Institute to reduce or eliminate fiscal disparities in Connecticut.

b. **Close the Cost-Capacity Gap for Local Education** (costs depend on formula used +/-)

Changes made in recent years to the ECS formula have helped in correcting the cost-capacity gap discussed in this report. However additional reforms are needed. The 2021 New England Public

[82] Among the principles that could be applied are revenue raising principles from the National Conference of State Legislatures, and spending principles based on Results-Based Accountability standards - https://www.ncsl.org/ncsl-in-dc/standing-committees/education/cares-act-elementary-and-secondary-school-emergency-relief-fund-tracker.aspx

Policy Center study[83] on the cost-capacity gap suggests ways to correct the current deficiencies in ECS. That work developed five alternative cost-capacity gap formulas ranging from 8% below the 2021 ECS level to 32% above that level.[84] We suggest that policymakers examine this report and use its findings and suggestions to further modify aid for education. Funding should be provided in an adequate and equitable manner, addressing what is necessary to provide a constitutionally sufficient education for each child. A state aid formula that more closely reflects the real costs of educating students, including appropriate weightings for students with disabilities, English language learners and students from families living in poverty, is needed in Connecticut.

Secondary Recommendations:

a. **Put in place targeted property tax relief, with refundable income adjusted refundable property tax circuit breakers and property tax credits to homeowners and renters.**

As stated in the 2021 Lincoln Institute of Land Policy Report: “there is no doubt that targeted tax relief, such as the circuit breakers and homestead credits … can make the distribution of the tax burden more progressive and compensate for any difficulties in accurately assessing lower valued properties.”[85]

b. **Ideally, have the State take over special education. If not, fully fund special education at the local level.** (savings to towns, possible increased administrative costs for the state)

Students in need of special education are not proportionately distributed among school districts, nor is their need necessarily identified in advance of a budget year. To promote efficiency and collaboration, the current reimbursement when the cost of a student’s special education services exceeds 4.5 times the average per pupil educational cost of that school district should be adjusted for in-district and regional collaborative programs.

c. **Provide districts with a wider array of governance options** (no additional costs)

Options are needed that would address the typical challenges that cause towns and districts to back away or not consider regionalization. For example, expand the definition of a school district. Give towns the authority to create flexible cooperative agreements under 10-158(a) and recognize such agreements as a school district. This keeps the local boards of education intact (although they could be made smaller), maintains local fiscal controls, and gives all towns in the partnership an equal voice as to the direction of their school district. If circumstances were to change, the partners would have the flexibility to adjust — something they don’t have the authority to do in a traditional regional school district as defined by the state. The Regional Performance Incentive Program (RPIP) could be used to pilot for transition costs.[86]

2. Commit to Regional and Collaborative Solutions for the Delivery and Coordination of State and Local Services (potentially, $100 million annually or more)

As long as towns must raise the bulk of their revenue using property taxes, they are discouraged from thinking beyond their borders when making decisions. This discourages regional solutions that would protect the environment, improve the economy or reduce duplicative services. Despite being enabled to act on a shared or regional basis and while there are many examples of shared and regional services -

[83] Zho, Bo, Reforming Connecticut’s Education Aid Formula to Achieve Equity and Adequacy across School Districts, New England Public Policy Center, Research Report 21-1, February 2021

[84] IBID, pg.19

[85] Property Tax Relief for Homeowners, 2021 Lincoln Institute of Land Policy. Page 11 - https://www.lincolninst.edu/publications/policy-focus-reports/property-tax-relief-homeowners

[86] https://www.cga.ct.gov/fin/tfs/20200201_Task%20Force%20to%20Promote%20Municipal%20Shared%20Services/20200129/Final%20Report.pdf

cities and towns are still reluctant to embrace the approach.[87] Connecticut, for its part, has not been overly aggressive in the application of regionalism. This is despite statutory authority enabling towns and school districts, acting through their COGs or RESCs, to act regionally - creating service efficiencies, reducing costs and improving the quality and outcomes of services.

a. **Utilize the nine regional councils of governments and the six regional education service centers as the framework for regional and shared services**, including but not limited to:

   i. **Providing the administrative framework for public services** now paid for by the state. This would save administrative costs and allow local CEOs to be more fully engaged in the services provided their residents.

   ii. **Consolidating appropriate back-office functions** (such as information technology, human resource management, and others not dealing directly with the public) for all municipalities in a given region to achieve operating efficiencies.

   iii. **Sharing risk** through insurance pools.

   iv. **Creating additional consolidated school districts** across municipalities with low enrollment where recruitment and expansion are done on a shared and/or regional basis with both costs and revenues as well as impact considerations - rather than the current town specific approach.

   v. Conducting **regional economic development with shared property tax revenues.**

   vi. **Regional Assessment** which cannot only bring down administrative costs and address labor issues - but could enable regions to move toward a common property tax rate - further improving current property tax inequities.

