A Project of 1000 Friends of Connecticut

The Property Tax Working Group

Connecticut is in urgent need of property tax reform to correct a system that undermines economic growth, and is regressive, unfair and economically inefficient.

Connecticut Property Taxes: Opportunity for Change

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

Executive Summary

Connecticut has a rare opportunity, due to its positive budget situation, 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 41.9% of the total tax burden for Connecticut residents.

> 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

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.

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 the next generation 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 districts must pay for education which 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

[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

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.

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-and-local fiscal relationship so that municipalities need to rely less on property taxes to fund essential needs.

Finally, **Connecticut lacks information as to the how its taxes** (as well as any proposed changes) **affect different income groups**. Connecticut conducted its only tax incidence study in 2014 and put in place a statutory requirement that it be repeated biannually. To date, that requirement has been repeatedly postponed. 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. The General Assembly had in place the Program Review and Investigations Committee with the staffing expertise to also undertake such work. Unfortunately, that committee was eliminated in 2017.

In summary, the current level and structure of the state's property tax system undermine economic growth, and are regressive, inequitable, 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**
    a. **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.
    b. **Phase in a restructuring of municipal state aid** in line with the 2015 recommendations from the New England Public Policy Center to utilize state aid as a primary means to address fiscal disparities in communities across the sate and ensure that all localities have the resources needed to provide high-quality public services.
    c. **Explore ways to distribute a portion of the so-called "surplus surplus"** (revenue in excess of what is permitted in the Rainy Day Fund) to municipalities so that they may reduce unfunded liabilities.
2. **Close the needs-capacity gap**
    a. **Provide additional state aid to towns** with low taxable property wealth.
    b. **Exempt grants to distressed municipalities from the spending cap**. If distressed municipalities are to be revitalized, additional grants to close the needs-capacity gap in those cities must be supplied.
    c. **Fully fund Payments In Lieu of Taxes (PILOT)** or, at the least, target existing levels of funding to cities and towns with the least capacity to raise revenue (places with the lowest levels of property wealth).
    d. **Eliminate partial exemptions from local property taxes** unless fully replaced by state aid.
    e. **Tighten the administrative application on the use-value assessment law for property taxation** (commonly referred to as "Public Act 490") to minimize its misapplication, especially for open space lands.
    f. **Make adjustments to PILOT** to accurately reflect the value of open space and forest lands.

3. Close the cost-capacity gap for education

a. **Fully fund special education** or, at a minimum, increase state funding for the cost of special education.

b. **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.

4. Choose real change, with long-term benefits - NOT Gimmicks

Reject seductive proposals, such as the following:

- 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 competition for sales tax base or income tax base, and towns that are not fiscally heathy would continue to be disadvantaged.
- 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.

5. Encourage 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. They must be modified.

c. **Connecticut's economic development approach** should 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.

6. Provide policymakers with up-to-date facts and independent analyses.

a. Conduct a tax incidence study on a biennial basis, as is required by law.

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

c. Provide adequate government funding for a nonpartisan, independent public policy research center.

The following white paper details and supports our findings and recommendations.

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Introduction

Connecticut has a rare opportunity, due to its positive budget situation[2], 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. The Property Tax's $7.3 billion impact equates to almost 42% of the entire tax incidence.[3] The personal income tax accounts for one-third of the tax incidence, sales and use tax is almost 15% and excise taxes are 4%. Together, these tax categories account for 94% 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.[4]

In our view, tax reduction should be focused on correcting the serious flaws associated with local property taxes, which now make up 41.9% of the total tax burden for Connecticut residents.[5] 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.

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 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

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[2] "Talk Of Tax Relief Grows As The State's Revenues Surge Again" CT Mirror, November 10, 2021 - https://ctmirror.org/2021/11/10/talk-of-tax-relief-grows-as-ct-revenues-surge-again/ and "ConnEcticut. Residents Could See Tax Relief," Hartford Courant, November 14, 2021."

[3]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

[4] supra, note 1

[5] CT DRS Tax Incidence Study, 2014 - https://portal.ct.gov/-/media/DRS/Research/DRSTaxIncidenceReport2014pdf.pdf?la=en.

income to rich households that save rather than spend."[6]

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%.[7]

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 realizing equity in taxation by revamping our overall state-local revenue structure. The desired outcomes of this initiative are to:

- **Keep property taxes from undermining economic growth**;
- **Provide horizontal equity** by 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 state's reliance on property taxes in funding public education** as well as 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 to 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**.

