

Legislative History for Connecticut Act

HB 1181	PA 118 240	1953
1713		
House	1293 ¹²⁹⁴ , 1307 - 1321.	17
Senate	966, 1065	2
Hearing ^o		<hr/> 19p

Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate and House of Representatives Proceedings

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CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
1953

VOL. 5
PART 4
1244-1667

received from the Senate, the bills read the second time and tabled for the Calendar, without discussion.

(Mr. Foord of Litchfield presiding at the request of the Speaker.)

BUSINESS ON THE CALENDAR:

THE CLERK:

Favorable report of the Committee on Cities and Boroughs on Substitute for House Bill No. 1278 "An Act amending An Act Revising the Charter of the Town of West Hartford." Calendar 797 File No. 515.

MRS. NOLAN (WEST HAVEN):

I move for the acceptance of the committee's favorable report and passage of the bill.

THE SPEAKER:

Question is on acceptance of the committee's favorable report and passage of the bill.

MRS. HOLAN (WEST HAVEN):

Under this bill the town of West Hartford will bring its town planning act to conform with the provisions of the general statutes.

THE SPEAKER:

Question is on passage of the bill. Those in favor will signify by saying "aye"; opposed? The bill is passed.

THE CLERK:

Favorable report of the Committee on Finance on House Bill No. 1713 "An Act concerning the Personal Property Tax and the Estate Penalty Tax." Calendar 839 File No. 528.

MR. PRUYN (COLEBROOK):

May that be passed, retaining its place on the Calendar?

THE SPEAKER:

The bill is passed, retaining its place on the calendar.

MR. PRUYN (COLEBROOK):

Also the next one.

(Reference was made to Calendar 840 HB 94.)

THE SPEAKER:

It may be passed, retaining its place on the Calendar.

THE CLERK:

Favorable report of the Committee on Agriculture on Senate Bill No. 47 "An Act concerning Labeling of Receptacles Containing Pasteurized Milk or Cream." Calendar 841 File 415.

MR. VAILL (GOSHEN):

I will ask this bill be passed, retaining its place on the calendar until Tuesday.

THE SPEAKER:

The bill is passed, retaining its place on the Calendar until Tuesday.

THE CLERK:

Favorable report of the Committee on Public Welfare and Humane Institutions on Senate Bill No. 596 "An Act concerning A Study of the Relationships of the State and State-Aided Institutions and Agencies." Calendar 842 File 427.

MRS. FINNEY (GREENWICH):

I move for acceptance of the committee's favorable report

rejected.

THE SPEAKER:

Question is upon acceptance of the committees' unfavorable reports and rejection of the bills. Those in favor will signify by saying "aye"; opposed? The bills are rejected.

THE CLERK:

Business on the Calendar, going back to page 1. Favorable report of the Committee on Finance on House Bill No. 1713 "An Act concerning the Personal Property Tax and the Estate Penalty Tax." Calendar 839 File 528.

MR. COWLES (FARMINGTON):

I move acceptance of the committee's favorable report and passage of the bill.

THE SPEAKER:

Question is upon acceptance of the committee's favorable report and passage of the bill.

MR. COWLES (FARMINGTON):

Mr. Speaker, this bill abolishes the personal property tax and the estate penalty tax. This tax has been on the books for a long time. It is a tax on mortgages and bonds and the way this thing works if you -- the law as it now stands is that if you own mortgages and bonds you report those to the estate and pay thereon a four mill tax per annum in lieu of the personal property tax in your individual towns. Now there is no way to enforce this law. The only enforceable method to this law is if they appear in yourestate and at that time it is evident that you have not

paid the four mill tax on those bonds or mortgages you have got to die for the law to be enforced against you. The consequence is that the tax is largely evaded. In the case of large estates and rich persons there would be quite a sum lost through non-payment of this tax. Frequently they are advised generally speaking to pay this tax every three years or so hoping to die roughly at the right year. In the case of poor people who generally speaking don't know about this law they have a mortgage in their estate say for \$3000 or some such sum on which he has never or on which it has never occurred to them to pay the four mill tax. When it appears in their estate they are then subject to the estate penalty tax which runs 2 per cent per annum for each year up to five years that they have not paid the four mill tax. This means when the mortgage or bond appears in the estate if they have not paid the four mill tax the estate is then penalized up to ten per cent. Furthermore, it has never been clear in the statutes why the towns also cannot get after the estate for an indefinite amount. It is also not clear why stocks and bonds are not subject to this tax. This is a statute which has caused great concern to trust officers and trust companies in this State. As a result a rich individual pays it every three years and if he feels healthy and doesn't think he won't die he probably won't pay for ten years more then he will get worried about his health and pay it once and that wipes out all his past offences in not paying the tax. It is an extremely poor tax. In 1952 the estate penalty tax brought in about \$217,000 and the