3. Provide Policymakers Independent Non-Partisan Analysis

Connecticut **lacks information non-partisan, independent information to assist policymakers** regarding tax policy. Having such information is fundamental to sound decision making.as to the how its taxes (as well as any proposed changes) affect different income groups. “Nonpartisan analysis, study, or research means an independent and objective exposition of a particular subject matter, including activities that qualify as educational activities. Nonpartisan analysis, study, or research may advocate a particular position or viewpoint as long as there is a sufficiently full and fair exposition of the relevant facts to enable the public or an individual to form an independent opinion or conclusion. However, a mere presentation of unsupported opinion does not qualify as nonpartisan analysis, study, or research.”[88] We suggest two

a. **Reinstitute the Program, Review and Investigations Committee.** ($850,000 annually)

   From 1972 through 2017 the General Assembly had its only true bipartisan/non-partisan think tank with the Program Review and Investigations Committee (PRI). “The committee’s main charge was to review and audit state agency programs for efficiency, effectiveness, performance, and compliance. Assisting the committee was an office of specifically dedicated full-time, professional, nonpartisan staff…”[89] The Legislature needs this type of expertise regarding tax and other policy matters.

b. **Put in place and fund an independent, nonpartisan public policy research center.** ($3 million

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[87] Dispelling the Myth of Home Rule Local Power in Greater Boston, David J. Barron, Gerald E. Frug and Rick T. Su - Rappaport Institute for Greater Boston Cambridge, Massachusetts - John F. Kennedy School of Government Harvard University - https://www.hks.harvard.edu/sites/default/files/centers/rappaport/files/home_rule.pdf

[88] Source: Internal Revenue Service, Exception for Nonpartisan Analysis, Study and Research - https://www.irs.gov/charities-non-profits/private-foundations/exception-for-nonpartisan-analysis-study-and-research

[89] https://www.cga.ct.gov/asp/menu/priCommArchives.asp?comm_code=pri&comm_name=Program%20Review%20and%20Investigations%20Committee

annually)

Connecticut has not had such a center and must depend on a limited number of similar centers, most notably the Federal Reserve Bank in Boston, to study important issues such as the property tax. For example, the Washington State Institute for Public Policy (WSIPP) (https://www.wsipp.wa.gov/) works closely, in a non-partisan basis, with its legislature on a range of topics. They additionally "…identify "evidence-based" policies. The goal is to provide Washington policymakers and budget writers with a list of well-researched public policies that can, with a high degree of certainty, lead to better statewide outcomes coupled with a more efficient use of taxpayer dollars."[90]

[90] https://www.wsipp.wa.gov/BenefitCost

5. Where will the Money Come From?

The cost to realize and sustain equity (horizontal and vertical) in the property tax system and correct both the needs-capacity gap for cities and towns and the cost-capacity gap for education Connecticut is approximately $1 billion annually. As this report demonstrates, restructuring Connecticut's state-local financial relationship by diminishing the burden of the property tax should be a public policy priority second to none because of its benefits for stimulating economic growth, equitably funding education, restoring affordability for our cities and reducing tax regressivity for residents. We can almost certainly predict that supporters, opponents and skeptics of our property tax reform proposals will ask the same key question: **How do you propose to raise $1 billion in new revenue to pay for your proposals?**

Our answer is unequivocal: in light of the overriding urgency to restructure Connecticut's property tax system, **new state revenue is not essential to implement the property tax reforms** we propose because **there is more than sufficient surplus revenue generated by the state's current revenue system and budget allocations, as well as tax revenues either not collected or under collected to completely fund the reform package**.