[6] 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/

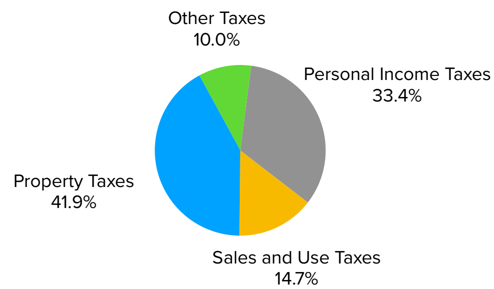
[7] Tax Incidence Study, cited by Voices, Advancing Economic Justice Through Tax Reform, Patrick R. O'brien, Ph.D., Research & Policy Fellow Daniel Curtis, Research & Policy Associate, Connecticut Voices for Children, 2021

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 73.4% of their revenues from the local property tax and an average of 21.5% (10% median) from intergovernmental revenues.[8]
2. As a percentage of state-local revenue (2018) - as opposed to <u>taxes</u> - 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 Study conducted by the state Department of Revenue Serves (DRS) in 2014, 41.9% of all state and locally generated taxes came from the property tax.[9]

Overall Connecticut Tax Incidence, 2011



Source: CT DRS Tax Incidence Study, 2014

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.[10]

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."[11]

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.

"Rebalancing" is different than property 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.

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

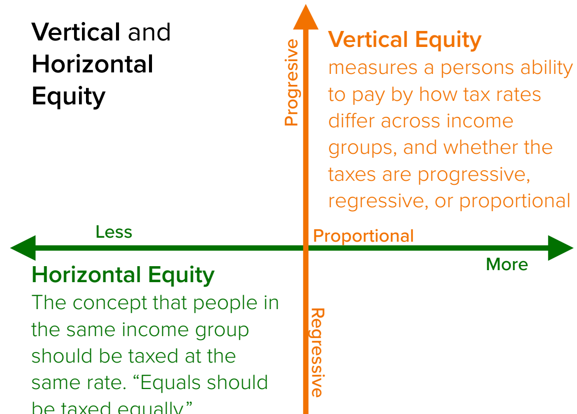
[8] Office of Policy and Management 2019 Fiscal Indicators, FY 2019 - https://portal.ct.gov/-/media/OPM/IGP/munfinsr/Municipal-Fiscal-Indicators/FI-2015-19-Final-AsOf-4-30-21.pdf

[9] 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).

[10] 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.

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

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."[12]



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

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. Table 1, which provides data by income deciles, shows that households in the bottom income decile [about HALF of all households in the state], pay an astonishing 12.52% of their income in property taxes. Households in the second income decile still had an effective property tax rate of 7.65%, and households in income decile #5 had an effective property tax rate of nearly 5% --- with only the 124,904 households in the top 5 income deciles having an effective property tax rate of 4.03% or less. 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.

Another way to look at this is by population decile. 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%.

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

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."[13]

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 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

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[12] 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

[13] 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

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.

Table 1:

Property Tax: Income Deciles

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

Measuring Horizontal Inequity in Providing Non-Educational Municipal Services

In cooperation with the General Assembly's Program Review and Investigations Committee, the New England Public Policy Center (NEPPC) at the Federal Reserve Bank of Boston prepared a report, "Measuring Fiscal Disparities in Connecticut."[14] 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[15] 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."[16]

Table 2:

Property Tax: Population Deciles

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

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 levy a higher tax rate than the other."[17]

[14] 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

[15] 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

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

[17]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

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.[18] 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.[19]

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.[20]

In 2019, Connecticut's Finances, a nonpartisan, nonprofit initiative of the Connecticut School Finance Project, posted on its website an update and extension of the 2015 NEPPC study[21].

- 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 FY 2018 – 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.
- 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.[22]

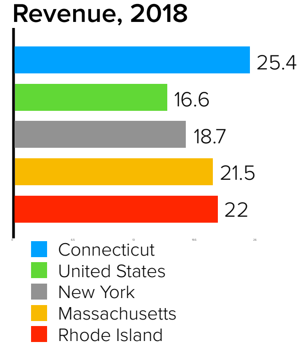
In short, there is extensive analysis of the magnitude of horizontal inequity created by the existing property tax disparities in Connecticut.

