

JOINT  
STANDING  
COMMITTEE  
HEARINGS

FINANCE,  
REVENUE  
AND BONDING  
PART 3  
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1995

10  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

time when the Governor was trying to propose reductions in spending.

I personally would resist the opportunity of identifying this change with an income tax cut. To say that we're going to save \$200 million by stretching out the ERF notes could also be presumed to make it possible to make the ECS grants we propose, to fund various other aspects of the Governor's budget.

And so, I prefer to view this particular bill in a comprehensive context rather than a trade off of a debt payment for a tax reduction. So I think that gives you some idea of what our thinking was, and is. And we would hope that you might share that.

REP. SCHIESSL: Well, you know, I guess it all comes out in the wash, you know, one way or the other. I'm concerned with how the credit rating agencies may react to this change. If in fact this is all we do, if we don't go forward with the Governor's proposed limitations on bonding, doesn't this become a dangerous thing to do with the rating agencies?

SECRETARY REGINALD JONES: Well, I think the rating agencies have said they're very pleased with the Governor's long-range bonding plan. And probably that has influenced them in accepting this stretch out of ERF payments.

REP. SCHIESSL: Well, I mean I view the two as going hand and hand. And if you don't get one half of a deal, I don't think we can give you the other half. But I recognize that this proposal is actually coupled with a new vision with regard to bonding practices here under the dome. Appreciate your comments. Moving along. There are bills on the agenda that relate to a type of tax that's been very difficult to address in this legislature primarily because anything we do that's of benefit, generally gets taken credit for at the local level.

And in fact, it's one of those taxes where we don't have the authority to set rates and have to trust our municipal brothers and sisters with setting the

HB 6996 HB 6998

11  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

rate, collecting and administering the local property tax.

But there are two bills on the agenda that relate to the local property tax. One is a financial reform, HB6996, and a second is HB6998 regarding the process and administration of the property tax. And I was wondering if the Office of Policy and Management had any comments they wished to make today in response to my general question of, what is the administration's reaction to these two proposals. Can you comment gentlemen?

DONALD DOWNES: I'm sorry we didn't prepare anything specifically on these. I'd be happy to get you some reaction a little bit later in the day, if you like.

REP. SCHIESSL: Yeah, I'd be very anxious to know.

DONALD DOWNES: We really weren't prepared to comment at this point.

REP. SCHIESSL: I understand. I'd be very anxious to know what the Governor's take is on these two bills. One is generally intended to be of a more financial nature, i.e. funding the pilots, etc., etc. But the other is an administrative proposal. and what we're trying to address, what we're trying to do is enact legislation that somehow relieves this property tax burden.

And I'd be anxious for the Governor to weigh in on these issues at some point. If not today, then certainly in the near future, and most definitely before the committee takes these bills up for final action.

DONALD DOWNES: Yes sir.

SECRETARY REGINALD JONES: We'll respond in writing and have copies for everybody.

REP. SCHIESSL: Thank you gentlemen. Mr. Chairman.

SEN. NICKERSON: I just want to follow up, and I'm glad Carl raised that. I'm particularly interested in

the, in the second of those two, HB6998. This is a bill not to financially alter the structure of the tax, but to address the creaky kind of 1940 system that we have which has a ten year cycle that doesn't work.

That doesn't use the latest technology in terms of tracking sales and creating assessments as most of our neighbors and most of the country does on a much more frequent basis. So I would hope that while I recognize the Governor's position and share it with regard to property tax reform as someone defined it.

I would define a crucial first step to refine the process. Two of my towns have been through the results, and explaining the current system to a 1995 real estate tax, real estate world, is unworkable. Thank you.

REP. SCHIESSL: Further questions from the committee? Representative Belden.

REP. BELDEN: I'd like to just ask a question on bill SB946 the grant in lieu of taxes. I read this four or five times and I'm not quite sure what our ultimate accomplishment here is.

As I read this I don't see that we're changing a whole lot, especially in Section 1 down through item C. We changed the words around, but what is the goal we're trying to accomplish here.

DONALD DOWNES: I'm sorry Dick, I don't have the text right in front of me. We're basically trying to, basically trying to do two things in this bill. First we want to give OPM the opportunity to prorate the amount of each town's pilot payment so that they match up with the budgeted appropriation. Secondly, and maybe more important is that right now, when the property tax is calculated at the local level, they subtract any exemptions that the taxpayer may be entitled to from the property tax, but they do not include the credits that a taxpayer might be entitled to.

So, when we make a pilot payment we're actually in

21  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

We have been considering various ideas that we might employ here. So, I'll say perhaps you may want to check with a council from your particular caucus, I'll say...

REP. MCDONALD: Yeah, I realize they mostly started last week on that and had a big meeting on Friday, which I don't know anything about as yet, but it's been very recently that they have had a...

REP. MCDONALD: Well, actually it's been about three weeks or so Anne. I mean give or take a little bit, so...

REP. MCDONALD: Alright, I'll drop that now, okay.

REP. SCHIESSL: Representative Cardin, you're up.

REP. CARDIN: Thank you Chairman. Good morning, how are you?

DONALD DOWNES: Good morning. I'm sorry I lost track of you for a minute there, okay.

REP. CARDIN: I was wondering if you could tell me how Connecticut rates with the other states in terms of the 4-1/2% rate on the income tax? (SB941)

DONALD DOWNES: That's an interesting question. I'm sorry I don't, you mean is our rate higher or lower than most other states?

REP. CARDIN: Right.

DONALD DOWNES: You know, I don't have a breakdown in front of me. I'd be happy to get you a list. I really don't know what our relative rate is.

REP. CARDIN: Then I guess my next question...

DONALD DOWNES: I'm going to guess and say we're probably somewhere in the middle.

REP. CARDIN: Okay, my next question was, how Connecticut rates in terms of their property tax rate with the other fifty states, but that might be the same answer. (HB6998)

DONALD DOWNES: Again, I don't have a specific tabulation. I'm sorry, I don't know the specific answer.

REP. CARDIN: The point I wanted to make was, as a recent graduate of a now famous state university, I find it not the state's income tax rate as a deterrent of taking a job, but really the property tax rate as a deterrent of maybe purchasing property in the future.

DONALD DOWNES: Well, I'll say, you know, we considered this problem at some considerable length. First, the property tax, of course as you know, is levied and controlled exclusively by the towns in Connecticut.

Under Connecticut state law the property tax is wholly in the control of the towns. We do not, we do not have any way as the State of Connecticut of requiring towns to make a property tax cut. The Mashantucket Pequot fund for example, which generates some approximately \$160 or so millions a year, includes as part of its payout, some \$85 million or so that are directed to towns for local property tax relief. To the best of my knowledge, not a single town in this state has ever reduced their property tax as a result of receiving those funds. Those of you who have had some considerable experiment, experience with ECS and its forerunners, are familiar with this problem.

When we started doing equalized education grants, whether they were in the form of EEE or EEA or ECS, or any of the other varieties out there, we had no way of forcing towns to actually spend those dollars on education.

In fact we had to invent something called the minimum expenditure requirement in order to have any leverage on towns to pass those dollars along for education. And we have the same problem here. We cannot mandate as a matter of...

gap in tape 1a to 1b

...that if we, if we wish to provide property tax relief in Hartford, or Plainville, or Scotland or any other place, we do not have the power at law to require these folks to reduce the tax. I think there are also some other, some other twists on it. The property tax, while it may be very high in some locations, does not impose itself on each and every taxpayer.

We have a number of taxpayers in the state do not own real property for example, and therefore not subject to the real property side. We have some who do not own personal property. The most common form being cars. And as a result, any property tax, and, if we could find a magic formula for forcing towns to pass a law on the property tax reduction, we still would not be reaching all taxpayers. (HB 6996)

Those persons who rent their residence, for example, do not see a direct benefit from this. So, I'll say again going back to our original theory here, we're trying to reduce tax rates in order to pump dollars into the economy, not, our object here is not necessarily to provide local property tax relief, or any other kind of local tax relief as far as that's concerned. We're not in the business of reducing taxes just to reduce taxes. We're in the business of trying to pump more dollars into the economy.

So the short answer is, because we can't force them to do it, and because there's no mechanism out there, we elected to go the personal income tax side.

REP. CARDIN: Just a couple of points, if I may. Having as most people have what before becoming a legislator, had the opportunity to serve at the local level. And although in my community of Tolland, received \$90,000 from the Pequot fund, we also saw a reduction on the other side in terms of town aids to roads, and programs like that.

So it's kind of hard to reduce the tax rate when you're being cut on the other side. Fortunately enough we have been able to for the past three

we've had OPM with us for about an hour. Are there further questions? Yes, Lee Samowitz.

REP. SAMOWITZ: I'll be brief after Robert Shapiro over here, there's not much more that I can do, but I just wanted to say first of all that I'm glad to see you over here, cause you had a great reputation, a person who is willing to work both sides of the aisle for the betterment of the state. And I hope that we can continue in this partnership.

DONALD DOWNES: Well, thank you. I certainly intend to.

REP. SAMOWITZ: I just want to touch upon two basic areas. I'll be as brief as I can. What, you know, some comment made about how Connecticut's income tax relates to the whole nation, we're below average on that. We're the third highest as far as property tax goes in the whole nation.

Which means that the property, and I heard the comments about businesses, we want to stimulate the economy, one of the things that business reports about consistently is the level of property tax. Particularly personal property tax and how it affects them. (HB6998)

Given those parameters, and one other thing too is that last year there were towns for the first time in about ten years that did reduce the property tax, Shelton was one of them. But going back to, the train of thought that I'm trying to bring out over here is that the budget the Governor has proposed has shown some, at least from our side of the aisle, the Democratic side of the aisle, we've seen an analysis which shows that they'll be a shift upon the property tax though exacerbate, particularly from the cuts.

Cuts in the budget, not from the appropriation side, causing a shift onto towns who they pick up all those, those cuts, they'll be an increase in almost every town in the State of Connecticut. Have you done any analysis of what your budget will be and maybe exacerbating the problems on property tax in the State of Connecticut?

DONALD DOWNES: No, I'd be very interesting in seeing the study that you're referring to. I have not seen that, that yet. I mean the short answer is no, I have not seen a study of that kind yet.

REP. SAMOWITZ: I'll be happy to share that with you.

DONALD DOWNES: Sure.

REP. SAMOWITZ: And if you could also, when you do your analysis of SB946, as to how that affects all the towns, I'd also be interested in that.

DONALD DOWNES: Sure.

REP. SAMOWITZ: The other question I have is, given the fact that you have over \$100 million gap, not even considering the hospital tax, and everything else, which has caused a freeze on hiring, has it...

DONALD DOWNES: You mean the current year?

REP. SAMOWITZ: Current year. Has any consideration been given to any alternative tax, or ways of, now that we know more information, as to how we're going to be dealing with the on going problems that we're facing. (SB941)

DONALD DOWNES: Yes, we have submitted a, we have submitted a plan in accordance with the statute to the Governor for the reduction of the current year deficit. I'll say we intend to do that by, well, through a variety of different means, including, hopefully reaching an agreement with the hospitals to cover part of the, part of the reduction from their side.

We also are, we also have made a variety of other proposals to you including transfer of the underground storage tank fund, and lapsing, and various counts, and reductions in current spending and operating costs. I mean we have a, I'm sorry I don't have all the details of the plan right in front of me.

REP. SAMOWITZ: But given all those, what priority does

DORIS STORM: Mr. Chairman and members of the Finance Committee, I'm Doris Storm, Chairperson of the Connecticut Film Commission. And I thank you very much for your hospitality. As a measure of how brief I'm going to be that I'm standing, that should give you all you want.

Thank you for consideration of HB6899. And thank you very much for allowing me to appear on behalf of Section 10, which offers some relief from property taxes to those purchases of motion picture and video equipment in this state, who currently are being very heavily taxed, and a situation which makes it impossible for us to compete with our neighbors, New York and Massachusetts. HB6998

When I spoke with you last week on sales and use tax for the same group, I tried to point out the extraordinary potential of our industry to replace lost manufacturing jobs and revenues. The entertainment industry is second or third largest in this country, and surely the fastest growing.

It is an industry of the future, and we all feel those of us on this side of the cameras at any rate, that the key to Connecticut's economic health may very well lie in the industry within this state.

It certainly lies in those industries which are growing, and this one qualifies. In the seven or eight months since we have had an active, proactive, professional film office, we have already demonstrated that potential, spending about \$100,000, 5.3 million additional dollars in film and video production have come into the state.

And that's just direct income to the state. If you use the multiplier that everybody in our industry does, for dollars that accrue and jobs that accrue, the number is more closer to \$12 million.

As if to corroborate those comments the New York Times yesterday, I swear I didn't put this article in myself, the real estate section did an article, says the headline of which, excuse me, says wanted studios for television production.

Well, you come from all over the state. I come from Westport, Connecticut. And even I can think of at least a dozen large empty manufacturing and department store sites that would make wonderful television production studios and sound stages for the production of films.

I'm not going to say any more because I have brought with me two far more eloquent people June Havoc, Christopher Plummer. I want to tell you that in addition to June and Christopher being here, and we thank them for their patience, their enormous patience.

A number of their fellow performers, Theodore Bikel, Karen Bellows, Romney Adams, Jane Powell and others who have written letters in support, you will each be getting one of these which will have all the statistics about our industry, how Connecticut measures up to other states, and those letters will also be appended.

But now it's my great pleasure to introduce to you first Christopher Plummer, he needs no introduction. I'm going to give him one anyway because his biography reads like something out of the American theater history. He's played MacBeth, and Hamlet and Cyrano and Sherlock Holmes and Edifice and the Yargo and even Baron Von Schlup in the Sound of Music, although I think you want to forget that one.

He's also appeared in more movies than I can possibly remember. Chris is much too young for the honor, but he was just awarded the Connecticut Artists Lifetime Achievement Award. And I want him, I hope to repeat to you all, a few of the remarks that he made when he accepted. Christopher, you're on.

CHRISTOPHER PLUMMER: Thank you very much. I'm here this morning, purely emotionally. I live in Connecticut. In fact I've spent a great part of my life here. I wasn't born here, but as feel as much a Connecticut Yankee as any lolling about the round table at Chintagle of Camelot.

In short, I'm as proud as punch to call it my home. And as I look around at all the natural beauty my state has to offer, I also know that within its borders and behind its rolling hills and woods and villages and towns, it guards a well-worn secret, a hidden treasure of a secret.

For more than almost any other state in our union, it is simply teeming with talent. Artistic, professional talent. Some of the most renowned and significant figures in the entertainment world live right here. Actors, directors, writers, I don't have to tell you. Film technicians, television technicians, musicians, classical and rock, heads of networks, artists of every shape and size. They all live here. You seldom see them. I mean they behave pretty well. They don't go out much at night.

They sneak in and out of supermarkets. They just live here, quietly, privately, discretely, anonymously, happy and hidden. They keep well their secret. You see, they don't work here. They have to visit other states to do that. States that are beginning to realize how important and substantial our revenue can be, can be gained by investing in an industry for the arts.

North Carolina, Maryland, Tennessee, Georgia, just a few. It seems such a shame when we have it all here. A versatile, photogenic countryside. God knows a different climate to suit every story. Acres of empty buildings, as Doris has just said. Crumbling warehouses, crying out to be saved, and used as studio space for our own films, our own television, our own recordings, and our own video, that hugely profitable medium of the future, can one day be produced in abundance.