Primary Options:

1. **We propose that restructuring the state's property tax system for 2023-24 should be viewed by state policymakers as analogous to the successful program enacted by policymakers in 2017-18 to restructure Connecticut's pension debt.** The budget controls that prioritized pension debt prepayment—including the volatility cap and raising the ceiling on the Budget Reserve Fund-- had the effect of elevating debt prepayment above the typical yearly budgets. The result was, in effect, a new budget structure. The results have been nothing short of astounding. While we have advocated for revision of some of the budget mechanisms, there can be no doubt of the overall benefit to the state. During the last three fiscal years, the new budget structure has produced $4.485 billion in "surplus surplus"— that is, budget surplus that exceeds the statutorily-required deposit of surplus into the Rainy Day Fund— that has been dedicated to prepayment of the state's pension debt in the amounts of $61.6 million in 2020, $1.623 billion in 2021 and $2.8 billion in 2022. **We believe that state policymakers can accomplish the same magnitude of change in the state-local tax system that they accomplished when they changed the financing of the pension system.**

> "In five years Connecticut not only has amassed a record-setting $3.3 billion rainy day fund but made $5.8 billion in supplemental pension payments — and could make $2.7 billion more."
>
> Keith M. Phaneuf, CT Mirror, CT's revenues are finally growing faster than its debt, analysts say, December, 5, 2022 - https://ctmirror.org/2022/12/05/ct-budget-revenue-debt-fiscal-accountability-report/

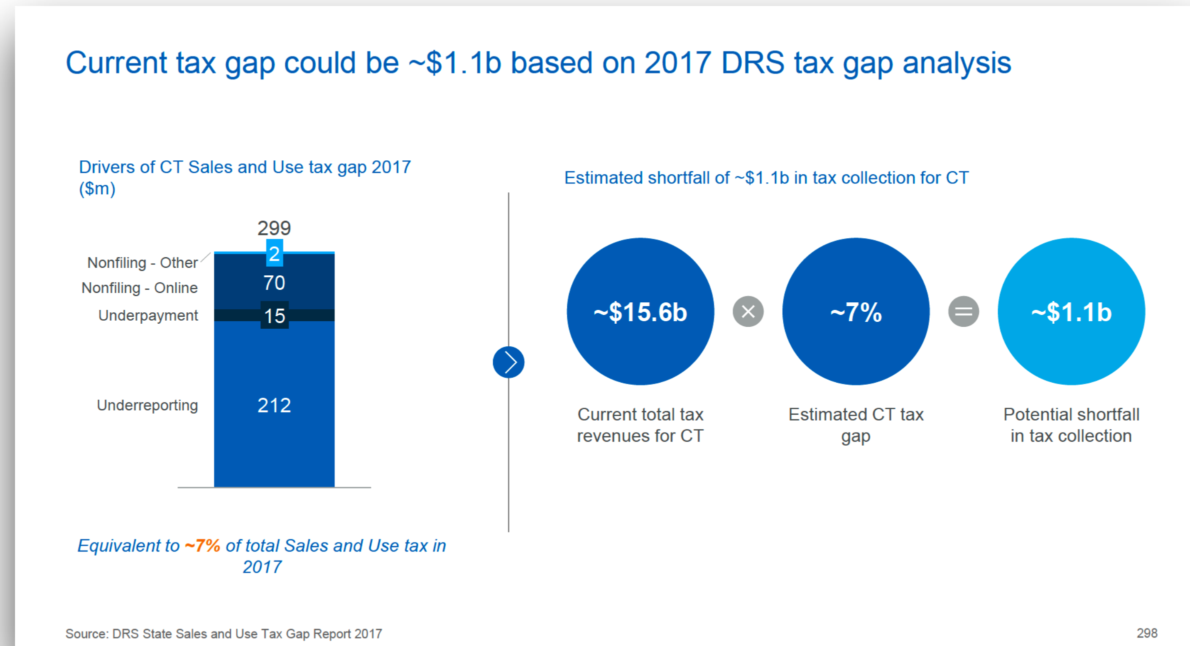
If the current revenue structure continues to generate an annual surplus, the state's challenge in implementing property tax reforms is not to legislate new funding to finance the reforms but rather to elevate the status of property tax reforms as a policy priority to make an appropriate claim on the revenue already generated by the current tax system. **In short, balancing the policy priorities of property tax reform and debt prepayment can BOTH be accomplished within the parameters of the revenue generated by the 2017-18 budget reforms.**

- To reiterate, **the challenge of comprehensively funding comprehensive property tax reform is not a deficit of new revenues but rather a deficit of policy** that currently gives other programs a higher priority than comprehensive property tax reforms.