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

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

[18] Measuring Municipal Fiscal Disparities in Connecticut - Federal Reserve Bank of Boston, pages 1-2 - https://www.bostonfed.org/publications/new-england-public-policy-center-research-report/2015/measuring-municipal-fiscal-disparities-in-connecticut.aspx

[19] IBID

[20] IBID

[21] Distributing Non-Education State Aid to Municipalities through a Needs-Capacity Formula, School + State Finance Project, 2019. This report was updated February 26, 2021. https://ctschoolfinance.org/reports/distributing-non-education-state-aid-to-municipalities-through-a-needs-capacity-formula

[22] Connecticut School Finance Project - http://ctstatefinance.org/assets/uploads/files/Needs-Capacity-Formula-for-State-Aid.pdf.

Measuring Horizontal Inequity in providing local school district educational services

In 2021, the Connecticut School + State Finance Project and the NEPPC released studies 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."

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 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."[23]

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."[24]

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

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

[23] 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

[24] 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

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."[25]

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

Education's Needs for Property Tax Reform

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.""[26]

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 percent, 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."[27]

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. 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 other communities in the district.

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.[28] Because the incidence of property taxes falls on renters as well as homeowners, high property taxes (computed as a

"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

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[25] IBID, page 3

[26] Connecticut School Finance Project, https://ctschoolfinance.org/issues/property-taxes

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

[28] 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

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.

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[29]. 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 specific as to provide towns no real authority to act in many areas in which they might take the lead in formulating public policy."[30]

> 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.
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> 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

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

[29] 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

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

towns - which are losing prime working-age adults – ages 25 to 44[31]

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."[32]

> 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.
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> 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

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 political fragmentation agglomeration economies[33], "where cities and clusters of activity boost the productivity of firms located within them," are very much stifled from developing.

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. Syracuse University Professor Michael Wasylenko, who authored an analysis of "Connecticut's Competitiveness" for the 2015 State Tax Panel, observed that growth in urban economies depends on "technological change and innovation," This takes the form of "new knowledge created through interaction of educated, skilled and innovative workers. The most productive of the interactions are those that occur frequently and in face-to-face encounters."[34] What was being described is an agglomeration economy. "Economists have

[31] 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).

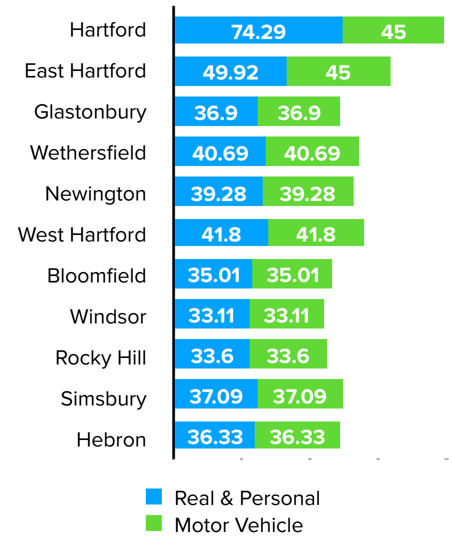
[32] Divide And Sprawl, Decline And Fall: A Comparative Critique Of Euclidean Zoning - Eliza Hall, University of Pittsburg Law Review, https://doi.org/10.5195/lawreview.2007.77 -

[33] 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

[34] Michael Wasylenko, "Competitiveness: Connecticut's Economy and the Role of Fiscal Variables in Growth," presentation to the State Tax Panel, September 30, 2015, p.11. See https://www.cga.ct.gov/fin/tfs/20140929_State Tax Panel/20150930/wasylenko competitiveness ppt 9-30-2015.pdf

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."[35] 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.

Mill Rates by Property Type, FY 2020-21



Source: OPM Fiscal Indicators

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 for locating in cities. While business owners and developers of housing for millennials must pay 74.29 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 to or below 40 mills.[36] Moreover, taking into account how property is assessed, the commercial property tax rate in Boston is less than half that of Hartford.[37] 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 May 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 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.