four mill tax brought in about \$415,000. In other words, these two taxes brought in about \$650,000 per annum or \$1,050,000 for the biennium. However, there is a companion bill which is being reported favorably by Judiciary to make up this tax in part and that is a safe deposit box bill. In that bill nobody is allowed into the safe deposit box until the probate officer is present. It is believed that will save the State some money. It is impossible to ask how much that will save the State because the question is how much money people have been cheating on the tax already because there are no statistics involved. The tax commissioner feels there will be substantial savings and he hopes this will offset the loss on the estate penalty four mill tax. This is a good bill and I hope it passes.

THE SPEAKER:

Question is upon acceptance of the committee's favorable report and passage of the bill.

MR. DEMPSEY (PUTNAM):

I was just going to ask the Gentleman from Farmington why the bill was passed in the first place. I was wondering if the Finance Committee were having an executive meeting this morning and if they were, I would tell the Chairman I would have appreciated being invited. I would like to tell the I would have appreciated being invited. I would like to tell the Chairman of the Finance Committee how much revenue the State will miss if we will adopt this bill because if as I presume such a meeting was held this morning it must have been in the interest of raising more than tax.

MR. COWLES (FARMINGTON): There was considerable discussion of the bill. I would like to answer the Gentleman by saying I just told the House how much revenue we would lose by passing the bill and I think it would be wasting the House' time to repeat that. As to the first question, the Finance Committee was not having an executive meeting this morning and I should feel myself very remiss if I did not tell the Gentlemen from Farmington and Windsor and other democratic members of a Finance Committee meeting if I did not advise them we were having an executive committee hearing. As a matter of fact, the Finance Committee did not appear other than ..(could not understand).. and it is a matter of great distress when the minority met the other day..(could not understand).. the figures on the highway throughway bill and saying the figures were not obtainable by the highway department and as a matter of fact the highway department almost drowned us with figures and we have been talking ...

MR. DEMPSEY (PUTNAM) (Interposing) anybody's speech.

MR. Point of order.

THE SPEAKER: The Gentleman from Farmington, I would like to ask him to state it.

MR. DEMPSEY (PUTNAM):

The Gentleman is not germane to the subject. He knows it.

MR. COWLES (FARMINGTON):

I was merely attempting to answer the Gentleman from Putnam. I think this is a good bill.

MR. LAING (WINDSOR):

I do not think it is a waste of time to ask how much the

State will lose in the biennium. There was considerable hubbub. I tried to listen very carefully and I could not hear the amount given. The statement was also made there was a companion bill about a companion bill from Judiciary but I did not hear the statement and I think the Gentleman from Farmington --

MR. COWLES (FARMINGTON): (Interposing)

I would say to the Gentleman from Windsor he has been most helpfully constructive in working with the Finance Committee. I will now repeat the figures on the loss, the estimated loss from the estate penalty tax. The estate penalty tax in 1952 brought in \$217,000. The four mill tax brought in the same year \$415,000. These two amounts added up bring \$632,000 for that year. This would roughly double that amount or \$1,210,000 for the biennium. To further continue on the companion bill, it is impossible to give you figures on how much it will bring in because it depends on how much gyping has been done under the present arrangement. How much is anybody's guess.

MR. DEMPSEY (PUTNAM):

I thank the Gentleman from Farmington. I would like to ask him one more question. Did the Finance Committee have a meeting this morning with the Governor?

MR. COWLES (FARMINGTON):

The Finance Committee as a Committee did not have a meeting with the Governor. Certain members of the Finance Committee had a meeting with the Governor.

MR. DEMPSEY (PUTNAM):

I beg your pardon?

MR. COWLES (FARMINGTON):

Certain members. They frequently do, Sir.

MR. DEMPSEY (PUTNAM):

That would be the Republican members of the Finance Committee?

MR. COWLES (FARMINGTON):

In this case, yes.

MR. DEMPSEY (PUTNAM):

Thank you, Sir. That is what I wanted to know.