The historic surpluses that have been generated represents a once-in-a-lifetime opportunity to achieve real and lasting property tax reform. The fundamental rebalancing of the state-local financial relationship deserves top priority when it comes to programmatic claims on the state's budget surplus—certainly no less important than the restructuring of the state government-Wall Street relationship for reducing the pension debt. As this report has amply demonstrated, comprehensive property tax reform can stimulate widespread economic growth and remedy horizontal and vertical inequities.

Despite our belief that new revenues are not key to property tax reform, if historic annual revenue surpluses do not continue, or if current policy priorities are not changed to allocate an appropriate share of the "surplus surplus" to funding reforms, **where could the revenue come from to implement these reforms?**

2. **Collect what is owed from taxes already in place.** According to the 2021 Connecticut CREATES Report[91] commissioned by Governor Lamont and the General Assembly, **there may be as much as $1.1 billion in revenue due the state that is not now being collected.**



Source: CREATES Report , Supporting Materials - https://portal.ct.gov/-/media/Office-of-the-Governor/News/2021/20210331-CREATES-final-report-accompanying-materials.pdf, pg. 298

A portion of this gap is a projected sales and use tax gap of about $299 million, largely consisting of underpayment and underreporting. An additional share of the $1.1 billion tax gap is driven by the lack of sufficient auditors and other tax department staff to examine taxpayer returns and to pursue those either not reporting or under reporting taxes owed to Connecticut.

The CREATES report recommends: "…a more robust, data-driven compliance program [that] can help identify patterns in intentional and unintentional fraud, non-compliance and other sources of underreporting. Combining strategic insights with advanced data analytics can help DRS optimize audits, increase deterrence for tax fraud and collect a greater share of what is owed to the State. With audit

[91] Connecticut Creates Report, https://portal.ct.gov/Office-of-the-Governor/News/Press-Releases/2021/03-2021/Governor-Lamont-Receives-Report-With-Suggestions-on-Government-Efficiency

coverage ratios for some taxes less than one-third of what is achieved in many other states, DRS must backfill retiring auditors while improving its case selection to maximize the return on those audits that the staff are able to conduct. DRS will need to invest in more advanced analytic capabilities, including a mix of internal capabilities and third-party software, to better segment taxpayers and audit the highest value filings."[92] (**emphasis added**)

Specifically, as reported by Connecticut Voices for Children, "the DRS confirmed at a public hearing in 2022 that due to the low number of auditors the state has an overall audit rate of only about one percent and even lower for some taxes, compared to an average of about three percent for other states. The DRS also estimates that each new auditor hired would generate about $2 million in revenue."[93] Simple arithmetic would suggest that 100 new auditors – in addition to backfilling existing audit vacancies – could close $200 million of the tax gap.

Moreover, a significant portion of the tax gap can be filled if higher earning taxpayers are "encouraged" to fully report sources of income that are "opaque." Just as at the national level, Connecticut has "limited information reporting or no information reporting for certain sources of income," as noted by Connecticut Voices for Children, which quotes the U.S. Treasury Department:

> "For some, but not all, categories of income, the [Internal Revenue Service] can crosscheck taxpayer filings because it receives information reports from third parties, like employers, and this information can be used to verify that taxpayers are accurately reporting income ....**When taxpayers know that their tax information is being reported to authorities, their voluntary compliance rate increases.** For ordinary wage and salary income, where employers share a Form W-2 with both employees and the IRS (as well as automatically withhold income taxes), compliance is very high, with only an estimated 1% misreporting rate... In stark contrast, for opaque income sources that accrue disproportionately to higher earners -- like proprietorship income and rental income—misreporting is estimated to be 55%."[94]

Adopting the recommendations of the CREATES report regarding DRS should increase the voluntary compliance of taxpayers – especially those with "opaque income sources that accrue disproportionately to higher earners"[95] (of which the state has a high share) thus helping to close even more of the projected tax gap.