Property Tax Reform Studies and Actions

Since 2000 there have been multiple Connecticut studies that have either focused on or included 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"[38] that evaluates more than a dozen approaches to property tax reform.

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[35] 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

[36] OPM, "Municipal Fiscal Indicators, April 2021 - https://portal.ct.gov/-/media/OPM/IGP/munfinsr/Municipal-Fiscal-Indicators/FI-2015-19-Final-AsOf-4-30-21.pdf

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

[38] 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

Connecticut's efforts at property tax reform have focused on several approaches. A recurring 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 base or income tax base – 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."[39]

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."[40] Sjoquist concluded[41] that while revenue from local option sales taxes would diversify the local revenue structure and could be used to reduce property taxes:

- "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"[42]
- "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."[43]
- "It appears that neither a local or regional sales tax will reduce the fiscal disparities between towns."[44]

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."[45]
- "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."[46]
- 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."[47]

The 2015 State Tax Panel's final report noted that while municipal taxation was not within its mandate for study "[The]…Panel concludes that state grant policies should be re-examined in an effort to further relieve pressure on

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[39] 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

[40] 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

[41]IBID

[42] 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

[43] IBID, page 35

[44] IBID, page 33

[45] IBOD, Page 41

[46] IBID, Page 42

[47] IBID, page 51

the property tax and to equalize fiscal disparities. (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 "need-capacity gap."[48]

The Connecticut Commission On Fiscal Stability And Economic Growth's 2018 final report acknowledged 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."[49] 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 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."[50]

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."[51] However, without a strong and consistent commitment to state funding for property tax relief, disparities incurred by our cities and towns can be heightened.

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 which the state pays municipalities a percentage of the lost local property taxes caused when otherwise taxable local property used by hospitals, non-profit colleges or state agencies 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."[52] 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 not a complete one.

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48 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

49 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

50 IBID, page 21

51 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

52 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

MRSA[53] 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…In lieu of this $360 million, lawmakers created a 'stabilization grant' that shared $38 million in general annual relief among most cities and towns. A second ‘transition grant’ provided another $38 million — spread among just eight communities — to ensure car taxes don’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.”[54] 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.[55] 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[56]. MRSA was a well-intentioned program but it did not rebalance the excessive role of 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[57], 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.”[58] 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.[59]

Connecticut 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,

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[53] “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.

[54] 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/

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

[56] 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

[57] 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

[58] 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

[59] 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/

as was noted by the State Tax Panel[60], 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.

A Missed Rebalancing Opportunity: The Bond Lock

Surplus funds from the state budget at the end of the fiscal year are required to be deposited into the state's Rainy Day Fund. But what should happen to any budget surpluses after the Fund is filled? After all, the state has many pressing needs—should this "surplus surplus" be used to pay down the pension fund deficit? Provide "rebalancing" property tax reforms? Increase special education payments to towns?

In 2017 and 2018, the General Assembly passed a series of statutes required all additional surplus tax payments from capital gains and other investment earnings collected after the Rainy Day Fund was at capacity must be used to pay down pension debt. It then took the unprecedented further step of preventing future legislators from altering this revenue intercept by incorporating this "bond lock" provision in a promise incorporated into the state bonds sold to investors. The result of these fiscal constraints and revenue intercepts since the 2017-18 budget was adopted was the payment of a supplemental extra $1.7 billion in payment to the state pension fund above the required budgeted contributions.

Given that the state's pension debt per person was one of the highest in the country - paying down the state's pension debt was undoubtably an important state financial priority. But given that Connecticut's per person property tax burden and our local government reliance on property taxes are also among the country's highest, shouldn't at least some of the "surplus surplus" have been used to bring rebalancing to the state-local fiscal relationship?

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."[61] 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."[62] 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 have postponed the due date, now set for 2022. The vacuum of information regarding the real impacts of our state's tax system has left policymakers dependent on the 2014 tax incidence study.[63]

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

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[60] 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.

[61] 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

[62] IBID, Page 7.