I know we live in an uncertain time politically and economically. And whenever things get tough, poor old art, spelled A-R-T is the first to go and get cut back. A luxury we don't need. But how shortsighted that is. After all, without art, what the hell is life going to imitate?

And people forget that art can mean business, and

big business. Now is surely the very time when Connecticut should take advantage of the extraordinary gifts it has, and give us the tools to ply our trade in our own backyard.

Help fill the general coffers of the state, promote tourism, and economic growth, and give to the state an added prestige, a cultural boost and a strengthening of identity, which is what the arts can do, as we wearily creep towards the new century.

I could go on living happily here forever, just as I am now. I mean we all could. No complaints. But how much more wonderful it would be, if we didn't have to travel to the ends of the earth, but could walk out of our own front door and let loose our creative energy and give back to the state we love, and in which we are so grateful and glad to exist. You know we all want that very much, thank you.

SEN. NICKERSON: Thank you. Thank you very much for your eloquent and moving testimony.

DORIS STORM: Now, if you don't mind I'd to introduce to you June Havoc, who I'm sure you all know very well. June has just finished a run, no, June has just finished a triumph in New York in a two-woman play which, she was brilliantly reviewed for it.

I promised, I promised on the way up I would not tell you how old she is. But I didn't promise not to say that she has been performing continuously in theater, movies, and television for over eighty years, ever since she first starred as baby June. You're on baby.

JUNE HAVOC: Alright, thank you Doris. That's a mysterious introduction. I have another piece of paper that I want to read to everyone too, but apropos of Doris' remarks it's true, I am, I'm 81, but I didn't earn a penny until I was two years old. And most of that is out of this state, as a matter of fact. And I wished it could have been in this state.

Because I've lived here for fifty years, quietly, secretly, and done my work elsewhere. Left many tax dollars elsewhere, all over the place. Also I've noted, being on location in over forty films, how much money actually is left elsewhere.

We don't seem to realize this. Fourteen years ago I was on this committee, and I remember our struggles to try to get something to compete with New York's -- I Love New York, remember that. Well, we didn't make it.

We spent some money and a lot of energy, but we didn't make it, and it hasn't been really until the last eight months that this committee has had a firecracker in the name of Doris, who really will project this committee into where it should be. The orbit. We should be making more money.

Listen to this, this was in the other newspaper in New York today. Shooting spree it says. Well, New York's used to that. But this is a different kind. New York's become world's capital for TV pilots. Just hear this. The industry is worth \$820 million to New York.

If all twelve prime time New York oriented pilots are bought by the networks and go into full production in New York, they will contribute an estimated \$240 million a season to New York's economy. That's just a season. That isn't a full year. It's only a season. You can quadruple that a dozen times if you want to make them welcome.

Make them know that our state has everything New York has. We have more than New York. We have quiet. We have much more safety. We have a lot of things New York hasn't got. But we have to make them available to these people.

In 1994, there were four, what is this, 4,000 or 4 million, shooting days requiring permits for filming on the streets from the Mayor's office of film. And that's an increase for them of 44% over last year.

You see, they're on the ball. New York is working

for this. And so are the other states around us. New Jersey's working for this. Massachusetts, we have to compete. And the only way we can compete is to make it possible for the professionals in this state to have what they need, and your encouragement and the encouragement of other people to go out and get it.

We want it. As Chris says, we'd love to work here as well as live here. It would be wonderful. We would love to take advantage of all the marvelous, professional talent that is right in this state. But we need help. We need more than talk, and we need more, we need your confidence. We need you to know that we can do it, and tell us so. So give these people the equipment and the backing that they need, and then just get out of the way. Thank you very much.

SEN. NICKERSON: Thank you very much, again, for your eloquent and moving testimony. We'd be delighted to help and then, as you say, get out of the way. Are there any questions of our two very distinguished guests this morning? Representative Knopp.

REP. KNOPP: I think it's only fair to ask you, do you have any comments you want to make on the hospital tax, the income tax (laughter) or the economic recovery fund?

SEN. NICKERSON: Okay.

CHRISTOPHER PLUMMER: I didn't hear the last twenty-five minutes.

SEN. NICKERSON: Thank you. Yes, Representative Garcia.

REP. GARCIA: Welcome Miss Havoc and Mr. Plummer. My question is, what type of state incentives do you, does your industry need to lure you in a mega way here to Connecticut, that we the legislature can do?

JUNE HAVOC: Can we let Doris answer that, because it's right up her alley.

DORIS STORM: May I, this is a little specific for performers (laughter), there are, I didn't say difficult. We don't talk about money. They don't talk about specifics. They go where the jobs are offered. I didn't say difficult mind you, I said it was a little specific for them.

The incentives for production here are many. I'll be very brief about them. First of all, there are tax incentives. The sales and use tax on production was abated, not abated, but altered two years ago by the then commissioner of taxes of Connecticut, and our industry was declared, that is the elements of our industry were declared intellectual property.

So we already have a good beginning, as good, competitively speaking as any state in the union. Many other states do not levy property tax on the purchase of video and audio equipment. New York does not, Massachusetts does not.

Many of the states do not require sales and use tax on the purchase of this equipment. One of the reasons I emphasize equipment, and one of the reasons these two bills are before you right now, is that without this equipment producers go where state-of-the-art equipment exists.

In our case it exists in Boston, to some extent. It exists greatly in New York City. So a production may come into the state, they may actually do their filming here, and then when it comes time to edit, which is where the big bucks are as well, comes time to find the musicians to do those beautiful videographics and all that, they run away. We haven't got it.

We've got a lot of it, we haven't got it competitively. We haven't got it on that level. Our people cannot afford to upgrade their equipment at the rate in which the equipment is changing. And that's what one of the things we're trying to do.

Another enormous incentive has to do with making them welcome. And making them welcome means you

find their locations, you get them hotel packages, you get them restaurant packages, you get them transportation packages, you make life easy for them.

Some states, and Canada I should tell you, also invest, that is they put dollars into production. And just this year Massachusetts voted \$13.5 million for the state to build sound studios. I mean that should just give you some idea of how this industry is considered. We don't have to do that. We have some sound stages, and God knows we got the empty buildings to turn into others. But those are just some of the tax incentives that are offered around the country. Yes.

SEN. NICKERSON: Thank you very much.

DORIS STORM: Oh, excuse me. A note was just handed to me and I thank you very much. I got so excited about incentives I forgot to mention the most important thing of all. We absolutely must continue and allow to grow a working film office. I'm a volunteer.

All the members of the film commission are volunteers. We have, by statute thanks to the legislature, established a professional film office, as of July 1995. It needs to be funded. We have to have professionals who will pick up the phone, who will call the producers, who will go to conventions, who will send out mailings, who will in a word, ladies and gentlemen, compete. That's the name of the game. And I thank you for your attention.

SEN. NICKERSON: Thank you very much. If there are any further questions? Yes, Representative Fuchs of Westport.

DORIS STORM: Yes Jo, I'm sorry.

REP. FUCHS: Welcome Doris.

DORIS STORM: Thank you Jo.

REP. FUCHS: It's good to see you. What kind of money

exactly are you looking for?

DORIS STORM: We are asking for the next year, \$300,000, and for the following year \$300,000. That will allow us to keep our professional director of the film office. To get him some day to day assistants. It will allow us to have a production manual that is up to date and can be sent out by the thousands. It will allow us to go to some conventions. It will even allow us to get an occasional modest ad in Variety, and Backstage, and so on, so that we can get the editorial space we need. It's very modest.

Quick statistic, Massachusetts -- \$400,000 a year for their film office. Brought in last year \$209 million. I call that one hell of a return on an investment, forgive the French.

REP. FUCHS: Thank you Doris.

SEN. NICKERSON: Okay, thank you again. If there are any further questions? We again thank our guests very much. It's a pleasure to see you. And we appreciate your eloquent comments.

Okay, that concludes the public portion of the, I'm sorry, the government and commission portion of the public hearing, and we move now to the public segment. The first speaker is Mayor John DeStefano of New Haven. Mayor, it's a pleasure to have you with us this morning.

MAYOR JOHN DESTEFANO: Thank you Senator. It's good to be with, well you know, this is theater, I mean we could sell tickets, there's a revenue source. I'm going to be talking about HB6996, and HB6998. And I'm doing so in the context of my role co-chairing with Mayor Linda Blogoslawski of New Britain, of one of the subcommittees of the property tax reform commission.

And actually I'd like to sort of respond by pointing to something Representative Cardin asked. There's a handout in one of your packages from CCM on page eight of which, compares the ten fastest growing states' taxes in both property taxes and in

income taxes.

And, I guess we're all about this property, about this tax cut business because there's an agreement that that would help stimulate the economy and create, create jobs. The interesting thing is, is if you look on that page eight, and you see the ten states with the fastest growing, that are fastest growing, they all ten of them have property tax rates that are lower than Connecticut. And we'll be glad to provide this to OPM so they have a frame of reference.

And of the seven of the ten that have income taxes, of the seven of the ten that have income taxes, Connecticut has the lowest income tax rate of those, of those ten states. And we have those lower rates even though unlike those ten states we do not have significant tax revenue streams off tourism or off oil and gas allowances, as you will see with some of these such as Texas, for instance.

So what you see is if you look at the tax structures of the states that we, that we we'd like to be like, what we find is income tax rates that are higher. And in fact, property tax rates that in each and every one of them is lower.

Now, one of the things that's been mentioned too, as well is about targeting. Representative McDonald sort of talked about, heard this thrown about in your questions about, about sort of directing this tax relief.

The thing about the property tax is, is that you know, and I see it in my town, I have seniors who are on fixed incomes. Incomes haven't changed for years. Typically a widow who's on a husband's retirement pension of some kind, hasn't seen a change in that.

And what you've seen in towns across the State of Connecticut are taxes increases by 50 to 100%. In our case in New Haven over the last five years -- double. And it does something more than take money out of their pockets. It destabilizes our neighborhoods.

It forces people to sell their homes because they can't afford to be in the place where they raised their children, where they've lived for thirty years. They just can't stay there. It destabilizes and it does something else. It does something else. What it does is across the board reduce our grand list space and it takes our middle classes out of our high tax towns. Such that places, in these high tax towns, you increasingly find increased racial and economic segregation.

Middle moving out, leaving behind the poor, who can't afford to go anywhere, and the rich who can afford to pay the extra burden. So what, you know, I've got to tell you, so I've had a religious experience and, I did.

I just got back from Israel and it is income tax. We do need an income tax cut. So I'm going to call circuit breaker an income tax cut from now on. Maybe it'll work better. But just think of the marvelous sense of it.

Rather than giving an income tax across the board, let's give an income tax cut to those people who pay more than five percent of their income and property taxes. It doesn't go to the municipalities, cause God knows what would happen if it went to the municipalities, I suppose. Doesn't go to the municipalities. So, it goes directly to the taxpayers. Directly to the taxpayers.

And you know what, it's a middle class tax cut, because under the proposal that's in front of you, you don't pay income tax, therefore you have incomes \$25,000 or below. It goes to working class families. It goes to families who get a tax break. Now if you lose a job, you know, it goes to people who need it. So, I would say that.

I want to touch on two other points. One is about the property tax. I heard the Undersecretary of OPM talk about the fact that property taxes are levied and controlled exclusively by the towns, exclusively.

Well, you know, that's right. New Haven could set its tax rate. Any other town could set its tax rate at whatever it could and levy it on the grand list. Well, we don't control it completely. Forty-eight percent of my grand list is tax exempt. I haven't exempted it. Most of you haven't. Legislators and governors before us. So yes, I could set my rate on any thing that I want to. But, but half of what I can set it on is tax exempt.

Now I want to put it in another perspective. About three million people in the State of Connecticut. Nearly 160, nearly 170 towns in the State of Connecticut. Average population by town, median population is about 18,000 people. That's the average size town. Total population divided by number of towns.

Could you imagine having the town, you know, the town of 18,000 people, and not have any tax base. Not have any revenue to support police services, or fire services or paved streets. Could you imagine that? You know what, I've got more than 18,000 people living in public housing. More than 18,000 people. Larger, larger than the average community in this state.

You know what? That housing doesn't pay any taxes. But you know what, those kids, those kids need to go to school. And if there's a shooting, or a killing, they want a response to their neighborhood, and they do want paved streets, and they do want to be able to call a housing code inspector. They want those basic services. Pretty much all the things that we'd agree.

I want to say that again. I have living in my town, community average size that I cannot generate a dollar of tax revenue from to provide them the basic services that we all think we would probably all agree are necessary to provide.

And you know, places like my community, we're not looking to redistribute public housing. We're proud and we're pleased that we've taken steps over the years to provide affordable housing. You know,

I've got 50,000 residential housing units in New Haven. A third of them are either public, Section 8, RAP, we all remember RAP don't we? Project based assistance from CHFA, FHA, someplace else. A third of our housing. We're glad to do that. All we want to be able to do is not be penalized for accepting that kind of responsibility.

Gees, Christopher Plummer didn't have a bell go off on him. What party does he belong to, I don't know.

SEN. SMITH: We're sorry Mr. Mayor, if you could just summarize and wrap it up, just for the next couple of minutes.

MAYOR JOHN DESTEFANO: So I urge you, let's have income tax cuts in the State of Connecticut. Thank you Win. Let's have income tax but let's direct it where it's needed, by people who are paying a higher percentage of their income in taxes and in circuit breaker. Thank you.

SEN. SMITH: Thank you. Thank you Mr. Mayor. Are there any questions from anyone on the committee. Yes, Representative Maddox.

REP. MADDOX: Thanks Mayor. As an active member of CCM, I assume you are aware of the Governor's proposals to change heart and hypertension, binding arbitration, removing some items from collective bargaining and prevailing wage, correct?

MAYOR JOHN DESTEFANO: Right.

REP. MADDOX: Are you supportive of those?

MAYOR JOHN DESTEFANO: I'm, CCM is supportive of all those items. I am not supportive of something, but I will tell you something Representative, the budget I submitted to the Board of Alderman that's going to be taken up by them, is at the same dollar amount the city budget was two years ago, when I took over for the city.

And you know what else we've done in New Haven? We've reopened all our contracts with city

employees, including the teachers, including the teachers unions. My employees have agreed to two year wage freeze, managed health care plans, changes in work rules that will save my city over \$26 million over the next four years. And I'll tell you what. You look at the chief elected officials of this state, there's a new generation of chief elected officials. Some of them are even in the Sunday Times, like Joe Marinan, you know.

And they have been doing a terrific job at reducing the cost of government. And I'll tell you something else. We'll challenge, we'll challenge the state legislature and the Governor to do the kinds of things, out sourcing, revenue collection like we're doing. Food services, as we did in New Haven. Wanting to sell our current taxes to underwriters, where we know we can get more than a dollar on the dollar for taxes. So some of them we do, but some of them we don't.

REP. MADDOX: Then let me ask you specifically, do you support the heart and hypertension release?

MAYOR JOHN DESTEFANO: Yes. Do you want to know if I beat my wife, is that the next one going to go through with -- no I don't.

REP. MADDOX: Do you support the binding arbitration changes?

MAYOR JOHN DESTEFANO: Yes I do.