Secondary Options:

1. **Act in whole or in part on the recommendations of the Creates Report,**[96] including, but not limited to:
   - **Digitize filing and payments (DRS)** - $95+ million annually
   - **Cutting the low-return on investment film/tax programs -** $68 - $100 million
2. **Act to regionalize services through the councils of Governments and the Regional Education Service Centers** as put forth by the Report of the Task Force to Promote Municipal Shared Services[97], prepared by the Advisory Commission on Intergovernmental Relations Work Groups.

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[92] Connecticut CREATES Summary Report, pg. 74 - https://portal.ct.gov/-/media/OPM/Secr-Reports/Connecticut-CREATES-Final-Report.pdf

[93] Connecticut Voices for Children, "Candidate Briefing Book, June 2022," p. 36. A subsequent Voices report, "State of Working Connecticut, 2022," cites DRS Deputy Commissioner John Biello, from the video recording of the "2022 Tax Incidence Report Briefing" to the Finance, Revenue and Bonding Committee on March 11, 2022. See Biello's comments on the video (https://www.youtube.com/watch?v=q7nb5kON6cI), starting at 1 hour 0 minutes,]

[94] IBID, pg. 35

[95] IBID, pg.35

[96] https://portal.ct.gov/-/media/Office-of-the-Governor/News/2021/20210331-CREATES-final-report-accompanying-materials.pdf

[97] Task Force to Promote Municipal Shared Services established by Section 366 of Public Act 19-117 to "Study Ways to Encourage Greater and Improved Collaboration Among the State and Municipal Governments and Regional Bodies." https://www.cga.ct.gov/fin/tfs/20200201_Task Force to Promote Municipal Shared Services/20200129/Final Report.pdf

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6. Suggested Resources

Connecticut Specific Property Tax Reform Information:

- **Connecticut Tax Incidence Study, 2014** - Tax Year 2011, Department of Revenue Services - https://portal.ct.gov/-/media/DRS/Research/DRSTaxIncidenceReport2014pdf.pdf?la=en
- **Connecticut Tax incidence Study, 2022** - Tax Year 2019, - https://portal.ct.gov/-/media/DRS/Tax-Incidence/Connecticut-Tax-Incidence-Study-TY2019.pdf
- **Connecticut School Finance Project** - https://ctschoolfinance.org/issues/property-taxes
- **Report Of The State Of Connecticut Blue Ribbon Commission On Property Tax Burdens And Smart Growth Incentives** October 2003 - https://www.ctdatahaven.org/data-resources/report-state-connecticut-blue-ribbon-commission-property-tax-burdens-and-smart-growth
- **Connecticut State Tax Panel Final Report** December 31, 2015 Final - https://www.cga.ct.gov/fin/tfs/20140929_State%20Tax%20Panel/CT%20State%20Tax%20Panel%20Final%20Report.pdf
- **Connecticut Commission On Fiscal Stability And Economic Growth** - Final Report - March 2018 - https://www.cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20180301/Final%20Report%20with%20Appendix.pdf
- **Commission On Fiscal Stability And Economic Growth** - Report 2.0 - November 2018 - https://www.cga.ct.gov/fin/tfs/20171205_Commission%20on%20Fiscal%20Stability%20and%20Economic%20Growth/20181128/Report%202.0%2011.26.18.pdf
- **Diversifying Municipal Revenue in Connecticut** - Report Prepared for the Connecticut Tax Study Panel David L. Sjoquist, Professor of Economics Andrew Young School of Policy Studies Georgia State University, December 2015 - https://cslf.gsu.edu/files/2016/04/Diversifying-Municipal-Revenue-in-Connecticut_Sjoquist-2016.pdf
- **Overview Of Property Taxes In Connecticut** - Michael E. Bell Meb Associates And Research Professor George Washington Institute Of Public Policy George Washington University Prepared For The Connecticut Tax Study Panel Discussion Draft October 27, 2015 - https://www.cga.ct.gov/fin/tfs/20140929_State%20Tax%20Panel/20151027/CT%20Property%20Tax%20Primer%20Bell.%20Draft.pdf
- **Connecticut Municipal Fiscal Indicators** Fiscal Years Ended 2015 - 2019, April 2021 - https://portal.ct.gov/-/media/OPM/IGP/munfinsr/Municipal-Fiscal-Indicators/FI-2015-19-Final-AsOf-4-30-21.pdf
- **Report of the Task Force to Promote Municipal Shared Services** - Prepared by the Advisory Commission on Intergovernmental Relations Work Groups, February 2020 - https://www.cga.ct.gov/fin/tfs/20200201_Task%20Force%20to%20Promote%20Municipal%20Shared%20Services/20200129/Final%20Report.pdf
- **Municipal Revenue Sharing Account** - Rute Pinho, Chief Analyst Office of Legislative Research October 8, 2021 I 2021-R-0171 - https://www.cga.ct.gov/2021/rpt/pdf/2021-R-0171.pdf
- **Advancing Economic Justice Through Tax Reform**, Patrick R. O'brien, Ph.D., Research & Policy Fellow Daniel Curtis, Research & Policy Associate, December 2020, Connecticut Voices for Children - https://ctvoices.org/publication/advancing-economic-justice-through-tax-reform/
- **Measuring Municipal Fiscal Disparities in Connecticut** - New England Public Policy Center Research