[63] Minnesota is the nation's leader in conducting tax incidence studies - having completed 16 such reports since 1990. Minnesota not only conducts their study on current available data - they provide projections to give policy makers additional insight into possible impacts resulting from changes to their laws. https://www.revenue.state.mn.us/tax-incidence-studies

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 Boston. They have researched and written numerous independent policy reports[64] on Connecticut. The General Assembly had in place the Program Review and Investigations Committee with the staffing expertise to also undertake similar policy studies. That committee was eliminated in 2017.

In summary, the current level and manner of property taxation undermines economic growth, impedes efficiency in delivering services, and is both vertically and horizontally inequitable.

[64] 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#/

Recommendations to Create A Framework For Property Tax Reform

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.[65] 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.

1. Fix Structural Vertical and Horizontal Inequity

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."[66]

b. **Phase in a restructuring of municipal state-aide** in line with the 2015 recommendations from the New England Public Policy Center to **utilize state-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**. State aid is the only way to address fiscal disparities across communities and ensure that all localities have the resources needed to provide quality public services. The approach put forth in Senate Bill 1141, An Act Concerning Property Tax Reform sought to put in place the reforms suggested by the New England Policy Institute to reduce or eliminate fiscal disparities in Connecticut. We urge its reconsideration. Remarking on this legislation in 2019, the Connecticut School Finance Project stated: "Currently, the structure by which the State of Connecticut provides non-education aid to municipalities does not sufficiently address the underlying municipal fiscal disparities that are caused by the unequal costs of delivering services and the different revenue raising capacities of towns in Connecticut. Allocating non-education state aid to municipalities through a needs-capacity formula would provide for a more equitable distribution of funding to cities and towns and help address fiscal disparities between municipalities… Addressing fiscal disparities between municipalities is critical for Connecticut to strengthen its economy and financial state, and to improve the fiscal stability and competitiveness of its cities and towns…Using a needs-capacity formula to distribute municipal aid would help reduce fiscal disparities between municipalities and allow fiscally distressed municipalities to provide higher quality services to the citizens and businesses that rely on them."

c. **Explore ways to distribute a portion of the so-called "surplus surplus" (revenue in excess of what is permitted in the Rainy Day Fund) to municipalities so that they may reduce unfunded liabilities.** Using theses funds presents an opportunity to rebalance our tax system so that municipalities will have a more predictable basis for crafting local budgets that include real permanent relief. Sending 75% of the "surplus surplus" to state debt repayment while dedicating 25% to local property tax restructuring would have been a fairer and more effective investment of this surplus in Connecticut's economy in the long run.

[65] 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

[66] 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

2. Close the Needs-Capacity Gap

Not all municipalities have the capacity to increase property taxes to the level needed to invest in important services and infrastructure, new state aide should be provided to close the gap between the needs of towns beyond their control to provide a core package of basic services (e.g. police, fire, public works) at some average level of cost, and their capacity to address them. "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).[67] Filling the gap may be phased in over time and adjusted as the factors making up need and capacity change.

a. **Exempt grants to distressed municipalities from the spending cap.** If distressed municipalities are to be revitalized, additional grants to close the needs-capacity gap in those cities must be supplied. Those grants must come from appropriated funds by modifying current municipal aid - adjusting it to where spending needs exceed their property tax capacity - to minimize disparities between communities and to better ensure that municipalities have the capacity to support basic services equally.[68] The spending cap effectively freezes high property tax rates in cities, making them unattractive to businesses, and relegating them as losers in the multi-state competition to attract businesses looking for vibrant, dynamic centers of innovation.

b. **Fully fund Payment In Lieu Of Taxes (PILOT)** or, at the least, target existing levels of funding to cities and towns with the least capacity to raise revenue (places with the lowest levels of property wealth).

c. **Eliminate partial exemptions from local property taxes**, unless fully replaced by state aid.

d. **Tighten the application of the use-value assessment law** (commonly referred to as "490") to ensure its stated legislative purpose (12-107a) is realized but not abused where cities and towns needlessly loose revenues through the mis-application of this law, especially for open space lands.

e. **Make adjustments to PILOT to accurately reflect the value of open space and forest lands by stopping the practice of using 490 (use-value assessment) values.**

3. Close the Cost-Capacity Gap for Education

a. **Fully fund special education** or, at a minimum, increase direct state funding for the cost of special education. 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.

b. **Provide increased funding to ensure the adequacy of K-12 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.

