



PLANNING & DEVELOPMENT COMMITTEE – MARCH 9, 2022

TESTIMONY OF KEN GIRARDIN, DIRECTOR OF POLICY & RESEARCH

SB326 - AN ACT LOWERING THE MILL RATE CAP FOR MOTOR VEHICLE PROPERTY TAX & CONCERNING REIMBURSEMENTS TO MUNICIPALITIES FOR LOST REVENUE – ANALYSIS & SUGGESTIONS

The taxes on tangible personal property (TPP) levied by Connecticut’s local governments present one of the state’s most complicated policy challenges.

Eliminating TPP taxes—if only on motor vehicles—would involve a substantial recurring appropriation from the general fund, removing a sizable portion of grand lists (8 percent on average), or a combination of both.

Any offsetting appropriation would shower benefits on municipalities in a seemingly irrational fashion, while forcibly lowering mill rates would shift the local property tax burden onto real property and personal property and add to municipal fiscal stress.

There are no overnight fixes for Connecticut’s TPP reliance. Motor vehicles alone made up at least 10 percent of the FY20 grand list in almost a third of towns and cities. Governor Lowell Weicker in 1994 proposed eliminating the property tax on motor vehicles—and little has changed in the 28 years since.

In a perfect world, property tax relief would come from giving local governments new ways to save money and requiring them to use those savings to reduce and eventually eliminate their motor vehicle taxes. Short of that, TPP should be tackled as part of a comprehensive tax reform that, among other things, slows the future growth of property taxes.

SB326 would create a new general fund program, adding roughly \$355 million to expenses over five years (based on the most recent grand list and mill rate data). It would be less costly than Governor Lamont’s related proposal for a state takeover of all motor vehicle tax receipts above 29 mills, which would cost upwards of \$700 million over the same period.

When viewed strictly as a new municipal aid program, SB326 would result in some questionable outcomes:

- the biggest beneficiary on a per-capita basis would be Woodbridge, which has the state’s seventh-highest median household income. Luxury vehicles garaged there would have their motor vehicle taxes trimmed by several hundred dollars;
- West Hartford would receive more than Hartford or East Hartford; and
- seventy-five towns and cities, including two towns in the lowest decile for median household income (Killingly and Putnam), would receive nothing.

Instead of lowering the hard ceiling and backfilling it with state funds on a dollar-for-dollar basis, it would be preferable to:

- allow municipalities to set motor vehicle property tax rates that are lower than the rates applied to real property (“decoupling”); and
- structure any reimbursement to cover part, not all, of the resultant revenue reductions to: minimize outliers; include more municipalities; and increase the likelihood that the program remains funded for its intended duration.

Looking at property taxes in general, Connecticut should adopt a New York-style property tax cap that limits the rate of total property-tax levy growth, delivers gradual relief without general fund involvement, and puts municipalities on a long-term path to phasing out their motor vehicle taxes.

HB 5362 - AN ACT REQUIRING PUBLIC COMMENT PERIODS AT PUBLIC AGENCY MEETINGS - SUPPORT

This bill strikes a good balance, codifying part of the state’s cultural DNA without presenting added costs or limiting officials’ ability to conduct regular governmental business.

Connecticut has historically had a presumption of participation in local government. The centuries-long use of town meetings remains the gold standard for maximizing citizen involvement. While most municipalities have adopted systems that involve elected representatives, a reduction in public input does not appear to have been part of the calculus.

Besides being a central tenet in representative democracy, guaranteeing public participation would potentially benefit municipalities financially. Members of the public, especially in a state as numerate as Connecticut, can spot costly errors and provide other input that improves outcomes. This ability to contribute to governmental processes should be guaranteed in statute.