MR. MINOR (PLYMOUTH):

I think there is a lot of people in this House who do not know what is involved in this bill and I think there are some here that know all too well what's involved in it. As I have always insisted the principle of taxation the general principle was to tax according to ability to pay. If there is anybody in the State of Connecticut that has the ability to pay the tax they are the people that come under this bill. Now if I have a piece of property in my town, real estate, I have to pay the town thirty mills on the dollar as the tax stands now. There may be a mortgage on that property of half what it's worth. In other words, I don't own half of that property but we have to pay the tax on the whole of it. Now these people certainly are able to pay this very small four mill tax to the State of Connecticut and I noticed particularly at the hearing on this bill that those that were represented in that hearing were representatives of the

banks of this State and of course the banks represent almost entirely these many clients of theirs who would come under this tax. So they were represented in force at the hearing. I certainly believe this bill should not be repealed and if it is to be repealed there should be some statute concerning it. I hope the bill does not pass.

MR. COHEN (ELLINGTON):

Mr. Speaker, I do not like to take issue with the previous gentleman, but I know that evidently he doesn't quite understand the import of this bill. I want to read from the Governor's message which we heard earlier in this session which fully explains the reason for this bill now before the General Assembly. The Governor, in his message on inequitable levies states as follows: "...I wish first to suggest the elimination of two existing taxes, the four mill Investment Tax and the Estate Penalty Tax. This recommendation is not new. It has been made by preceding Governors of both parties. Your Legislative Council, in its current report to you, recommends the repeal of these two items which, in my opinion, create an unfair situation. These taxes, which together bring into the State Treasury something under a million dollars annually, are virtually impossible of equitable administration. They are all too easily avoided and they constitute in effect a high-rate discriminatory tax on certain categories of income. Widows, retired persons and families without a breadwinner, trying to get along on low income from safe bonds may find as much as 13 per cent of that income taken away annually under our investment tax. On the other hand, the speculator, who may realize two

or three times as high a return on his tradings, may well go scot free because our investment tax does not apply to stocks."

"The Estate Penalty Tax is similarly inequitable. It catches the unwary or the person who cannot afford to hire competent advice in his personal affairs. The point is that, for those who know how, this tax is easily avoided by disposing of property prior to the year before death. Neither of these companion taxes can be completely enforced without granting to our taxing authorities strong inquisitorial powers which I am not, and which I am sure you are not in favor of granting. If these taxes are repealed there is a method by which it is hoped we can recover, at least in part, the revenue thereby relinquished. It is a procedure employed by many States. I recommend that legislation be enacted to permit probate or tax authorities to be present at the opening of the safe deposit boxes of deceased persons. Such legislation is necessary, in my opinion, to prevent evasion of inheritance taxes and, in certain instances, for the protection of the heirs of the deceased. If there are objections to this proposal, it may be assued, I think, that they will not come from citizens who have nothing to hide from the tax authorities.

MR. MINOR (PLYMOUTH):

I still stand on the statements I already made. I am very much pleased to think that the Gentleman from Ellington and all the forces that he may represent is so concerned about the poor widow who may be penalized under this law. But I don't think there are too many poor widows in the State of Connecticut that are holding mortgages and I think the real trouble with this law

is the penalty part of it. I think there are many many of these people holding these bonds that will take a chance on not paying the tax. I believe that is the real basis under which we are making such an effort to repeal this tax law and I am very much aware of the forces that appeared in favor of it at the hearing, and the forces from which the proponents came from that proposed this bill.

THE SPEAKER:

Gentleman from Lebanon.

GENTLEMAN FROM LEBANON:

I would like to ask a question of you, Mr. Speaker, of the Chairman of the Committee on Finance. At the present time does any of the estate penalty tax come to the county, do you know, Mr. Cowles?

MR. COWLES (FARMINGTON):

Yes, part of the estate penalty yes 1/2 of the State penalty tax goes to the counties.

GENTLEMAN FROM LEBANON:

Then does this bill repeal that section? Is the county going to lose that revenue?

MR. COWLES (FARMINGTON):

Yes, but it is contemplated by the Finance Committee that there may be an increase of the unincorporated business tax. The counties get fifty per cent of the unincorporated business tax.

MR. COWLES (FARMINGTON):

GENTLEMAN FROM LEBANON):

Then if we vote this it will mean that in small towns, or any small town will have to contribute more in tax money to the counties. I think we are already contributing too much to these counties. Therefore, in looking at it from that light I would be opposed to the bill and would say it should be held up until we know what the unincorporated business tax is going to be and I so move.

THE SPEAKER:

The Gentleman's motion has been indefinite. He should either move postponement to a time indefinite or a definite time. Does the Gentleman from Farmington wish to remark?

MR. COWLES (FARMINGTON):

I wish to find out whether I am speaking on the Gentleman's motion.

THE SPEAKER:

The Chair rules there is no motion before the House.

UNIDENTIFIED VOICE:

Mr. Speaker. Mr. Speaker.