[67] 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

[68] Lincoln Institute of Land Policy, How States Provide Cities with General Revenue: An Analysis of Unrestricted State Aid Working Paper WP20AK1 - https://www.lincolninst.edu/publications/working-papers/how-states-provide-cities-general-revenue

4. Choose Real Change, With Long Term Benefits - NOT Gimmicks

Some proposals that appear superficially attractive prove on closer examination to be temporary, ad hoc reactive measures that likely will turn out to be counterproductive in the long term. 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 and not in a manner where disruptions may have negative impacts. **Reject seductive proposals, such as the following**:

- Providing cities and towns with a means for revenue diversification tools such as a local option sales tax or local option income tax. As the 2003 Blue Ribbon Commission On Property Tax Burdens and Smart Growth Incentives concluded: "... 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."[69]
- **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**.

5. Encourage 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 our cities and towns.

   - Utilizing COGs and RECS for the delivery/administration/coordination of current state services
   - 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.
   - Sharing risk through insurance pools.
   - Creating additional consolidated school districts across municipalities with low enrollment.

b. Current **statutes are antiquated and an impediment to incentivizing the creation of regional, cooperative and inventive regional or shared approaches for the delivery of educational services** - including special education. They must be modified.

c. **Change Connecticut's economic development approach** to one 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.

6. Provide Policymakers Need Current Fact and Independent Analysis

a. Connecticut should, as was enacted in 2013 but only conducted once, **conduct a biennial tax incidence study.** The statute should be further modified (see next page):

b. **Reinstitute the Program, Review and Investigations Committee**.

c. Provide adequate government funding for an **independent, non-partisan public policy research center**.

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[69] https://www.ctdatahaven.org/data-resources/report-state-connecticut-blue-ribbon-commission-property-tax-burdens-and-smart-growth

An Act Concerning Tax Incidence Reports

Be it enacted by the Senate and House of Representatives in General Assembly convened:

(a)The Commissioner of Revenue Services shall, on or before February 15, 2022, and by January 1st biennially thereafter, submit to the joint standing committees of the General Assembly having cognizance of matters relating to finance, revenue and bonding, the joint committee on appropriations, the Secretary of the Office of Policy and Management and post on the department's Internet web site a report on the overall incidence of the income tax, sales and excise taxes, the corporation business tax and local property tax. The report shall present information on the distribution of the tax burden as follows:

(1) For individuals: (A) for the overall income distribution, using a systemwide incidence measure such as the Suits index or other appropriate measures of equality and inequality; Income classes, including income distribution expressed for every ten percentage points; and (B) other appropriate taxpayer characteristics, as determined by said commissioner.

(2) For businesses: (A) Business size as established by gross receipts; (B) Legal organization; and (C) Industry by NAICS code.

(3) The incidence analyses shall use the broadest measure of economic income for which reliable data is available.

(B) The Commissioner of Revenue Services may utilize up to two-hundred fifty thousand dollars from the fund. and may either retain staffing or enter into a contract with any public or private entity for the purpose of preparing the report required pursuant to subsection (a) of this section.

Sec. 2. (NEW) (Effective from passage) (a) At the request of the Joint Committee on Appropriations and the Joint Committee on Finance, Revenue and Bonding, the commissioner shall prepare an incidence impact analysis of a bill or a proposal to change the tax system which increases, decreases, or redistributes taxes by more than $20,000,000. To the extent data is available on the changes in the distribution of the tax burden that are affected by the bill or proposal, the analysis shall report on the incidence effects that would result if the bill were enacted. The report may present information using systemwide measures, such as Suits or other similar indexes, by income classes, taxpayer characteristics, or other relevant categories. The report may include analyses of the effect of the bill or proposal on representative taxpayers. The analysis must include a statement of the incidence assumptions that were used in computing the burdens.

Suggested Resources

Connecticut Specific Property Tax Reform Information:

- **Connecticut Tax Incidence Study** December 2014, Department of Revenue Services - https://portal.ct.gov/-/media/DRS/Research/DRSTaxIncidenceReport2014pdf.pdf?la=en
- **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 | 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: Nonschool 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

Other Property Tax Reform Information:

- **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
- **50-State Property Tax Comparison Study FOR TAXES PAID IN 2020** - June 2021 - Lincoln Institute of 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