REP. MADDOX: Okay. Removing items from collective bargaining?

MAYOR JOHN DESTEFANO: Do I win something here? No, I am uncomfortable, I don't know if this was a grade here or something. You know, no I don't. I think for instance pension changes, which have been a subject of collective bargaining, should be, do you?

REP. MADDOX: Well that's for our, we'll decide.

MAYOR JOHN DESTEFANO: Well, that's the point. You know, that's what the Secretary, you know

Undersecretary said. Said no, these items are totally within our control. And it's really disingenuous and in fact intellectually and in every other respect dishonest to think we're some kind of free agents out there. So, you know, I'd urge you as you look at this, as you consider the taxes, circuit breaker, go ahead on down your list.

REP. MADDOX: The last one was prevailing wage.

MAYOR JOHN DESTEFANO: I propose to see some modifications in indexing prevailing wage. In fact, most of CCM feels very strongly about that one.

REP. MADDOX: Now, backing up to your comment. You have submitted a budget that is flat. So in other words, there would be no need for a mill rate increase?

MAYOR JOHN DESTEFANO: No, there is not. But more to the point, there's a total expend, the appropriation side of the budget, and the revenue side of the budget, is constant. I want to tell you how difficult that is.

Our grand list growth has dropped, dropped by about 1%. Our collection rate on taxes over the last five years have dropped from 92% to 87%. And the best way you see that, the best way you see that is in the abandonment of property. Residential property and commercial property that's going on in Connecticut's cities, large cities, high tax towns, you're seeing an erosion in grand list.

And I'll say what you see again. Two Connecticut, the cities over 100,000 in America. Cities over 100,000 in America, two cities with the greatest percentage population loss over the last several years are Hartford, Connecticut number one, and New Haven, Connecticut number two.

People, so to say, are voting with their feet. They're leaving. And you look at who's leaving, and you look at leaving, it's middle class families, who may like to live in the city. You know, it's like you like ice cream, and you may be

willing to pay a dollar and a half for an ice cream cone, but you're not going to pay \$15 for an ice cream cone. And what we see is our middle leaving us. And I will submit to you, it's very hard to think about job creation, job maintenance, as Connecticut moves to an economically and very importantly racial segregated state.

Racially segregated state, which is increasingly what we're becoming. Places of haves and places of have nots. Go ahead.

REP. MADDOX: You mentioned privatization. You favor the state should do more privatization services?

MAYOR JOHN DESTEFANO: Well, let me tell you something.

REP. MADDOX: I mean we have them on the table. I could tell you where, by block grants?

MAYOR JOHN DESTEFANO: Let me tell you something. I would tell you to do things like we're doing. We are, where we're moving, for instance, in our collections will all be done by someone else. We are taking plants, water, Town of West Haven just took its water pollution control authority, and that's being run, it's contracting out, not privatization per se, has done that. And I would also point out, often times they're done with the cooperation of the (inaudible - someone coughing). You know, we've talked to them. So I would urge you to look at that.

REP. MADDOX: Okay. I don't know off hand, what's your mill rate now?

MAYOR JOHN DESTEFANO: Our effective tax rate is, you know mill rates are funny things, depending on when your property revaluates.

REP. MADDOX: I was going to ask you that too. When did you reevaluate?

MAYOR JOHN DESTEFANO: Our mill rate is 62 mills. Our effective tax rate's about 1.9%.

REP. MADDOX: When did you reval last?

MAYOR JOHN DESTEFANO: Pardon?

REP. MADDOX: When did you reval last?

MAYOR JOHN DESTEFANO: 1991. It's being phased in. Although I'll tell you, it's a recent reval, it's essentially meaningless because it was done in a different real estate market. And there was a good article in the New York Times about New Jersey about a week ago, that pointed out in New Jersey where they've cut some state taxes, and there has been an across the board increase in real estate property taxes across the state.

As a result of, you know, there's been a tax shift from the state to the locality, which I certainly know this state would never do. And what they found is increasing in values. I would point out that CCM has been supportive of more frequent revaluation.

We were supportive, at least I was supportive a year ago state wide property revaluation, so that the same standards, same tests are used. But you'll have assessors coming on shortly who'll talk about that far more than I'm capable of, or ever would want to hear about.

REP. MADDOX: I only have one more question Mayor.

MAYOR JOHN DESTEFANO: Yes.

REP. MADDOX: Just, do you get at it, cause obviously you know that there's been some concern on how well cities are run. Would you mind providing a breakdown of salary lists for the City of New Haven?

MAYOR JOHN DESTEFANO: Sure, I'll start with mine. Mine is \$65,000. I'll tell you, if you want to know what it is. So I'd be glad to do that. I'll tell you the highest salaries though. The highest salaries are in education.

And I'd remind you to go back to 1985 when the State of Connecticut, in the legislature here, passed a bill that required us to increase

teachers' salaries. And that was a Democratic Governor, and a Republican legislature.

So if you want to look at teachers' salaries, look at what you did in 19, not you of course, look at what the legislature and governor did in 1985...

REP. MADDOX: I wasn't here in 85.

MAYOR JOHN DESTEFANO: Because those are the salaries which you'll then remember the State of Connecticut in 1990 withdrew funding for.

SEN. SMITH: Thank you. Senator DeLuca, followed by Representative Beals.

SEN. DELUCA: Thank you Mr. Chairman. Good, I think it's afternoon Mayor, or whatever it is. You noted how you and other city mayors have put into effect things to be fiscally conservative and so forth. And I'm wondering how the circuit breaker would fit into that. HB6996

It seems to me the way the circuit breaker works is that there would be no incentive for the town to be fiscally responsive because they could increase their taxes and the taxpayer would only be liable for up to 5% of their income, and the rest they could take off their income tax and will be the state's responsibility.

So therefore they would be, would you agree, that there's no incentive for the towns, or the cities, then to be fiscally responsive?

MAYOR JOHN DESTEFANO: No, disagree. Let's put aside what our personal outlooks and views may be on how to run government that may in fact some of us may be fiscally responsive. Let's put that aside for a moment.

Point of fact, under circuit breaker, the local taxpayer would still have to pay their property taxes up front. They still would have to pay that bill up front. I'd still have to pay on my house, and my cars, the \$6,000 tax rate.

63  
kmg FINANCE, REVENUE AND BONDING April 3, 1995

John McDermott, to be followed by Rod Rodriques.

JOHN MCDERMOTT: We're going to come together, is that alright.

SEN. NICKERSON: By all means.

JOHN MCDERMOTT: Thank you Senator Nickerson and committee members. My name is John McDermott, and with me is Rod Rodriques. We were the co-chairs of the subcommittee of the Property Tax Reform Commission dealing with your Raised Bill HB6998, AN ACT CONCERNING THE IMPROVEMENT OF PROCESS AND ADMINISTRATION OF THE PROPERTY TAX.

As co-chairs we're here to support the bill as drafted for several reasons. One, finally this bill, an ominous bill that it is, marry the recommendations of our subcommittee's report, will bring Connecticut into the technology of the nineties.

With the technology that is there with the PC's, the Window-based software, and so forth, it will bring Connecticut into the nineties by implementing uniform computer assisted mass appraisal standards and administrative standards, that's number one.

Number two, the bill as drafted will provide financial assistance to the assessors of the communities not to pay for revaluations, but only to help them assist them purchase hardware and software and necessary training to bring them up to the nineties technology in the computer system mass appraisal area. Three, most importantly, it will direct the revaluations be based upon a performance based standard.

The international association of testing offices have performance-based standards for revaluations. This bill will direct that all revaluations meet those standards. Four, the bill will direct implementation rate three year statistical revaluation program.

We conducted approximately ten hours of testimony from professionals before our subcommittee. Those

professionals indicated that a three-year statistical revaluation at a minimum, will reduce the current cost of revaluations in Connecticut that are forty to \$60 a parcel to somewhere between three to \$7 a parcel for the three-year statistical revaluation. And that will take time to accomplish.

Obviously, it would not be the first time out. And there'd be some additional minimal costs for the once every ten year inspection of property. Five, the bill will substantially improve the local appeals process by having a uniform grievance state and uniform hearing procedures by, what was formerly called the Board of Tax Review, and that is critical we believe, to have, provide uniformity in the appeals process at the local level in this state.

Six, this bill will propose that the property tax appeals move from regular superior court to what you would call the tax court. We believe, based upon testimony by Judge Aaronson, and others before us, that it will substantially reduce the appeals process period in court, from the present four to five years to under two years.

We believe very strongly in that. And we believe there's been actions taken so far to begin that process. Mr. Chairman we have been meeting with the representatives of the Connecticut Association of Assessing Officers, reviewed the bill, and would like the opportunity if you wouldn't mind in the next few weeks or so, to provide some clarifying language on a few points within the bill.

And most importantly, to provide for the committee a workable implementation period to go from the present ten year revaluation to the three year cycle. And we would ask that you would allow us to do that, and work with Ann Gnazzo and others to provide that information to you.

SEN. NICKERSON: Yes, not only would we allow that, we would welcome it. And I wanted to ask you a follow up question on essentially two points. One was the transition, and you've already discussed that

briefly.

That is, of course, it's going to be complicated. The second is an issue that I know your commission wrestled with, and that is the new cycle, three years versus five years. Could you comment on how the transition would, maybe the reverse order.

Could you comment first on how the new, how you see the difference of opinion that's developed between the three year versus the five year cycle. And then secondly, just generally how would you see a transition working from the current system into the more rapid cycle system.

JOHN MCDERMOTT: Yes, the majority of testimony that we have is from the State of Massachusetts. There have been lots of reports that are provided to this commission, or to this committee over the last twenty years, where Massachusetts has been compared to Connecticut because of its standardization of constitutions, jurisdiction type and size, mixture and so forth.

The testimony we had was from the Department of Revenue Services equal to our OPM of Connecticut, and all five revaluation companies that perform services within the State of Connecticut. We believe that there was a uniformity of testimony that, one, that when you perform a revaluation presently in the ten year cycle, that there is a tremendous amount of cost that goes with that. And that the revaluations deteriorate over time. We have provided in our, in our committee report statistics that show that after three years, that data denigrates rapidly.

If it denigrates, it makes it much more costly to perform a revaluation. For instance in the fifth year, many experts out there would say you really cannot do a true statistical revaluation in the fifth year because of the denigration of data.

Whereby, you really have to do a mixture between a full blown revaluation and a statistical. Thus, really what you're doing is, you are not making a cost effective use of the hardware and the software

programs that are there.

And you are increasing the cost instead of three to \$7 per parcel for instance, Hartford was going to implement a five year revaluation. I believe the cost was \$25 a parcel. That's a dramatic difference. Three years is about the maximum where we believe that the data holds enough so you can do a very cost effective three-year statistical revaluation.

Massachusetts, even though the law there says that you will do a three-year revaluation, testimony before our committee said that presently 40% of the jurisdictions are doing annual revaluations. Annual, and by the year 2000, they believe the state believes, the state believes that they will be doing annual revaluations on all communities, on a very cost effective manner.

SEN. NICKERSON: Okay, you make a very good point. Just kind of briefly on the second part of my question, which was the transition. Mechanically, how would be grind the gears to go from our current system town by town to a new system?

JOHN MCDERMOTT: Last week representatives of Connecticut Assessors Association and I met, I think it was last Thursday, we were looking at a couple of methods. One is that the, instead of just as a bill portrays right now to begin a three-year statistical in the year 1995, we do not believe that's workable.

But instead, would look at a mixture of trending in, it may be by those communities, for instance, if a revaluation was done in 1991, and here we are in 1995 for instance whereby let's say that the coefficient dispersion of the puts out in face of equality index, says that that revaluation is still pretty, in pretty good shape.

It may be that that community really could very easily, and at very few dollars, do a computer, or a statistical revaluation. We will look at it in that vein. Even though, believe it or not, some communities they have not done a revaluation for,

67  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

did it two years ago, it may be that they would not have to do a statistical update for two years out.

We would like the opportunity to look at that, and to present a plan to the committee. Looking at all the factors on a professional basis so that we could look at both the standards that the existing communities have right now, and the last time that they did revaluation.

SEN. NICKERSON: Okay, I would appreciate your thoughts on that. Particularly in conjunction with the assessors, because it's very important to me that we not have a barrier to moving to the long-term reform crop up in the transition.

JOHN MCDERMOTT: We agree with that totally.

SEN. NICKERSON: Okay. Let me just finish with your testimony, then we'll take questions. You wanted to...

ROD RODRIQUES: Just a couple of comments.

SEN. NICKERSON: Yes, Mr. Rodriques.

ROD RODRIQUES: I'm wearing a couple of hats today. In HB 6998 addition to being co-chair of this subcommittee, I'm chairman of the Tax and Fiscal Policy Committee of SACIA, the Commerce and Industry Association of Southwestern Connecticut. SACIA's task force strongly supports this bill, and in particular is in favor of the three year revaluation cycle that is included in the current draft, subject to an appropriate phase in, which we will present to you.

A second piece, rather another hat I'm wearing is as Chairman of the Advisory Committee to the Tax Session of the Superior Court. And in that vein, the advisory committee strongly endorses the recommendation of having the, what has become known as the tax court, assume jurisdiction for property tax appeals.

There is a, a scribe's error in the bill in Section 12, through 22, when they refer to Section 12-391, that should be for Section 12-39L. That is

the section that the legislature added two years ago to create the tax session of the superior court.

We got strong testimony in favor of centralizing this process. And we believe it will greatly improve the efficiency and the rapidity with which tax appeals will be heard.

SEN. NICKERSON: Thank you very much. Questions for McDermott, or Mr. Rodrigues. Any questions from the committee? Yes Representative Belden.

REP. BELDEN: Thank you Rod. Just if I might, you mentioned that you're with, representing SACIA, and I guess I've got a theoretical question that was asked of other SACIA representatives when they came and appeared, but we're hearing testimony on all kinds of things.

One of them was that, naturally that they supported the UConn 2000 plan that has 1.2 billion in bonding in it. And the question came up then of well, you know, somebody has to pay this, this money back. And, of course, SACIA would also like business taxes reduced, etc.

There are some costs associated with this particular proposal before us in terms of not only state monies, but hardware and all kinds of things. And I would think one other thing that will fall out of this will be a much greater appeals process, number of appeals, because if you do something more often, and you have to notify people that they're value has changed, they're more likely if it's a substantial, to appeal it.

Here again, we're looking at increased cost to the State of Connecticut. Where do you think the savings come out of all this. Where we can say this becomes cost effective, and has a pay back somewhere along the line.

ROD RODRIQUES: Our belief is that the appeals process in expediting the appeals process, will in fact result in a savings. There will be more appeals perhaps in the short run. But being able to deal

with them much quicker, we believe will result in a cost savings.

That there will, using the mechanism of the tax session of the court right now, the current belief is that you will not be required to add more judges, you will free resources from elsewhere in the judicial process. And just the ability to get a decision, especially on a commercial property, but also on residential property a lot quicker, will cause the system to work a lot more efficiently.

In terms of the state bonding and so forth, I can't speak to all SACIA, I can only speak to the tax and fiscal policy committee. I believe Joe Ercolano is going to be testifying shortly, and you might want to ask him the same question.

REP. BELDEN: This is the kind of question we really have to ask ourselves, and we're asking those who testify because we have to look at all the pieces ultimately and what they do to the overall financial situation in the state. So, thank you.