THE SPEAKER:

The Gentleman will be heard in just a moment.

MR. COWLES (FARMINGTON):

Do I understand we are speaking on the main motion?

THE SPEAKER:

Yes.

MR. COWLES (FARMINGTON):

I wish to speak to the Gentleman from Plymouth. I want to

point out to him two things. The penalty tax only brought in \$217,000 last year. The four mill tax brought in \$415,000. If his suggestion as I understood it was adopted and the penalty tax was eliminated anybody nobody would pay this four mill tax whatsoever because then they would never be caught up on and you would get absolutely no income. Now to take up the question of the last Speaker in regard to inequities, regarding the county. The county would only share in \$217,000 so it would only affect the counties 1/2 of that or \$100,000 for the year 1952.

MR. FRASSINELLI (STAFFORD):

Mr. Speaker, I still feel this bill is very unhealthy. Here in many sections of this bill we find the general statutes are being entirely repealed. I think this bill should be given a little more study and inasmuch as a tax program is still unannounced and it will certainly affect everyone of us in the State besides our town. I think the bill should be studied a little further and I move for recommitment.

THE SPEAKER:

Question is on the motion to recommit.

MR. PRUYN (COLEBROOK):

I rise to oppose the motion to recommit. This whole subject has been very carefully studied by the Legislative Council in the last two years and these two bills, the bill subsequently being reported and this bill we're now discussing, these two bills carried out the recommendations of the Legislative Council. Considerable time was spent on these in the Legislative Council. We considered it very carefully with the tax commissioner, with

representatives of the probate courts, representatives of the State Bar Association -- the whole subject was gone into very very thoroughly and these bills are the result of that recommendation. I hope the motion to recommit is lost.

MR. COWLES (FARMINGTON):

Mr. Speaker, I would also like to speak against the motion to recommit. This question came up four years ago. The Finance Committee at that time and I think it came up again two years ago and again the Finance Committee went into it very carefully and referred it to the Judicial Council and we have gone into again and there is absolutely no claim to the fact we have not looked into it most carefully and I hope the motion to recommit is lost.

MR. MCGUINNESS (BRIDGEPORT):

I am not going to speak on the merits of the bill because on its merits I think it is possibly a pretty good bill, but on the motion to recommit. We have a problem of money in this assembly and it seems to be a problem that the Finance Committee appreciates and they are working very hard to come up with a solution, but here we are taking money away from the counties and before we have passed any other legislation which will insure the counties will get the money from some other source. I think this bill should be recommitted and held until we find out what they are going to do with the unincorporated business tax. If the unincorporated business tax is increased I think we have a possible source of coming up with the money they are now taking away from the counties. I do not see how we can take money away from the counties without finding another source from which the counties

are going to be given an opportunity of getting money back.

For that reason I hope the motion to recommit is passed.

THE SPEAKER:

Question is on the motion to recommit.

MR. MINOR (PLYMOUTH):

I am in favor of this motion to recommit. I think this bill should be considered much more carefully than it has been and by a larger group of people. I feel the Gentleman from Colebrook places too much faith in the recommendation of the Legislative Council. I want to say I am losing faith here every day in your Legislative Council and in their recommendations. Some of these bills they proposed for the welfare started my feelings that way and this is another one. I am in favor of the motion to recommit.

THE SPEAKER:

Question is on the motion to recommit. All those in favor say "aye"; opposed "no". In the opinion of the Chair the "nays" have it. The motion is lost.

Question is now on the acceptance of the committee's favorable report and passage of the bill.

MR. DEMPSEY (PUTNAM):

I just like to say, Sir, I 'd like to rise in defense of the Legislative Council as I have on all other occasions. I say to you, Sir, the Speaker who spoke for the minority party this morning did not oppose the bill, Sir, but did request that it be held up until further study or further light was shed on the subject. I served on the Legislative Council with the Gentleman from Colebrook, Mr. Pruyn and I would like to say to him, Sir, what

he said about our meeting with the tax department was very true. We think the bill has a lot of merit and we stand here ready to vote for it and I think on the motion we will vote for the bill.

MR. LAING (WINDSOR):

I want to make one thing very clear. I was very much disturbed to hear this bill is being passed because it is the intention of the Republican Finance Committee at this time to come out with a favorable report taxing the small businessman. I will say I will vote against it and I will reserve, as a member of that committee, my right to oppose the bill. By the linking up of this unincorporated business tax with the passage of the bill certainly that was never in the minds of the Legislative Council that studied it ^{one of} as ~~the~~ problems for consideration. This is an equitable piece of legislation. I think it is unfortunate that the Chairman of the Committee says that an unincorporated business tax is coming out. I am going to fight such a tax.