Report 15-1 by Bo Zhao and Jennifer Weiner - Federal Reserve Bank of Boston - May 2015 - https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2015/measuring-municipal-fiscal-disparities-in-connecticut.aspx

- **A Steady Habit of Segregation - The Origins and Continuing Harm of Separate and Unequal Housing and Public Schools in Metropolitan Hartford, Connecticut** Susan Eaton, NAACP Legal Defense and Educational Fund, Open Communities Alliance, The Poverty & Race Research Action Council (PRRAC), The Sillerman Center at Brandeis University - https://prrac.org/pdf/hartford-segregation-report-2020.pdf
- **Connecticut Zoning And Discrimination 2021** - Report on the discriminatory effects of zoning laws in Connecticut by the Commission on Human Rights and Opportunities - https://portal.ct.gov/-/media/CHRO/Publications/CHROs-Zoning-and-Discrimination-2021-Report.pdf
- **Connecticut's Payment In Lieu of Taxes Program**, Office of Legislative Research, December 15, 2020, 2020-R-0330 - https://www.cga.ct.gov/2020/rpt/pdf/2020-R-0330.pdf
- **From Urban Core to Wealthy Towns: Non-School Fiscal Disparities across Connecticut Municipalities -** Bo Zhao, Federal Reserve Bank of Boston Working Paper, No. 15-14 - https://www.bostonfed.org/publications/research-department-working-paper/2015/from-urban-core-to-wealthy-towns-nonschool-fiscal-disparities-across-connecticut-municipalities.aspx
- Neil Ayers, Director of the Office of Fiscal Analysis DIRECTOR, CONNECTICUT GENERAL ASSEMBLY, **FISCAL ACCOUNTABILITY REPORT - December 5, 2022** - https://www.cga.ct.gov/app/related/20221205_2022 Fiscal Accountability Presentations/OFA FAR 2022 - Presentation_FINAL.pdf
- Jeffery Beckham, Secretary, Office of Policy and Management - **December 5, 2022 presentation to a joint meeting of the Appropriations and Finance, Revenue and Bonding Committees** - https://www.cga.ct.gov/app/related/20221205_2022 Fiscal Accountability Presentations/OPM FAR presentation 12-5-22.pdf
- **Connecticut Creates Report**, https://portal.ct.gov/Office-of-the-Governor/News/Press-Releases/2021/03-2021/Governor-Lamont-Receives-Report-With-Suggestions-on-Government-Efficiency

Other Property Tax Reform Information:

- **State Limits on Property Taxes Hamstring Local Services and Should Be Relaxed or Repealed Michigan, Massachusetts, Oregon, and New York Reveal Range of Problems With Limits,** Iris J. Lav and Michael Leachman,, Center on Budget and Policy Priorities, July 18, 2018
- **Property Tax Relief for Homeowners** - Adam H. Langley And Joan Youngman, Policy Focus Report Lincoln Institute Of Land Policy, 2021 - https://www.lincolninst.edu/publications/policy-focus-reports/property-tax-relief-homeowners
- **Property Taxes: What Everybody Needs to Know** - Ronald C. Fisher, Michigan State University Working Paper WP21RF1 - September 2021, Lincoln Institute of Land Policy - https://www.lincolninst.edu/es/publications/working-papers/property-taxes
- **Dispelling the Myth of Home Rule Local Power in Greater Boston**, David J. Barron, Gerald E. Frug and Rick T. Su - Rappaport Institute for Greater Boston Cambridge, Massachusetts - John F. Kennedy School of Government Harvard University - https://www.hks.harvard.edu/sites/default/files/centers/rappaport/files/home_rule.pdf
- **Fundamental Property Tax Reform: Land Use Implications Of New Jersey's Tax Debate** - A Regional Plan Association / Lincoln Institute of Land Policy Partnership Project, October 2005 - https://rpa.org/uploads/old-site/library.rpa.org/pdf/RPA-Fundamental-Property-Tax-Reform.pdf