SEN. NICKERSON: Thank you very much. Representative Beals.

REP. BEALS: Thank you Mr. Chairman. Unless you have another speaker that's going to address this, I wondered whether SACIA had a position on SB944, AN ACT CONCERNING THE ECONOMIC RECOVERY FUND.

JOHN MCDERMOTT: Yes, Joe Ercolano is going to speak to that point.

REP. BEALS: Okay, thank you.

SEN. NICKERSON: Okay, good, appreciate your testimony. Further questions of Mr. McDermott and Mr. Rodrigues? If not we thank you for your testimony. I would very much encourage you to do exactly what you suggested, was get back to us with a follow up on transition, and indeed anything else that you find that comes out of your discussions with the assessors.

70  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

ROD RODRIQUES: Thank you.

SEN. NICKERSON: Next speaker is John Alexa, to be followed by Joe Ercolano.

JOHN ALEXA: Good afternoon Senator Nickerson, Representative Schiessl, and members of the Finance Committee. I'm John Alexa, I'm a tax manager representing SNET. And I'm here to speak very specifically on Section 3 of HB6998, which proposes a three-year revaluation cycle.

Specifically, I'd like to speak on the impact that that will have on statewide businesses like SNET. The property tax reform commission recommended an increase in the frequency of revaluations. And as you know, subcommittee one was responsible for that recommendation.

However, they were divided as to whether it should be a five year cycle versus a three year cycle. On December 16th, the full commission did take up that issue and they recommended a five-year cycle. SNET also recommends a five-year cycle.

We're opposed to a three-year cycle because it will, it would, businesses like us, who are statewide, we're in 124 different municipalities with real property, we would incur excessive costs if we had to go through our appeals and litigation process more than three times in a ten year period, versus every five years.

We estimate that with the implementation of a five-year cycle, our costs for appeals and litigation will approximately double. If a three year cycle is implemented, we anticipate that our costs would approximately triple.

The other comment I'd like to make is whatever cycle is ultimately implemented, we would like to see the individual revaluations spread evenly over the cycle, rather than having all 169 municipalities revalue in one particular year.

And I think Section 3 is kind of unclear in terms of how that would work. So to summarize, we

support a five-year cycle, spread evenly over that five year period. Are there any questions?

SEN. NICKERSON: Yes there are. When you say your appeals would double, I assume you're taking the number of appeals that you now incur through the ten-year cycle, and saying well if we're going to go to a five-year cycle, we'll necessarily double that number for ten. And if we go to a three year, we'll triple.

I would ask you to rethink that and say, isn't the fact that we have a ten-year cycle the very factor that causes appeals in many cases. And that if we have more accurate three-year cycles, it will diminish the need for appeals. And thus we'll be getting at the root of the problem, rather than as you suggest, have less...

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...and hopefully, you suggest we'll have less cycles, if we increase the number of cycles, we'll have the same number of problems, and just double our appeals. I would hope that if we increase the cycles, we'll have less problems and less need for appeals. Could you comment?

JOHN ALEXA: Yes. I don't agree. I think that whenever a revaluation is done, you have professionals on both sides of the fence. And they look at the underlying property and they come up with a fair market value.

They are, however, any time two different professionals try to value a single property, they very commonly come out with different valuations. And I believe that that scenario would continue to exist no matter how many times we revalue.

Even if we were doing it every year. I think that essentially our professional appraisers would come out with a value different than what the municipalities come up with.

SEN. NICKERSON: Okay, second thing that puzzles me about your testimony is over the years I've been on

this committee, business has come to us many, many times and pointed out that personal property, the proportion of weight of which is held by business, is revalued every year under the current system.

Real property is only revalued every tenth year, and thus the effective of that is that real property may get a "free ride" for nine years till it catches up with the market. And the business owning, personal property catches up with the market every year, and thus every year there's a burden shift towards business.

The concept of a more frequent real estate cycle would seek to address that, so it puzzles me why you would not want a more frequent cycle in order to align it more closely to the annual cycles you already incur on business held property.

JOHN ALEXA: SNET is taxed somewhat differently on personal property than other businesses. We file a statewide declaration rather than individual declarations. We also pay a uniform mill rate throughout the state of 47 mills.

SEN. NICKERSON: There's the answer professor. You're not like other businesses who very much are concerned about current equipment being revalued annually. You have a different system applicable to your kind of business.

JOHN ALEXA: Yes.

SEN. NICKERSON: I got it. Okay. Further questions from the committee? Or any questions, yes, Representative Young.

REP. YOUNG: Just going back to Senator Nickerson's original question. How many litigation and appeals do you have in a given year?

JOHN ALEXA: Well, it varies, because right now, the ten year cycle is not an even one, and so in certain years are much heavier than others. But as I mentioned, we have real property in 124 different municipalities.

And whenever there's a revaluation, we participate in meeting with the revaluation company, then attending board of tax review appeals, and if we don't get the reductions that we feel are warranted, then we follow up with litigation.

REP. YOUNG: Do you mean that in every, you're implying that in every case...

JOHN ALEXA: No, not in every case. Only for our major businesses. Our major buildings, rather, excuse me.

REP. YOUNG: Oh, in your major buildings and in every town there's a revaluation, do you have an appeal and litigation?

JOHN ALEXA: Very often. Not every single time. We have approximately 113 major buildings. And for each of those, typically what we do is we go out, we have a professional appraisal done on that building, and then we compare that to the new assessment.

REP. YOUNG: Okay, I'm just curious. I'm surprised that appeals and litigation was a major problem to you. Thank you.

REP. SCHIESSL: Further questions for Mr. Alexa? Seeing none, thank you for your testimony, sir. Our next speaker is Joe Ercolano, followed by Mike Levin.

JOE ERCOLANO: Good afternoon Representative Schiessl, members of the committee. I am Joe Ercolano, I'm with SACIA, the business council of Southwestern Connecticut, and I'm going to speak very briefly on three bills, SB941, SB942, and HB6998, on behalf of our membership which is over 500 companies in lower Fairfield County.

I'm going to limit my remarks on HB6998, because you've already heard from Rod Rodrigues, who was Chairman, is Chairman of SACIA's Tax and Fiscal Task Force, and member of the Property Tax Reform Commission.

SACIA supports the recommendations included in

HB6998, because they take a bold step toward a more efficient and equitable revaluation and review process. These recommendations will benefit businesses, home owners, and municipalities alike, by reducing costs and addressing some, any inequalities and inequities.

Specifically, as you've heard Rod say, we support the three-year revaluation and we think it's particularly important because it can help address shifts in tax burden that might occur between commercial and residential property classes.

We also support SB941, reductions in the income tax, provided those reductions are achievable through cuts in state spending, and they do not jeopardize reform and reduction measures affecting business taxes.

As far as business taxes, we support the accelerated reduction of the corporate tax. The elimination of the corporate tax on "S" corporations. The elimination of the sales tax on business analysis consulting management and public relation services, as priorities.

However, we recognize that the personal income tax is a burden to employees of businesses. And it affects particularly those highly skilled, highly paid individuals we are striving to attract and retain in our state.

Finally, we understand the intention of SB942, which would establish a uniform depreciation schedule for electronic data processing equipment, which was also the basis for a recommendation of the property tax reform commission.

However, we believe that especially in an area where technological advances are pronounced, in a state like Connecticut, taxpayers should have the option to determine salvage value, as actual fair market value at the end of a fixed appreciation similar to perhaps the fixed appreciation schedule contained in HB6998. Thank you very much.

REP. SCHIESSL: Questions for Mr. Ercolano?

75  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

Representative Beals.

REP. BEALS: Thank you Mr. Chairman. Are you the one who make comment on the economic recovery fund, or is there another speaker? SB944

JOE ERCOLANO: No, that's it, that's me.

REP. BEALS: I would just be interested in your position on that.

JOE ERCOLANO: Sure, we actually don't have a position on that. It's not something that we've looked at. It was sort of, you know, a new initiative this year, and it caused us to give it some thought. And our belief is that, as long as it's affordable, it doesn't impact or jeopardize necessary spending, and necessary business tax measures that we believe should move forward, it may well make sense to do that. But it's not something that we're strongly in favor or opposed to.

REP. BEALS: Thank you.

REP. SCHIESSL: Representative Belden.

REP. BELDEN: I might as well follow up on my other question.

REP. SCHIESSL: Sure.

REP. BELDEN: Then can I assume that SACIA essentially in supporting the revaluation legislation, supports the fact that we're probably looking at about 35, \$40 million in new bonding in order to set that mechanism in place, and notwithstanding any costs in the operation, and more frequent activities that occur. Is that correct? HB6998

JOE ERCOLANO: Yes we do. And I think the reason why we do is because ultimately there will be savings to municipalities, to residential and business property tax, property owners, and will be savings to, as a state in the form of maybe a more efficient appeals process, as we've heard the commission members mention.

Not being a member of the commission, I'm not really that up to date on each area where there would be some cost savings, but I think the potential is there, and I think the potential to address some of the inequities that might occur between residential and commercial taxpayers is something that is important to our members.

And is something we've heard time and time again, as a concern. So, it makes sense to us to invest in a system that could lead to some relief of these inefficiencies and improve the process, and basically benefit municipalities as well.

REP. BELDEN: One follow up, if I might. Assuming it's a three-year statistical revaluation process and we're essentially dealing here with real property rather than personal property, because that is on a different schedule. Do you feel that your various members are probably going to appeal their valuations in a similar manner that SNET did, or talked about in their major building categories. I know my experience is, I would.

JOE ERCOLANO: Well yes, I think they would, and I think they have in the past. Whether or not, how the three-year revaluation will specifically address, will still respond to a three-year valuation, is hard for me to say.

But I think that certainly on the current system, there's been a number of appeals in our area. And, you know, our area like the rest of the state has had significant changes in real estate valuation, that's prompted quite a bit of appeals.

REP. BELDEN: My instincts are that, and I'm not opposed to this specifically, I'm not quite sure I agree with three years, but essentially what would happen if this had been in place say in the last ten years, what would have happened if there would have been a shift, assuming that the demand for dollars is correct in either scenario, the shift would have been onto the residential taxpayer from the business and commercial entities. Is that what your assumption would be?

JOE ERCOLANO: There's been some shift, but there's also been some inequities because the value of commercial property, particularly in our area, has dropped faster and more significantly than residential properties.

So because of the economic down turn, there may have been some shift towards residential, but the, there's still an inequity that property owners, commercial property owners are paying taxes on market value, on values that don't really reflect true market value.

And so, it's really unfair to, and an economic disincentive for people who own buildings, whether they're manufacturing or other, if you're going to tax them at rates, on property values that really don't reflect true market value.

REP. BELDEN: Thank you.

REP. SCHIESSL: Further questions from the committee? Seeing none, thank you for your testimony sir.

JOE ERCOLANO: Thank you.

REP. SCHIESSL: Next speaker is Mike Levin, followed by Mayor Mike Peters.

MIKE LEVIN: Mr. Chairman, committee.

REP. SCHIESSL: Good afternoon.

MIKE LEVIN: My name is Mike Levin. I'm Vice President of Connecticut Policy and Economic Council, CPEC, which is a Hartford-based public policy research organization. (HB 6998)

I'm not going to testify specifically on any bill, but I want to make some general comments in two areas. One is, the revenue picture of the state, and another if I have time about some policy, tax policy questions, which have been raised here, and which we have an interest in.

I have submitted testimony and also there is a lot of further information on reports that we submit to

the General Assembly periodically. I believe the council's position which we've been trying to make in several publications recently, is that the tax reductions proposed by the Governor, and/or the tax reduction proposed here today in the property tax circuit breaker, are unaffordable at this time.

We don't think the state's revenue base is growing fast enough to support any kind of a massive tax reduction. When I say at this time, I mean the next biennium, the next two-year period. Actually I believe personally, that your bigger job will be to try to avoid a tax increase over this period.

The reason, and I'm sure most of you are familiar with this, but I want to put it on the record as far as our position is, the reason the tax cuts are unaffordable is twofold. One, the revenue, current revenue base of the state is stagnant at best. Income taxes have been under-performing along with our economy. The federal revenue windfalls that Governor Weicker relied on toward the latter period of his administration, are now seemingly a thing of the past with our problems with the uncompensated care fund.

Corporate taxes, I'm going over our bigger tax and revenue items, as you all know. Corporate taxes, while maintaining fairly well, are still declining in absolute numbers because of tax reductions we have already put in place, and which will continue for the next few years, credits and reductions in the rate.

The one area that seems to be growing is sales tax revenue. And some of the growth there is due to hospital taxation, at least growth going forward. So there is really not that much growth, and not that much leeway for a tax reduction of these sizes.

In addition, the Governor does a couple of things to finance his tax cut, of which we are in sharp disagreement with. The economic recovery fund has been mentioned. We have steadfastly opposed extending the deadline for paying off the economic recovery fund.

We don't believe the, the hospital taxation is totally a good idea because the taxes obviously were put on for a social purpose rather than just for a tax, raising taxes. And if you're talking about cutting taxes on one hand, but then raising them sizably on another hand, that seems to make little sense.

In addition we favor the timely implementation of generally accepted accounting principles. I guess I will stop there since my time is. But I do have some, oh I'd like to make one policy question before, because this hasn't been raised.

Regarding the Governor's income tax proposal, even were there enough revenue, or you were to find enough revenue for it, we think there is at least one flaw in it. And this is the, going to the two tier rate structure, which we have discussed with the chairman, and we think it sets a bad precedent and can lead to a higher upper tier under another Governor. We like the flat rate. And if it's to be reduced at all over time, we'd like to see a periodic increase in the exemptions. Thank you.

REP. SCHIESSL: Thank you Mr. Levin. In your testimony you indicate that the council, in written testimony, the council does support more frequent property tax revaluations providing local assistance with additional state resources, etc., etc.

These proposals are contained in HB6998. I was hoping perhaps you could comment on, on those proposals. And if you've had a chance to review the bill, what the position of your council is with regard to HB6998.

MIKE LEVIN: Right. We have for several years now, been in favor of more frequent tax revaluations and providing, property tax that is, and providing additional resources from the state to the localities to an extent.

I think we still favor that. But I think you have to be a little leery about the kind of resources you want to establish at the state level to

80  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

implement this change. I think it can be implemented for a reasonable price, and we would support that.

We, I will say in addition, I don't know if it was in this bill or not, but we are not against a circuit breaker. In a report we did several years ago we supported the concept of a circuit breaker in a more limited fashion.

And I believe when the economy and the revenue outlook improve, we would probably support it again. Probably less than what is being proposed. So we are for the administrative improvements suggested by the property tax reform commission, and especially what Messrs. McDermott and Rodriques talked about, I think, we are very supportive of those kinds of changes.

REP. SCHIESSL: Thank you. Another question in another area relates to the proposal to forego the last balloon payment on the ERF notes and to extend the repayment terms for three years. I don't know if you were here in the room when the administration was providing its testimony, but they seemed to be justifying this deferred, you know, not making this last balloon payment by saying well, we're going to reduce bonding overall anyways, and so we can get away with this little number. SB944

I'd like you to comment on, on this particular proposed bill. The ERF proposal, the proposal to extend out the repayment term. And comment, if you will, on the administration's justification which seems to be, well we're reducing bonding overall, and so it's okay to do this. What do you have to say about that Mr. Levin.