MR. MINOR (PLYMOUTH):

I just want to clear one point with the Gentleman from Farmington. He misunderstood me in regard to the repeal of the penalty tax. I didn't say I was in favor of repealing the penalty tax by any means. I said in fact the penalty tax was the greatest objection of those who want this bill repealed, this law repealed because when they die the penalty tax comes to light and then the penalty tax goes into effect. This is just the best part of the tax law. We ought to compel them to pay this tax if they didn't already pay it. I didn't advocate the repeal of the penalty tax.

MR. BURKITT (ANSONIA):

I can't vote for this bill. It is not sensible to pass legislation that the members of this House don't know anything about. I do not know how much the Legislative Council knows but I know there are a lot of legislators in here that do not know what it is about. Therefore because the bill has not had the proper study I will have to vote against it.

THE SPEAKER: Question is on the acceptance of the committee's favorable report and passage of the bill. Those in favor say "aye"; opposed "no". The "ayes" have it and the bill is passed.

THE CLERK:

Favorable report of the Committee on Judiciary on Substitute for House Bill No. 94 "An Act concerning Access to Safe Deposit Boxes Following the Death of a Lessee Thereof." Calendar 840 File 529.

MR. PRUYN (COLEBROOK):

This bill prevents the access to safe deposit boxes on a death and also until the contents of the box have been inventoried under the supervision of a probate court member. It is designed to plug a loophole in the enforcement provisions of our inheritance tax laws. This is a companion bill to the bill we have just passed. It is difficult to estimate how much money can be derived but it is the general feeling that it would be considerable and that considerable property should be subject to the inheritance tax which now escapes taxation. It is hoped that

the State is a good resolution and I hope it is adopted.

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CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS

1953

VOL. 5

PART 3

845-1202

Finance. House Bill No. 1713. An Act concerning the Personal Property Tax and the Estate Panelty Tax.

FAVORABLE REPORTS OF COMMITTEES - HOUSE BILLS: House Bills as listed on Page 636 of the Journal of the Senate of April 28 attached hereto were read the second time and tabled for the Calendar, without discussion.

(Upon motion of Senator Jewett of the 20th district for recess, the Senate stood in recess until 12:30 P.M.)

FAVORABLE REPORTS OF COMMITTEES - SENATE BILLS. Senate Bills as listed on page 634 of the Journal of the Senate of April 28 were read the second time and tabled for the Calendar and printing, without discussion, favorable reports having been received from committees indicated.

UNFAOVABLE REPORTS OF COMMITTEES - SENATE BILLS. Senate Bills as listed on Page 635 of the Journal of the Senate of April 28 were read the second time and tabled for the Calendar, unfavorable reports having been received from committees indicated, without discussion.

(Upon motion of Senator Jewett of the 20th District for recess, the Senate stood in recess until 1:30 P.M.)

CHANGE OF REFERENCE: The JSC on Finanee to whom was referred Senate Bill No. 534, entitled "An Act providing for the photographing of records of the Workmen's Compensation Commissioners" beg leave to report that they have had the same under consideration and are of the opinion that it ought to be referred to the Committee on Appropriations. The bill was so referred, there being no objections.

Act authorizing the City of Norwalk to issue notes or bonds for acquiring school sites. Favorable report of the Committee on Finance. File No. 605.

(Upon motion of Senator Lemaire of the 26th district for acceptance of the committee's favorable report and passage of the bill, the bill was passed)

SENATOR LEMAIRE: Mr. President, this allows the City of Norwalk to issue notes and bonds for \$110,000 which are to be used for, \$100,000 for school sites and \$10,000 for the building of an athletic field at the Nathan Hale School.

THE CLERK: Cal. No. 791. Substitute for House Bill No. 1278. An Act amending an act revising the charter of the Town of West Hartford. Favorable report of the Committee on Cities and Boroughs. File No. 515.

(Upon motion of Senator Savin of the 18th district for acceptance of the committee's favorable report and passage of the bill, the bill was passed)

SENATOR SAVIN: Mr. President, this bill sets up a special act which enumerates the powers of the Planning Commission in the City of West Hartford so that it may properly plan the city's growth. It is a good bill.

THE CLERK: Cal. No. 792/ House Bill No. 1713. An Act concerning the personal property tax and the estate penalty tax. Favorable report of the Committee on Finance. File No. 528.

(Upon motion of Senator Lemaire of the 26th district for acceptance of the committee's favorable report and passage of the bill, the bill was passed)