Land Policy and Minnesota Center for Fiscal Excellence - https://www.lincolninst.edu/publications/other/50-state-property-tax-comparison-study-2020

- **Property Tax Relief: The Case for Circuit Breakers** - Daphne A. Kenyon, Adam H. Langley, and Bethany P. Paquin - Lincoln Institute of Land Policy • Land Lines • A p r i l 2 0 1 0 - https://www.lincolninst.edu/sites/default/files/pubfiles/1772_991_3_circuit_breakers.pdf
- **Total State And Local Business Taxes State-By-State Estimates For FY20** - October 2020, Ernst & Young LLP - https://www.ey.com/en_us/tax/fy-20-total-state-and-local-business-taxes
- **2021 Minnesota Tax Incidence Study An Analysis of Minnesota's Household and Business Taxes** - March 4, 2021 Minnesota Department of Revenue - https://www.revenue.state.mn.us/tax-incidence-studies
- **Property Taxes: The Bad, The Good, and The Ugly** - Charles E. Gilliland, Research Economist - 2013, Texas A&M Real Estate Center - https://assets.recenter.tamu.edu/documents/articles/2037.pdf
- **The Fiscal Health of U.S. Cities,** Howard Chernick and Andrew Reschovsky - 2013 Lincoln Institute of Land Policy Working Paper - https://www.lincolninst.edu/sites/default/files/pubfiles/chernick_wp20hc1.pdf
- **Developing the Capacity to Analyze the Distributional Impact of State and Local Taxes Issues and Options for States** - Michael Mazerov, Center on Budget and Policy Priorities, January 2002- https://www.researchgate.net/publication/228130036_Developing_the_Capacity_to_Analyze_the_Distributional_Impact_of_State_and_Local_Tax
- **Taxes and Racial Equity: An Overview of State and Local Policy Impacts** - Misha Hill, Carl Davis, Meg Wiehe - Institute on Taxation and Economic Policy - March 2021 - https://itep.org/taxes-and-racial-equity/
- **How States Provide Cities with General Revenue:** An Analysis of Unrestricted State Aid Working Paper WP20AK1 - September 2020 - Lincoln Institute of Land Policy - https://www.lincolninst.edu/publications/working-papers/how-states-provide-cities-general-revenue
- **Progressive Policies for Raising Municipal Revenue**, April 2015 - A Strategy Report From Local Progress and The Center for Popular Democracy - https://localprogress.org/wp-content/uploads/2013/09/Municipal-Revenue_CPD_040815.pdf
- **City Economic Equity Rankings: Analysis of 21 U.S. Cities** - Henry Clay McKoy, Jr., Ph.D., LaChaun J. Banks, MBA, ASH Center for Democratic Governance and Innovation, November 2019 - https://socialequity.duke.edu/wp-content/uploads/2019/11/PMI-CITY-ECONOMIC-EQUITY-INDEX-HARVARD-NOV-2019.pdf
- **The Assessment Gap: Racial Inequalities in Property Taxation** - Carlos Avenancio-León, Troup Howard - June 2020, University of California, Berkeley https://equitablegrowth.org/working-papers/the-assessment-gapracial-inequalities-in-property-taxation/
- **Rethinking Local Government Revenue Systems - Why is it necessary?** - GFOA, 2021 - https://www.gfoa.org/materials/rethinking-local-government-revenue-systems
- **Pushed Out Housing Displacement in an Unaffordable Region** - Regional Plan Association, March 2017 - https://rpa.org/work/reports/pushed-out

Property Tax Working Group

The Property Tax Working Group is a project of 1,000 Friends of Connecticut. The Property Tax Working Group's primary focus is to significantly reduce the share of total state and local revenue collected from property taxes, and to do so in a way that advances economic growth, equity and fairness and minimizes adverse land-use decisions.

taxpolicyct.org

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