MIKE LEVIN: Yes, as I said in my testimony, we have opposed spreading out the ERF payments, and some of other things that have been done with them over the last three or four years have been just as bad. We continue to be opposed to that.

And I would say only in a little amendment to that, we would like to see it all paid off next year on schedule. However, the size of that payment

81  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

probably would mitigate against that, and you know, the paying it off over the biennium probably makes some sense because we probably can't afford to, that much revenue during this period.

But to go on another couple of years is, we don't think a good policy. I can understand the Governor's justification on reducing bonding, which would reduce overall debt formation, which would have a tendency to offset this little bit of an increase in debt, if you might say by spreading out the payment.

We'd like to see both done. We've written again, articles about the creation of debt which has been tremendous, the escalation of it, per capita debt in the last four or five years. So we think you need to do both. Pay it off, pay off the debts you have now, and not establish so much additional debt in the next three or four years.

REP. SCHIESSL: Thank you Mr. Levin. Further questions? Representative Samowitz, followed by Representative Beals.

REP. SAMOWITZ: Thank you Mr. Cirman. I'd like to comment, or deal with something in your written testimony, Mr. Levin. Where you said that local, the key to property taxes is local government spending reductions and reforms, like privatization.

(HB 6998)

I know that, there's a certain misconception that I know of coming from the City of Bridgeport, that some of our problems are so endemic and that they were caused by, not caused by people in the City of Bridgeport, but by the General Assembly.

For instance, and particularly, it costs the City of Bridgeport to run two police forces. The reason being is because in 1969 this General Assembly passed a special act requiring automatic escalating clause for our police and firemen.

So every time you go to collective bargaining, those that are retired get a pay raise, just like those that are working. And it wasn't something

that was done by the City of Bridgeport, it was something done by the General Assembly, and thereafter written into contracts so we can't impair them.

The thing is, is that there's this misconception about that everything can be done by privatization and cutting reforms. And so I was curious about what specifically things you might have in mind.

MIKE LEVIN: Let me, before I get to that directly, let me say that we have a report that's coming out within a couple of weeks that looks at this overall question of state aid growth, property tax growth and expenditure growth. And I think the municipalities I would support what some of the municipal leaders, especially the Mayor of New Haven said, they have done a pretty good job of trying to control spending.

And the untold story is that actual property tax growth has been very minimal in the last four years, whereas property tax growth at the municipal level per capita property tax is that they pay themselves, people in municipalities, grew much faster during the 86 to 90 period.

Our study looks at those two periods, 86 to 90 which was a growth period in the state, of course. And it was a growth period in municipal grand list, which grew astronomically. The 90 to 94 period, of course, was just the opposite.

However, actually municipal property tax burdens grew less in the second period, which I think is a surprise because you would have thought they would have been made up, the failure to provide additional state aid would have resulted in massive increases in municipal, massive tax shifting.

And so, I don't think that occurred. And to get to the bottom line, the best we have found, that the best friend a local taxpayer has is a slow economy, or a recession. Because it has forced municipal and state officials to cut spending, which is the surest way to keep property taxes down. Now that doesn't mean you don't need some relief of the

burdens that already exist.

REP. SAMOWITZ: Did you also look in your study, the fact that you might have a increase in the taxable grand list, let's say in the metropolitan area, but when you look at the urban core, that's in there, they're going down, whereas the surrounding areas are going up. For instance, like in Bridgeport...

MIKE LEVIN: Right. That's now.

REP. SAMOWITZ: The taxable grand list of Fairfield is now larger than Bridgeport.

MIKE LEVIN: Yeah. No, I understand that. But their grand list did go up as well in this other period. And you know the point that isn't made enough I don't think is that I think most people, including the most conservative people in this state, realize there are special and particular problems of our biggest cities.

But it is never, there is never any weight given to other things that have been for the cities. For example, I read about Hartford in the coming Renaissance, and they mention four or five activities that are going on, the amphitheater, and three other things which keep skipping my memory, but they were in the paper the other day.

I read in New Haven about the Park Plaza being renovated. Well the state, the public sector is having a hand, if not doing totally, having a big hand in all of these projects, the Beardsley Zoo in your own area. They don't seem to get the credit for helping out the bigger cities, which I think has been a focal point of state policy for the last ten or, at least since I've been here in 81.

So, I think, you know, sometimes that has to be stated that yes, they have particular problems. Yes, some of them are in their own hands. Some of them aren't. But the state has made a commitment to them, and I think will continue to make a commitment to them. And it's just, I think a question of how much more, the commitment you offer...

REP. SAMOWITZ: Or does your analysis really show that if they would be so much worse if it wasn't for state intervention.

MIKE LEVIN: The analysis is very small, so it can't go into all the details of that. No, I think everybody agrees, they need the state aid, and they deserve it. Another thing quickly, not take up time but, when you look at property tax relief, there's several ways to look at it.

Our council, again, we don't feel it's affordable now, but our council, one of the things we looked at, was alternative ways to provide property tax relief, and one of things I've been very big on is to try to say which functions would be better handled by the state.

And I'm not sure we're supportive of the Governor's idea not to take over General Assistance. We thought that was a good thing for the cities, especially the big cities. We thought it was really a statewide responsibility. It just so happens most of the people are in the bigger cities.

And then there's some pilot increases that can be given. So instead of a tax reduction, a circuit breaker, a steady although modest increment in state aid to take some things off the municipality might actually work a little better in lieu of the other solution. Sorry to be so long.

(HB 6996)

REP. SCHIESSL: Representative Beals.

REP. BEALS: Thank you Mr. Chairman. You indicated that rather than create a new lower tax bracket on the income tax, you would prefer to see if and when we could ever afford a cut, to see it in the form of exemptions. Do you want to elaborate on what exemptions you would give priority to?

(SB 941)

MIKE LEVIN: No, I would, no. Not new exemptions, but increasing the 12 and 24,000 exempted income...

REP. BEALS: Oh, I see. Okay.

97  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

because they are our taxpayers. I represent a community that started in the wild woolly days of the eighties to begin not filling positions when they became vacant, and to begin the process of down sizing. I have provided you with some charts and...

gap in tape 2b-3a (problem with recording device, recording picked up on tape 3b)

MAYOR SANDRA KLEBANOFF: ...and I'm happy to answer any questions.

REP. SCHIESSL: Thank you for your testimony and your comments regarding the condition in West Hartford. A question from Senator Nickerson.

SEN. NICKERSON: Yes, Sandy good morning, afternoon I guess.

MAYOR SANDRA KLEBANOFF: Afternoon it is.

SEN. NICKERSON: Thank you for coming, and I apologize if this question has been touched on, but you and I worked hard on a property tax reform commission a year or two ago. And I wonder if you did comment, or if you didn't, could you comment on bill HB6998, which is the reformation of the process and administration of property tax through a rapid cycling use of software appeals and other aspects. Did you comment on that?

MAYOR SANDRA KLEBANOFF: No, I did not.

SEN. NICKERSON: Could you comment on that?

MAYOR SANDRA KLEBANOFF: My comments were mainly directed at the circuit breaker.

(HB6996)

SEN. NICKERSON: I understand, but if I wonder if you could comment on the process side?

MAYOR SANDRA KLEBANOFF: From the, you're talking about the rebound?

SEN. NICKERSON: The process, increasing the cycle to reval...

HB6998

(GAP in tape, the following picked up on tape 3a)

SEN. NICKERSON: ...software, expediting appeals, to unglut the system.

MAYOR SANDRA KLEBANOFF: I certainly am very supportive of the expedited appeals process, as you know. And I am cautiously supportive of the acceleration of the cycles. I do believe that in a town like West Hartford, waiting ten years, the upheaval is so massive.

I am concerned, however, at coming up with a system that would, number one, be fair to all of the communities. Some who are really at a technological disadvantage. And I would not want to place my faith in statements that the state would step in and make that available to all communities at an affordable price.

I'm somewhat cautious of that, although I would like to see it. I certainly do believe that ten years is too long to wait.

SEN. NICKERSON: Good, so do I, and I appreciate the comment.

REP. SCHIESSL: Further questions? Representative Young.

REP. YOUNG: Just very quickly. With regards to the circuit breaker, the proposed circuit breaker. One of the problems with it as I see it, is that you have to have enough income to pay an income tax before the circuit breaker goes. (HB6996)

And there are proposals before this committee and others which would raise the level at which you would not pay an income tax....

GAP in tape - problem with recording device  
(Begin tape 4a)

REP. YOUNG: ...poor do not pay an income tax. So what we're doing is, maybe impacting those people at the bottom of the cycle. If you don't pay an income tax, you're not giving them any help.

99  
kmg FINANCE, REVENUE AND BONDING April 3, 1995

MAYOR SANDRA KLEBANOFF: I'm not sure how many of those people are actually property owners and pay...

REP. YOUNG: (inaudible - microphone off) pay taxes on car.

MAYOR SANDRA KLEBANOFF: True. And I think that certainly I and the commission would be open to modifications that would account for that. I find that in my community the bulk of the people that are seriously impacted by the onerous property tax burden, do pay an income tax.

REP. SCHIESSL: Further questions? Representative Beals.

REP. BEALS: Just a clarification of that question. It was my understanding that the commission report included, I think they were calling it a refundable credit.

MAYOR SANDRA KLEBANOFF: I'm sorry, yes, thank you for reminding me.

REP. BEALS: For those peoples, yes.

MAYOR SANDRA KLEBANOFF: Thank you.

REP. SCHIESSL: Thank you. Further questions? Thank you for your testimony Mayor Klebanoff.

MAYOR SANDRA KLEBANOFF: Good luck.

REP. SCHIESSL: Thank you, you too. Our next speaker, Walter Pawelkiewicz, followed by Mike Bekech.

WALTER PAWELKIEWICZ: Thank you Representative Schiessl, and the committee. I know you've been here, I'm still on Minneapolis time, so it's only a half hour late for lunch there. But notwithstanding, I'd like to just keep my remarks brief and focused on four points.

Earlier Undersecretary Downes underscored one issue which I find very close to home, which is that there have been no tax reductions using the Pequot, the \$85 million of Pequot funds.

(HB6996)  
(HB6998)

100  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

I think Representative Cardin should be commended for his analysis of this issue. But I would also like to take credit that Windham, which is a community of 22,000, has used a good proportion actually, three-quarters of that money for property tax relief in the current budget.

And I hope that when, because it was just recently passed because of the high level of property taxes in the Town of Windham, we'll send that report to Undersecretary Downes and underscore that issue. The second issue which I think is even broader in terms of a misunderstanding by the policy developers at the Office of Policy and Management is, is that the circuit breaker and the tax reform program is all of a sudden a special interest program.

And I would just like to say that in our most recent publication, which is dated March 31st, we have really the half-a-dozen type of home owners that would benefit from this program. And not to be didactic but just to quickly as Mike Peters would say, run through the list.

Home owners who have owned their homes for a decade or more is one group. Retirees, home owners in central cities are entering suburbs. Recently divorced and separated home owners, unemployed home owners, and underemployed home owners. I'd say if, if that's a special interest group, then we're talking about, about 85% of the property owning population and that extrapolation is just based on a logical assumption.

I also find it confusing that anyone would find the circuit breaker tax any more confusing than anything else that comes out of the legislature, be it the local or the federal level. People fill out a form, they either qualify for a benefit or not, and they either get or don't get a check.

I mean, that's as simple as the property tax circuit breaker is. I have two more quick points. One that the Council of Small Towns representative Walter Stone from Hampton asked me to just beg the committee to review the recent ACIR publication

HB6996

101  
kmg FINANCE, REVENUE AND BONDING April 3, 1995

that talks about the impact of mandates on each and every community.

And again, it's not an urban issue. It is a rural suburban, 169-town issue. And clearly, educational reform and General Assistance reform are issues that will be taking care of in the second and third year of that, of the Property Tax Commission, of which I'm a member.

The last point, the technical point on the reval cycle, we supported the five year cycle. And that's because if you look at the history, there is no history of a three-year cycle being successful, and so we would ask the legislature, before they would appropriate money for, to implement a three-year cycle that is an experiment, to have more frequent revaluation, but to have a five-year statistical revaluation. Thank you. (HB6998)

REP. SCHIESSL: Thank you sir. Questions from the committee? Seeing none. Welcome back.

WALTER PAWELKIEWICZ: Thank you.

REP. SCHIESSL: Mike Rekech or Bekech, followed by Mayor Joe Marinan. Please identify yourself for the record, what we have written is a bit sketchy.

MICHAEL BEKECH: Good afternoon, my name is Mike Bekech, I'm the Vice President of the Connecticut Association of Assessing Officers. I'm also one of the three assessors that were on the Property Tax Reform Commission.

To begin with, most of my notes will be towards bill HB6998. First of all I'd like to compliment the committee for its ability to capture most of the issues as proposed by the task force. The CAAO, the Connecticut Assessors Association supports many of these issues.

But we do have a major concern over the proposed implementation process, which leaves much of the proposed legislation basically unworkable. There are a number of issues that need to be looked at, and to this end the CAAO offers the services of its

102  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

legislative committee and the executive board to work along with and directly with not only the Tax Reform Commission committee one, but directly with the legislative, any members of the legislature to work through this process.

The focus of my remarks today will be primarily in regard to Section 3, the revaluation frequency issue. No matter what occurs in the legislation process, there is a strong need to make sure, to make sure that this process is workable.

As part of this, we'd like consideration be given to balancing the revaluation timetable, with an eye not only towards the towns that come up, but the parcel counts that come up. So that the, so that we're not dealing with just for example, taking over a ten-year cycle, seventeen towns to come due any one year.

But the parcel counts being somewhat reflective so you don't have all the Bridgeport, Waterbury, and all the larger towns coming in the same year. That you have some sort of mix that is certainly workable for everybody.

Current legislation already allows for a ten-year revaluation cycle, with enabling legislation. Remember this already exists, for interim statistical updates. The task force proposed a fiscal inspection cycle of approximately ten years with a five year statistical update.

That vote, I want to call to your attention was 21 to 8, after very, very heavy in-depth discussion, and bringing in a number of sources from the outside to talk with us. During that deliberation, the assessors supported the ten year physical inspection cycle with a five year statistical update.

But again, it was a mixed review. Many towns within the assessment community may not be affected positively by making the cycle even more frequent than ten years. The bill HB9668, calls for a three-year proposed cycle, with a ten year inspection process.

103  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

Which, right away, you know, leaves a concern because ten is not divisible by three. The process calls for implementation on passage. If this was passed right now, this would cause approximately 146 of the 169 towns within the state to either fiscally revaluation, either fiscally reval this year or statistically update by 10/1/95, six months from now.

And that's basically impossible as far as we can see. Implementation schedule aside, the three-year cycle number one, is more costly. Representatives from our neighbor state to the north -- Massachusetts Department of Revenue Service, indicated that a percentage, as a percentage of the total budget that the assessment function represents, if you look at that percentage, it's about one-half, I'm sorry, it's about twice what we pay in Connecticut.

So, in other words if the average function of the assessor, function in the total budget for the town costs about 1/2 percent here, it was 1% up there for a like town. That's a large increase in the budgetary process.

The second thing is that there is additional cost, not only to the towns, but to the state itself. The Commonwealth of Massachusetts, in order to run their Department of Revenue Services, basically they have a staff much, much larger than ours in Connecticut.

Now if we were to go to a five-year staff, that would be a large increase. If we went to a three, it would even be a larger increase. The last issue I'd like to make basically is regarding, is the simple fact of revaluations do not increase revenue to a jurisdiction.

It is just a redistribution of costs. Now, what we've heard so far is from the commercial/industrial sector, the same thing could be heard maybe from the opposite side on the residential sector of what the impact would be. I'd just like you to weigh all issues as you look through the process.

104  
kmg FINANCE, REVENUE AND BONDING April 3, 1995

REP. SCHIESSL: Thank you. Are there questions from the committee? Representative Norton.

REP. NORTON: Thank you. Are there any towns, is there any town in the state that takes advantage of the enabling more frequent revaluation legislation?

MICHAEL BEKECH: To the best of my knowledge, there are two towns that have, are looking towards that. One of them being the Town of Groton, which I believe has established, I believe it's nineteen, there were 1992 revaluation, I believe its 1997 update on the fifth year. And there was, I'm not sure if it was passed, but they were looking at either a four or five year update in the Town of, in the City of Stamford.

REP. NORTON: What is the rate to expect involve the system to be developed evaluation, what is this (inaudible - microphone off) expense...

MICHAEL BEKECH: Well, there are a number of component parts that go through that process. Obviously, the most significant expense is the fiscal, the fiscal revaluation. The fiscal collection of the data itself. The proposal that is before us...

REP. NORTON: But not on-site visits on property.

MICHAEL BEKECH: On-site visits is probably the largest single component cost.

REP. NORTON: And I'm saying, what about statistic, oh I'm sorry, I guess I'm...

MICHAEL BEKECH: I, I, okay...

REP. NORTON: Asked the question right, but if you had, let's say you had nine year reval, and you had two, three-year statisticals that have all been done, every nine years between physical revaluations, and then third and sixth years you do statistical. I'm sorry, I guess I made, I thought that was where you took a lot of numbers and pumped them into the computer programming you came up with.

MICHAEL BEKECH: Okay, I may have misunderstood your

105  
kmg FINANCE, REVENUE AND BONDING April 3, 1995

question also. As far as the process goes, the interim, you're talking about the cost, what is the highest, what is the cost of this, the interim?

REP. NORTON: That's why you say about (inaudible - microphone off) cause they do it more frequently.

MICHAEL BEKECH: Right, there are a couple of component parts that add up to that. Number one, as part of any revaluation you have, there is a, there is a notification process, there is the valuation process. One has to look at all the sales, recollect the data for those sales to make sure that it was correctly displayed on the system as is such.

So even if you're doing complete revaluation on a tenth year cycle, a ninth year cycle, whatever is appropriate, you still need to look at all the sales that occurred during that time which you're going to base your value on.

So you have to go out and recollect, you have to recollect all those sales to begin with. There are other issues that go along with that. As part of that process you would probably, you know, expand that realm to look at more parcels than just the ones that sold.

You would then have to go through the process of establishing new algorithms, new valuation processes, as far as coming out with cost per square foot values, and numbers to make adjustments between properties that sold and didn't sell, assuming that you have enough property that sold within that period to justify such move.

Then as the process goes, you still have to go through the notification process. You have to then go through, which would be notifying every person of what their assessment would be. You go through the appeal process, not only on the Board of Tax Review level, but levels beyond that.

REP. NORTON: So you go through everything that you go through now, you go through everything that you go through now and are, and revaluation as we know it

today, except you wouldn't go through the physical inspection of properties, right?

MICHAEL BEKECH: To do it properly, you're pretty much going through the same steps each time.

REP. NORTON: Except for physical visitation.

MICHAEL BEKECH: Except for the physical inspection of the entire population of properties.

REP. NORTON: What percentage of a revaluation, of the cost of a revaluation, the physical inspection, you know I mean, how much does that cost when you, when a town, I mean is it a third of the cost, is a tenth, is it a half?

MICHAEL BEKECH: Depending upon the town that's involved. For example, if you're dealing with an urban area in which you could collect, with the collector could go through so many properties in one day because they're side by side.

You might get, there are certain, you know, economies that are had that way, but I would say that a reasonable number between a third, a third of the cost, say between say 28 and 40%, depending upon the jurisdiction.

REP. NORTON: So nonetheless it's not irrational for me to assume that a second and a third intervening statistical revaluation while costly would probably not be more than two-thirds the cost, or even perhaps even 60% of the cost of, I think it ought to be nine years, so I'll just use that in my hypothetical.

That the ninth year would be bulge in expense. So we're adding to the expense, but we're not adding three times the expense.

MICHAEL BEKECH: No, you're not adding three times the expense. Each iteration, or each time through the process it would cost you less. But the issue is over a, if you went to a three year program, over a thirty year span, right now we do three revaluations, which you know, is a typical, is

107  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

required by law, you would be looking at ten during that same period of time. So even though each one would be less, the aggregate may be greater.

TONY HOMICKI: Representative, if I may, I'm immediate past president Tony Homicki, the Assessor in Newington. We did give a two-page pass out with several observations on five or six parts of this proposed bill.

One of the notations that we referenced is that CAMA systems, computer system mass appraisal systems is as much a tool for economic development as it is for mass appraisal purposes. To answer your question specifically, is that reconciliation of all features and characteristics of a community can be as high as 50 to 60 to 70% of a small residential homogeneous type community.

Many of the communities in Connecticut are quite a mixed bag of commercial tax base, and the economies are based on what we set, if I may, on the Price Waterhouse task force, is a whole different realm of professionalism in our vocation as assessors for the nineties as it was in the eighties. Basically it really is a mixed bag.

REP. NORTON: Well thank you, thank you.

REP. SCHIESSL: Further questions? Representative Jo Fuchs.

REP. FUCHS: Thank you Mr. Chairman. I'm not sure I understand it. You're not visiting every property when you do the interim revaluation. How do you decide which properties you're visiting?

MICHAEL BEKECH: Well, first of all, if a property sold. In other words, in the last three years if you own a property, you sold it to a, you just bought a piece of property, that would be one of the items that we would be working off.

We have to look at all the sales that occurred. And we have to make sure that we had the right components to that house. So that when we go back and statistically try to put the project together,

108  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

we're sure that we're talking about a house that did have three bedrooms, two baths, you know, whatever, 2,000 square feet of living space, half acre, and all those other components.

And the condition at the time of the sale. Those are important components on, because remember now you're looking at that one sale. And maybe that one sale is only, maybe it only works out, maybe only six percent of your property sold, or eight percent of your property sold in that three year period.

So now you have to make sure that you have that information right, so that you could lay it out over the remaining 92% for example, to come out with a fair value. So that's a very important process.

REP. FUCHS: Okay, thank you.

REP. SCHIESSL: Representative Samowitz.

REP. SAMOWITZ: I, coming from Bridgeport, I'd like to ask you a completely off the wall question. If, in the, I'm concerned right now about the casino bill. And I know that we have, you have the experts of assessors in front of us, and I just wonder if you can answer a question that's on my mind.

If a bill is going to be passed, how would the video slot machines be assessed? Would they be assessed at the value of the machine itself, 70% of let's say a \$5,000 machine. Or would it be assessed at the value of how much revenue it generates. Talking about billions of dollars under current law.

MICHAEL BEKECH: As somebody who was born and raised in Bridgeport, no question that could ever be asked of me that I would find different, difficult. The issue really comes down to, it's a personal property item. The same way as your lottery machines that exist right now in the State of Connecticut.

They'd be based upon the cost, the cost of that

item in the marketplace, and not the revenue as such that generates as of right now, if we look at it under the existing laws. So in other words as proposed by, in fact is proposed under HB6998, it would go under a fixed appreciation schedule.

So the item would be your cost new, less the depreciation based upon the age of manufacture and putting in place the date of actually of acquisition, and then depreciated over a life that depends if it was a video slot machine you're talking about, an EDP type item versus a mechanical piece that would be machinery equipment, which would be a slightly different schedule as provided within HB6998, until it reaches a residual level and then would remain that way over its lifetime.

So, no it wouldn't be based upon, if it generated, as it stands right now, if it's used 5,000 times in a day or 30 times in a day, would still have the value that the cost, less depreciation component in evaluation.

REP. SCHIESSL: Further questions for this gentleman? Seeing none, thank you for your testimony. Next listed speaker is Mayor Joe Marinan, from the City of Meriden, followed by Bette Linck. Good afternoon Mr. Mayor.

MAYOR JOSEPH MARINAN: Good afternoon Mr. Chairman, and (HB 6998) the rest of those hearty souls still here. Mr. Chairman and the members of the committee that are here, I'd like to take this opportunity to thank you for allowing me to come here to discuss with you what I believe is the most pressing issue that faces this state legislature, and that is the state of our property tax system. A system that simply is not working for the benefit of the entire state. A system that punishes those communities like Meriden, who have become the repositories for the social safety net of this state.

A system that bears little relationship to real wealth statewide, but a rather taxing system that is almost directly proportional to the number of poor in one's community. I believe the Property Tax Reform Commission has developed a fair and

accountable plan to reinvigorate this state's economy and will expand the job base we so desperately seek.

Now there's some on this committee and throughout this legislature who believe that we seek these changes because our cities are mismanaged, that cities are driven more by political policy, than they are driven by sound fiscal policy.

To hold that view I would inform them that they are badly mistaken. That we in the cities have done more with less than most would have you believe. For example, in Meriden we have reduced general government employment by over 36% in the last five years.

Last year alone we cut general government job base by 11%. And we will reduce even further this year. And while we have reduced in our employment, our service unit level will increase by over 10% in the coming fiscal year. Doing more with less.

Additionally, this year our unions, for the first time in the state's history have agreed to pay out of their own pockets for any new, newly created positions. And not only will they pay for this current year, but they will pay for those jobs as long as the positions exist.

We've also privatized many of our service for a cost savings to the taxpayer over 3/4 of a million dollar in this fiscal year alone. So we are doing more with less. We are well managed. We are fiscally responsible. And we will continue to do so, whether or not property tax reform takes place this year or not. And with all those measures we have taken in Meriden, still we rank as a sixth highest tax community in the state.

And our expenditure levels, and various service components still rank in the bottom third of the per capita average of this state. And why, perhaps it's because our human services cost have risen 39% in the last five years after factoring for inflation.

111  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

And we have also cut General Assistance by 38% in cash payments this year alone. And still human service costs have risen 39% after inflation. And perhaps it is also true, we are one of the highest taxed cities in the state because fully, one out of every four dollars raised for education goes into our special education account.

Special education, a key component of that social safety net that has been erected by you up here in Hartford, and pronounced proudly in all your campaign pamphlets, but paid unfairly by those communities least able to afford it. For I believe the less fortunate of this state are all of our responsibilities, not just for those cities who happen to house them.

This property tax reform report brings to all of us an opportunity to be fair and equitable to those most in need. It brings accountability as much as it does relief. It joins income tax relief with real property tax reform. And it does what is right for those who have for too long shouldered the burden of those less fortunate.

Finally I would venture that Meriden would not be a high tax town if our predecessors had not reached out to house the poor while others ignored their needs. That Meriden would not be a high tax town if we had not believed in listening to the bureaucrats here in Hartford and in Washington, and believed in their message.

And for that now, we are being punished for helping. Now being punished for caring. Now being ridiculed by some here as being fiscally irresponsible. I ask for your support for this report so that we might one day have only one Connecticut. Thank you Mr. Chairman.

REP. SCHIESSL: Thank you Mr. Mayor. One question I have with regard to the issue of frequency of revaluation. I was hoping that perhaps you could comment on Meriden's position relative to the issue of the frequency revaluation.

MAYOR JOSEPH MARINAN: We agree with the property tax

112  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

reforms majority that in fact there should be a statistical review every five years, and then a fiscal review every ten years. We have had enormous problems because we have not done that.

And it has pitted our residential community against our business community. And it has been very divisive in the City of Meriden. Fortunately, we did not take advantage of the law that this legislature was kind enough to pass to allow for a phase in. We did it over a two year period of time. And it did cause serious hardship in the City of Meriden, where property taxes went up somewhere in the range of 40% for some residential property.

REP. SCHIESSL: Mr. Mayor, do you feel that a three-year statistical is a, is overly burdensome on the city, or?

MAYOR JOSEPH MARINAN: If I recall correctly, the statistics that we looked at, and on the Property Tax Reform Commission, I just believe that in fact, you're going to get more bang out of a five year one rather than a three year one.

I think a three year one would just be a constant harangue up at the Board of Tax Relief. I think five years is more than warranted, with the option for communities to do it more frequently if they so desire.

REP. SCHIESSL: I see. Further questions for Mayor Marinan? Seeing none, thank you for your testimony, Representative Young.

REP. YOUNG: In view of what you testified, should nothing happen in this legislature this year, would you in Meriden go ahead and do a five year revaluation?

MAYOR JOSEPH MARINAN: On reval itself?

REP. YOUNG: Yes. On your own.

MAYOR JOSEPH MARINAN: We just implemented reval. Last year was the last year of the phase in. We

113  
kmg FINANCE, REVENUE AND BONDING April 3, 1995

probably would go to a five year if we can afford to buy the computer software. It's not in.

REP. YOUNG: So you would do it whether or not, you would go to a five year whether or not we did anything?

MAYOR JOSEPH MARINAN: Yes.

REP. YOUNG: I mean, you'd take advantage of the option you have?

MAYOR JOSEPH MARINAN: Yeah, I think we're going to have (HB 6998) to, to ensure that our business community is there. But I, again, I want to point out that the Property Tax Reform Commission's report, that's a very small component of it. I mean what I'm prepared to do if we don't get property tax reform in the state, is something that we're going to look at.

I mean, we're seriously consider cutting off General Assistance payments, because you're back, you own us about \$300,000. So we're going to start having to cap and probably end up in court with the state, because we just can't afford it any longer.

I mean, you know, we've got people in our city that are paying over 11% of their adjusted family gross income for property tax. Under your own law, they could qualify for being classified as poor. Cause your law now says 8% for adjusted family gross income, you're considered poor. And you could get a poor tax deferral and tax abatement. The average family in the City of Meriden is paying 11% for property tax. I as the chief elected official just can't allow this to continue.

We are being asked to take on the social service benefits for the entire central Connecticut area. You know, years ago Meriden used to provide the jobs for the suburbs. Now we're providing the social dumping grounds for the suburbs.

And I don't think that we in Meriden are going to continue to do this. I would hope that we're going to get some cooperation. Lacking cooperation, I think then in fact we're going to be looking at

118  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

Seeing none, we have received your written testimony. Thank you very much sir. Next speaker, Joan Davis, Inwood Condominiums, followed by Joe Brennan, CBIA.

JOAN DAVIS: Good afternoon Mr. Chairman and members of the committee. My name is Joan Davis. I live at the Inwood Condominium, 3200 Park Avenue, Bridgeport. There are 124 apartments at the Inwood. HB6998

This year our unit owners are paying these real estate taxes. On a two-bedroom apartment \$6,288.45. On a three-bedroom apartment \$8,186.86. A three-bedroom apartment on the top floor \$10,982.24. The taxes are based upon 1983 assessments.

In 1993 there was a revaluation by MMC, a reputable firm, which has done revaluations for many municipalities in Connecticut and other states. As a result of the revaluation assessments at the Inwood were lowered. Our unit owners received notices and accepted them as fair reflection of market value.

We never received the benefit of those lower assessments. A two year freeze was imposed and we continue to pay taxes on the 1983 assessments. If the 1993 assessments had been implemented, there would have been enough of an increase in Bridgeport's grand list to permit a reduction in the mill rate from 67.8 to 57.

The combination of the lower assessments, and the lower mill rate would have brought annual savings for our unit owners, ranging from \$1,736 to \$3,083. In addition, the lower mill rate would have given us lower taxes on our automobiles.

Even with all of this, the City of Bridgeport would have a larger surplus under this formula than if the revaluation had not been frozen. Now this committee is considering proposed legislation which would lift the freeze on residential properties whose assessments were lowered.

This would provide annual savings between \$874 and \$1,586 for unit owners at the Inwood. I urge you to report favorably upon this measure, which would not be as sweeping or as fair really as total implementation of the 1993 revaluation, but would provide relief for thousands of home owners in Bridgeport who are paying far more than their fair share of property taxes.

REP. SCHIESSL: We're grateful for your testimony. I appreciate you bringing to light for us some of the consequences of the actions that we take here, and actions taken at city hall. Are there questions from the committee? Representative Young.

REP. YOUNG: Just one. In your example of taxes, is the top floor apartment or condominium, you said it was taxed at \$10,000?

JOAN DAVIS: Almost 11,000, yes \$10,982.

REP. YOUNG: Can you tell me what the, what the most recent sale of an apartment of that nature went for?

JOAN DAVIS: Much, much lower. In fact several of them have been on the market for several years, and they can't sell them after bringing them down. One is now on the market for about \$270,000. I think he'd accept far less.

REP. YOUNG: What were they originally sold for?

JOAN DAVIS: Well, originally, it's hard to say, because even the 1983 assessments were high, because the Inwood was built in the late 1970s. And what the first assessment was 1983. Some of the people in the top floor apartments bought before the first assessment.

So they had started out paying very low price, really. They were the original investors, and they also had very low taxes. But the prices did go up a few years ago, in the mid-1980s, as the prices of most condominiums went up.

But now they are down again. So as I mentioned,

120  
kmg FINANCE, REVENUE AND BONDING April 3, 1995

there's one on the market now for \$270,000. It's been on the market for about two years.

REP. YOUNG: Thank you Mr. Chairman.

REP. SCHIESSL: Thank you. Further questions? Seeing none, thank you for your testimony.

JOAN DAVIS: Thank you very much.

REP. SCHIESSL: Our next listed...

JOAN DAVIS: I will say property taxes are the big, big consideration in Connecticut. I agree with many of the former speakers. I'd rather have a property tax reduction than an income tax reduction.

REP. SCHIESSL: Thank you for putting that on the record, I appreciate that. Next speaker is Joe Brennan, CBIA, followed by Jonathan Rosenthal from the City of Bristol.

JOE BRENNAN: Good afternoon Representative Schiessl, members of the Finance Committee. My name is Joe Brennan, I'm Vice President of Legislative Affairs for CBIA. I'd just like to comment on one bill before you today, it's HB6998. There's a lot of different aspects of that bill. I just want to comment on a couple of components of it.

First, there seems to be a lot of unanimity that we need more frequent revals. A lot of discussion over whether three years or five years. But let me just discuss briefly the need for more frequent revals, because this is a bill that's been at the General Assembly many times over the last many decades.

I've read reports going back to the 1950s saying the biggest single problem with Connecticut's property tax system is the infrequency of revals of real property. Connecticut, I believe right now is the only state in the country that has a period as long as ten years in between revals.

That really causes a lot of problems with the dramatic shift back and forth between classes of

property. It gets particularly exacerbated when towns do not do their revals on their towns that are 16, 17 years in between revals.

And as Mayor Marinan said it really creates a big problem with the municipalities between the commercial property owners and residential property owners. So we very strongly support an effort to move to more frequent revals for real property.

On the three to five year issue, we do support three-year statistical revals of real property. We are mindful of the problem that some of the utilities and other companies that own property in many jurisdictions have. We're hopeful that in the transition of this, and things that the chairman of the first subcommittee said earlier they were going to look at, that something could be done to take care of that problem that companies may have.

With the appeals hopefully going to the tax court, I think that will accelerate the ability of these appeals to get through the tax system, or the court system rather, so we don't have four and five, and six years in between the time a case is filed until it's resolved. So I think that is something that is going in the right direction. As far as the cost, I don't have the Property Tax Reform Commission report in front of me, but I believe the information in there, the effect in Massachusetts for a statistical reval the cost is somewhere between three and seven dollars a parcel.

Whereas, what we have right now in Connecticut with a physical reval, it's I believe in the neighborhood of forty dollars a parcel. So I do think that it's something that the cost can be accommodated over time.

The other component of the bill I'd like to comment on is the fifth year on the personal property tax exemption for manufacturing machinery and equipment. This tax, we survey our members every year, every year it comes back the number one tax that most impedes business development and job creation in the State of Connecticut, is the personal property tax on business machinery.

122  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

We did pass a very important bill back in 1990 that granted a four year property tax exemption to newly purchased machinery. That bill has been successful, companies have taken advantage of it. The proposal on the table now is to grant fifth year.

That again, is something that will make our manufacturers more competitive in that many manufacturers in most industrialized states don't pay any personal property tax on their machinery and equipment. That's an important component.

And when you move that in with the depreciation schedules that were then, say if you're a manufacturer you buy new machinery, by the time it gets on the tax rolls in the sixth year, it will be down to 20% at an assessment level, and this is going in the direction of trying to get this property exempted.

One thing that was noted in the commission report that I don't believe is in the bill, is property once its beyond ten years or basically obsolete property, that empowers an assessor to not have any tax on machinery if it's documented that it's not in use, and the cause of dismantling or disposing the property would be greater than its resale value. So, that is one thing I would ask the committee to take a look at. And that's my testimony Mr. Chairman.

REP. SCHIESSL: Thank you. I appreciate your scrutiny of the proposed bill. Are there questions for Mr. Brennan of the committee? We do have a copy of your written testimony. Seeing no questions, thank you for your testimony. Next speaker Jonathan Rosenthal, followed by Fred Stanken and Ed McLaughlin.

JONATHAN ROSENTHAL: I know this was worth the wait.

REP. SCHIESSL: Nice to see you here this afternoon.

JONATHAN ROSENTHAL: Thank you Mr. Chairman and members of the committee. Thank you for allowing us to speak this afternoon. I'm Jonathan Rosenthal,

HB 6720 HB 6998 HB 6996

123  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

Executive Director of the Bristol Development Authority. And I am here on behalf of the City of Bristol, and its Mayor the honorable Frank M. DiCastro, Sr. We wish to comment briefly and generally...

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...legislation before you here today and express our concerns. Whatever the Governor and legislature decide, we applaud the efforts to control state spending.

We also support measures to increase state fiscal responsibility. We will object, however, to measures that may result in tax transfers to the state to the municipalities and to those which thrust service delivery from state to the cities without adequate funding.

These can take the form of unfunded mandates or block grants without adequate funding. We will also object to any attempt to reduce state reimbursements which helps us to cover the costs of tax exempt property and the presence of low income housing in our municipality.

We do not endorse the refinancing of \$250 million in state debt to accommodate a tax cut. While we'd like to see tax reduction, we endorse efforts first to control state spending. It's wise to control expenditures before turning away revenues.

We cannot endorse increased borrowing or deficits to provide a small decrease in taxes. This is not, in our view, a responsible. And we will add this, as a city that increased its mill rate by only 1/4 of 1% last year, and is now zeroing in on a zero percent increase for this year. And that's without gimmicks such as dipping into reserve funds, expanding or refinancing debt, or deferring maintenance.

Bristol's been responsible at the municipal level. We hope this does not relieve the state of its continuing responsibility to the municipalities. The City of Bristol is also here to defend pilots.

124  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

The city must, the state must recognize the burden carried by its larger municipalities.

As the ninth largest city in Connecticut, we do not face the scope of problems that cities such as Hartford, New Haven, and Bridgeport face, but we do face the same problems nevertheless. The City of Bristol takes responsibility for providing public housing, public assistance, and public services that some of its surrounding and often wealthier towns do not.

This is reflected in our property tax. When you combine the impact of tax exempt properties such as churches and our large hospital, we have a significant loss of revenue. The pilots help level the playing field.

The city supports HB6720, and HB6998 and strongly supports HB6996. We ask that the legislature remember that these bills have an impact on smaller communities, such as Bristol. Thank you.

REP. SCHIESSL: Thank you for bringing us Bristol's perspective, and also reminding us of the reality that may occur if we act hastily in terms of cost shift on our local communities. Are there questions for Mr. Rosenthal of the committee? Thank you for your testimony. Our next speakers, Fred Stanken, Ed McLaughlin, IBM, followed by Mike Riley, Connecticut Motor Transport. Good afternoon.

FRED STANKEN: Good afternoon Chairman Schiessl and Chairman Nickerson and members of the committee. My name is Fred Stanken. I'm a resident of Connecticut, and I represent IBM for government relations in New England. And following me will be Ed McLaughlin, also of IBM, who is manager of property and excise taxes for our company.

I'm going to switch glasses at this point. We have submitted written testimony. We're here to urge that Connecticut not repeal fair market value as the basis for property taxation on electronic data processing equipment, which presently is a discrete provision in Bill HB6998, and is explicitly the

125  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

basis of Bill SB942.

We think we can establish that in doing so would unnecessarily increase the cost of doing business in Connecticut, and again make Connecticut stick out in a negative way compared to other states. Just like to mention, IBM business operations in Connecticut do include the IBM Credit Corporation, which is a major financier of leased equipment, headquartered in Stamford.

And in Southbury we have a major computer complex that does out sourcing work for a lot of companies in and out of Connecticut, including United Technologies. Finally, as a corporate citizen, our 6,500 employees and residents here work to support the communities where they live.

And the total economic impact of all of that now adds up to about \$400 million a year. At this point I'd like to conclude my remarks, unless you have any questions about IBM in Connecticut for me, and let Mr., do you?

REP. SCHIESSL: Seeing no questions, I think it would be appropriate for Mr. McLaughlin to step forward and then perhaps when he is finished, concluded his testimony, if there are questions, we will present them to either or both of you gentlemen. Good afternoon sir.

ED MCLAUGHLIN: Good afternoon. Just emphasize a couple of points that, is in the written testimony, and a few of the points that Fred just highlighted. IBM believes that the best determination of the value of electronic data processing equipment is the market.

Market forces react quickly to important valuation factors, such as technological and functional obsolescence. EDP equipment market itself, in both the new and used markets is very active, a mature market, a sophisticated market.

It's monitored by independent services which publish a variety of different blue books. We know that data is reliable. It's readily available to

SB942  
HB 6998

126  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

both taxpayers and assessors. Our experience has shown that the use of mandated depreciation schedules results in higher property taxes for business.

That fair market values generated, generate lower cost to business, and where schedules such as those proposed are used, it particularly hurts start up businesses, particularly those that in their formative stages are experiencing operating losses, and they're not able to take the credit, which you do have available against income tax, they would still be stuck out there paying a property tax, with no relief.

That in itself would put Connecticut at a competitive disadvantage, and if you compare it to some of your neighboring states, New York and New Jersey, for instance, which have no personal property taxes at all, you can see that you're at a competitive disadvantage. Our final point is that the schedules as they exist currently in both SB942 and HN6998, are at best unrealistic.

At the very least the minimum residual values currently stated at 20 and 30% are way off the market. It's not uncommon for us to see such values as low as 5%. We've attached some suggested revisions in that regard. And we'd like you to consider those, that language. And that concludes my remarks. Thanks for your attention.

REP. SCHIESSL: At the beginning of the hearing we heard testimony from the Office of Policy and Management on the, on SB942, and I'm just looking at their written testimony here, and it indicates that following the enactment of a tax credit provision, some town assessors reduce the percentage of depreciation they use to determine fair market value of, what they call subject equipment, which is data processing equipment.

By doing so they increase local personal property tax revenue, so on and so forth. It seems to me that the state is trying to implement a more uniform standard or system of administering this credit in order to prevent towns from taking, I

127  
kmg

FINANCE, REVENUE AND BONDING

April 3, 1995

guess, unfair advantage of the credit.

I've not had an opportunity to review your recommendations in your written testimony. And I thought perhaps you could comment to me, or at least to lay out for me what some of those recommendations might be. Could you do that for me?

ED MCLAUGHLIN: The language that we suggested, would substitute for the base starting point of cost acquisition, acquisition cost, transportation installation, that the estimation of such value for EDP equipment will be based on the price that the property will bring in the market, taking into account age, condition, functional deficiencies, obsolescence, acquisition cost, transportation and installation. Essentially it's going back to the fair market value concept, and adding to that a view to factor such as the functional and technical obsolescence, that aren't specifically provided for in the statute.

Again, we think it's the most accurate measurement of the value of the equipment. How the local assessors treat it on a taxpayer to taxpayer basis, we really don't have a comment on. To the extent that there is a reduction in that the local personal property tax, or a negotiated different tax that is assumed that the state will then pick it up through the credit mechanism. We really don't have a comment on that.

FRED STANKEN: If I could just add one further thought there. The, we have attached language to try to address our concerns, only because these bills are in existence and either or both of them may move through.

If there were no such bills, there'd be no need for language, because the fair market value rule of valuations there in 1263 of the statutes, and the only reason we do have language here is to try to maintain the integrity of HB6998, which we know a lot of people want and need. It's an important bill.

128  
kmg FINANCE, REVENUE AND BONDING April 3, 1995

We've heard a lot of good comments here today. And the discrete piece that we're talking about is simply, don't change Connecticut's rule for electronic data processing equipment away from fair market value. It would make it very different from everybody else. And it's a less fair and a less accurate, and a less verifiable method than the ones now in place.

REP. SCHIESSL: Thank you. Are there further questions? Representative Young.

REP. YOUNG: With fair market value rule in place, is there a bottom below which you can't go? Isn't there a 30% bonding?

ED MCLAUGHLIN: Right now, there's a minimum residual in one of the bills at 30, and the other ones at 20.

REP. YOUNG: Under current practice?

ED MCLAUGHLIN: Oh, under current practice, it varies I believe.

REP. YOUNG: But there is generally a bottom?

ED MCLAUGHLIN: Yes.

REP. YOUNG: Okay, what is the bottom on electronic equipment?

ED MCLAUGHLIN: I really don't know off hand.

REP. YOUNG: I think it's 30% on machinery. I didn't know whether there's (inaudible - microphone off).

ED MCLAUGHLIN: Well, I think we've negotiated several different bases. We've got in different jurisdictions, different results. It's not uniform in our experience.

FRED STANKEN: But we are seeing minimum residual values, which is in our testimony, you know, down to as low as 5%. That's not at all uncommon.

REP. YOUNG: Is it common for something to have a minimum residual of 5% and still be an effective

129  
kmg FINANCE, REVENUE AND BONDING

April 3, 1995

functioning piece of machinery?

ED MCLAUGHLIN: Yes. Just old.

REP. YOUNG: Just old, but if it's effective and functioning, it may a substantially more value than 5%.

ED MCLAUGHLIN: Not in the market. In other words...

REP. YOUNG: But it may have that in its ability to affect manufacturing process or a business cycle, for the company, otherwise they'd throw it out. If it wasn't doing its job, it wouldn't be there.

ED MCLAUGHLIN: True.

REP. YOUNG: Okay.

FRED STANKEN: That's correct. I mean in the testimony it makes mention of the reference sources that are commonly used to establish the fair market price, or the market price now. And at any given time as newer equipment comes out, it tends to obsolete older equipment, such that my PC that I paid \$9,000 for three years ago, is now worth about \$200. But that's the volatility of that market.

REP. YOUNG: But my point is that machinery may still be functioning...

FRED STANKEN: Oh, yeah.

REP. YOUNG: And have more worth as a functioning piece of machinery, than \$200.

FRED STANKEN: That's possible. It depends on how you establish the value. If you establish the value as the price that a willing seller would sell at, and a willing buyer would buy at, then that's what it is.

REP. SCHIESSL: Further questions from the committee? Seeing none, thank you for your testimony.

FRED STANKEN: Thank you.

133  
kmg FINANCE, REVENUE AND BONDING April 3, 1995

to a level comparable to that in Connecticut, so that Massachusetts can get the same kinds of benefits that Connecticut got when it reduced that tax.

And those benefits are measurable, and provable, and I think that was one of the best things that you've done for my industry. So they haven't gotten to the property tax, but we're way ahead of them all the time any way.

REP. SCHIESSL: Well perhaps we can continue that trend. Thank you for that information. Are there further questions for Mr. Riley? Seeing none, thank you for your testimony.

MIKE RILEY: Thank you.

REP. SCHIESSL: Our next listed speaker is Joe Nesteriak, followed by Paul Comer and then George Wilson. Good afternoon sir.

JOSEPH NESTERIAK: Good afternoon. My name is Joseph Nesteriak, I'm President of the Naugatuck Valley Landlord Association. Our association primarily covers the towns of Ansonia, Derby, Shelton and Seymour. I'm here today to urge passage of HB6998 covering a much needed improvement in the process and administration of the property tax.

One only has to look at the town of Seymour's situation to realize how important equity balance is needed. Previous fully implemented revaluation for Seymour is dated 1977. Finally, in 1993, a town wide revaluation was initiated only to be phased in starting in 1994.

This will make final equitable property values not possible until 1998. To further aggravate the already drastic unbalance, an effort to stay the phase in is underway, allowable under Public Act 94-4. This situation brings up an interesting point in the proposed bill.

Under Section 3, Paragraph A, is the effective date of the last preceding revaluation, the phase in date, or the original revaluation date? In many

cases this is a five year difference.

I would hope this committee would address this issue and revise the language to read exactly what you mean. I urge you to give a favorable report on bill HB6998 to increase the frequency of revaluation. Thank you.

REP. SCHIESSL: Thank you. I appreciate you pointing out that particular item for change. Are there questions from the committee? Seeing none, thank you for being here, appreciate your testimony. Next listed speaker is Paul Comer. Paul is not here. We'll move along to George Wilson. Good afternoon Mr. Wilson.

GEORGE WILSON: First of all, my name is George Wilson. I was in the property tax study committee. I was a representative of the Manufacturing Alliance of Connecticut. I'm also the President of the Ansonia Copper and Brass, employee owned company.

(SB1089)  
(HB6864)

I apologize for not having written testimony. I was out of the office and found out this morning there was a hearing on property taxes, one of my favorite issues.

First of all, if you want to keep manufacturing jobs in the State of Connecticut, I think you better seriously look at what we're talking about from a property tax standpoint. And we have 418 employees. And we have \$20 million in wages and benefits. We're one of the few brass mills left. And if some of the things like property tax reform was done many years ago, many of those other brass jobs would still be in the State of Connecticut.

One of the things that bothers me first of all, is why we have personal property tax on manufacturing equipment, like Mike Riley just talked about, and the trucking industry. Many other states do not have personal property taxes.

If you take a look at what's happening, we talk about revaluation, every three years or five years. Let's just enforce the laws we have today. In our state, in our city, we have not been revaluated



Testimony Before the Finance Committee on  
SB 941, SB 942, and HB 6998  
by Joseph M. Ercolano  
SACIA, The Business Council of Southwestern Connecticut  
Monday, April 3, 1995

Good afternoon, Sen. Nickerson, Rep. Schiessl, and members of the Committee. I am Joe Ercolano of SACIA, The Business Council of Southwestern Connecticut, and I speak today on three bills SACIA members believe to be critically important to their ability to grow and thrive in Connecticut.

I will limit my remarks on HB 6998, since you have already heard from Rod Rodriguez, Chairman of SACIA's Tax and Fiscal Task Force and member of the Property Tax Reform Commission, in support of this bill. SACIA supports the recommendations included in 6998 because they take a bold step toward a more efficient and equitable revaluation and review process. These recommendations will benefit businesses, homeowners, and municipalities alike. Specifically, three year re-evaluation is particularly important to address shifts in tax burden that might occur between commercial and residential property classes.

We also support SB 941, provided reductions in the income tax are achievable through cuts in state spending, and do not jeopardize reform and reduction measures affecting business taxes. Specifically, SACIA supports the accelerated reduction of the corporate tax, elimination of the corporate tax on S Corporations, and elimination of the sales tax on business analysis, consulting, management, and public relations services, as priorities. However, it recognizes that the personal income tax is a burden to employees of businesses, particularly those highly skilled, highly paid individuals that we are striving to attract and retain.

We understand the intention of SB 942, which would establish a uniform depreciation schedule for electronic data processing equipment, which was also the basis for a recommendation of the Property Tax Reform Commission. However, we believe that, especially in an area where technological advances are pronounced, taxpayers should have the option to determine salvage value as actual fair market value, at the end of a fixed depreciation, similar to the one contained in HB 6998.

Thank you very much.

PROPOSED CHANGES FOR COMMITTEE BILL 942 AND/OR  
RAISED BILL 6998

For Committee Bill 942

Changes to subsection (b) - lines 29 to 33:

In the event such property is purchased , its true and actual value shall be [ established in relation to the cost of acquisition, transportation, and installation ] DEEMED BY ALL ASSESSORS AND BOARDS OF TAX REVIEW TO BE THE FAIR MARKET VALUE THEREOF AND NOT ITS VALUE AT A FORCED OR AUCTION SALE. THE ESTIMATION OF SUCH VALUE FOR ELECTRONIC DATA PROCESSING EQUIPMENT SHALL BE BASED ON THE PRICE THE PROPERTY WILL BRING IN THE MARKET, TAKING INTO ACCOUNT AGE, CONDITION, FUNCTIONAL DEFICIENCIES OR OBSOLESCENCE, ACQUISITION COST, TRANSPORTATION AND INSTALLATION and shall reflect depreciation in accordance with the schedule provided in subsection (c) of this section.

For Raised bill 6998

The language above would replace the language in Section 8. subsection (b), lines 412 through 415.

Depreciation

We recomend that any depreciation schedules for EDP equipment, allow for minimum residual values of ten percent or lower.

Information Contact: Fred Stainken -203 280 2040  
IBM, One Commercial Plaza, Hartford, CT  
06103

TESTIMONY OF EDWARD F. McLAUGHLIN OF THE IBM CREDIT CORPORATION, STAMFORD, CONNECTICUT BEFORE THE CONNECTICUT FINANCE, REVENUE AND BONDING COMMITTEE

April 3, 1995

Re: bill 942 AN ACT PROVIDING A DEPRECIATION SCHEDULE FOR THE ASSESSMENT OF ELECTRONIC DATA PROCESSING EQUIPMENT

bill 6998 AAC THE IMPROVEMENT OF PROCESS AND ADMINISTRATION OF THE PROPERTY TAX

IBM is a substantial corporate citizen of CT, employing several thousand people in the state. More than 4,000 IBM'ers are CT residents. Through company-funded projects and voluntary activities our employees support the communities where they live and work. During the 1990's IBM's economic impact in CT - the aggregate of payroll, contributions, purchases, and taxes -exceeded \$400 million annually. IBM is the world leader in the manufacture and use of electronic data processing equipment (EDP). IBM Credit Corporation, a wholly owned subsidiary, headquartered in Stamford, finances leases of EDP equipment for customers in Connecticut, and all of the other states. Based on our experience and expertise in the valuation and depreciation of EDP equipment we believe that certain provisions of bills 942 and 6998 concerning these matters are not in the best interest of business or the state and should be changed.

ISSUE

Both bills would eliminate the Fair Market (FMV) concept of valuation (now in 12-63 of the state statutes) for establishing the value of electronic data processing

equipment (EDP) for the property tax. Instead of applying the tried and true "willing buyer...willing seller" principle inherent in FMV, both bills would base valuation of EDP equipment on the "cost of acquisition, transportation, and installation" less depreciation in accordance with a state mandated schedule.

#### RECOMMENDATION

We urge (1) that FMV be retained as the law for establishing true and actual value, and (2) that the law allow consideration of such factors as technical and functional obsolescence. EDP technology is very dynamic. Even the casual observer of the computer industry will recognize the fact that fast-emerging and better systems constantly change the actual value of older equipment.

IBM strongly recommends that the state not change its law for the valuation of EDP equipment from FMV to depreciated acquisition cost. To do so may artificially inflate the values of used EDP equipment and the tax burden on CT businesses. FMV is a more accurate, fair and realistic method. Today's computer marketplace, encompassing both new and used EDP equipment is both active and expanding. From "high-end" mainframe computers to consumer-oriented personal computers, market forces determine current FMV. It is a mature and sophisticated market and it is monitored by many independent pricing services which provide accurate FMV guidelines widely used in the industry. Such "blue book" guides are published by Computer Price Watch, Computer Price

Guide, Dailey's, and the Gartner Group. The data is reliable and easy to obtain and verify.

#### ECONOMIC DEVELOPMENT CONSIDERATIONS

Shifting EDP valuation to a base other than, and higher than FMV, may reduce CT's ability to attract business -compared to states using FMV , or compared to New York and New Jersey which do not have a personal property tax. It is our experience that most state personal property laws are based on some FMV concept. Shifting to a potentially higher base than FMV may raise the cost of doing business in CT, either for owner users or lessee users (IBM Credit Corporation passes property tax on to its lessees). Among those affected would be the IBM business complex at Southbury wich has major computer centers. However, the impact might be most evident on start-up businesses. While incurring losses in their formative stages they may not have the capacity to absorb higher property taxes or to use the states corporate income tax credit provision.

Generally, we believe it has been demonstrated that the best evidence of the value of EDP equipment is the price that the equipment is being traded at in the open market.

#### DEPRECIATION

As to the depreciation schedules themselves, neither 942 nor 6998's schedules comport with reality. Though 6998 is marginally better, 942 would limit residual value to thirty percent. In other states and in the private sector, residuals to five percent are common. We suggest these schedules be

4

adjusted, or dropped, with respect to EDP equipment.

Attached are samples of language that you may find useful in addressing these matters. We, respectively, ask that the Committee give careful consideration to our recommendations, before final action is taken.

Information contact in Hartford:

Fred Stainken  
203 280 2040

Page 4A  
Speaker 24

HB 6998

STATEMENT PREPARED FOR APRIL 3, 1995 HEARING, FINANCE REVENUE AND BONDING COMMITTEE, CONNECTICUT HOUSE OF REPRESENTATIVES ON AN ACT CONCERNING IMPROVEMENT OF PROCESS AND ADMINISTRATION OF PROPERTY TAX

My name is Joan Davis. I live at The Inwood Condominium, 3200 Park Avenue, Bridgeport. There are 124 apartments at The Inwood.

This year, our unit owners are paying these real estate taxes:

two bedroom apartment	\$ 6,288.45
three bedroom apartment	8,186.86
three bedroom apartment on top floor	10,982.24.

The taxes are based upon 1983 assessments.

In 1993, there was a revaluation by MMC, a reputable firm which has done revaluations for many municipalities in Connecticut and other states. As a result of the revaluation, assessments at The Inwood were lowered. Our unit owners received notices of these reduced assessments which were accepted as a fair reflection of 70% of the market value of the units in 1993.

We never received the benefit of these lower assessments. A two-year freeze was imposed, and we continued to pay taxes on the 1983 assessments.

If the 1993 assessments had been implemented, there would have been enough of an increase in Bridgeport's Grand List to permit a reduction in the mill rate from 67.8 to 57. The combination of the lower assessments and the lower mill rate would have brought annual savings for our unit owners ranging from \$1,736.56 on a two bedroom apartment to \$3,083.56 on a three bedroom apartment, top floor.

In addition, the lower mill rate would have given us lower taxes on our automobiles. Even with lower taxes paid by myself and my neighbors at The Inwood, the City of Bridgeport would have gained a substantial surplus in its budget.

Now this Committee is considering proposed legislation which would lift the freeze on residential properties whose assessments were lowered. This would provide annual savings between \$874.09 and \$1,586.98 for unit owners at The Inwood. I urge you to report favorably upon this measure which would not be as sweeping as total implementation of the 1993 revaluation but would provide relief for many thousands of homeowners in Bridgeport who are paying far more than their fair share of property taxes.



**Statement by Southern New England Telecommunications Corporation  
Regarding H. B. 6998, An Act Concerning the Improvement of Process and  
Administration of the Property Tax**

**Before the Finance, Revenue and Bonding Committee  
April 3, 1995**

S.N.E.T offers the following comments on Section 3 of H. B. 6998 which would implement a three year real property revaluation cycle commencing October 1, 1995:

**Background**

Connecticut General Statute section 12-62 currently requires towns and cities to revalue real property no later than ten years following the last preceding revaluation except where a program of property tax surcharges and credits has been implemented, which requires revaluation no later than five years following the last preceding revaluation. The Connecticut Property Tax Reform Commission recommended (January 1995) an increase in the frequency of revaluation. Subcommittee #1 of the Connecticut Property Tax Reform Commission was divided on the issue of whether the cycle should be five or three years. On December 16, 1994, however, the full Commission voted 21 to 8 to support a five year revaluation cycle. Through our participation as a non-voting member of Subcommittee # 1, SNET supported a five year revaluation cycle.

Currently, individual municipal revaluations are not all scheduled in the same year but are unevenly spread over the respective five and ten year cycles. Subcommittee #1 **unanimously** supported the recommendation "that the revaluation timetable be balanced statewide to avoid inordinate lumping of both the number of cities and towns subject to revaluation in a particular year and the number and mix [commercial or residential] of parcels subject to revaluation in any year<sup>1</sup>..." SNET actively supported this recommendation. The bill in its current form is silent with regard to the scheduling of revaluations over the proposed three year cycle.

**Position**

SNET is opposed to a three year revaluation cycle because the costs of compliance to statewide businesses would be excessive. In order to ensure that our ratepayers are

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<sup>1</sup>Report of State of Connecticut Property Tax Reform Commission, VI. 4. B, page 21, January 1995.

subjected to fair levels of property tax, SNET actively reviews all significant new assessments on our buildings, which are located in 124 Connecticut municipalities. Many of these reviews result in the initiation of active property tax appeals. The normal appeal involves ordering an appraisal report from an independent appraiser and presenting the results to the revaluation company and subsequently to the Board of Tax Review. Many of these appeals ultimately result in litigation. The costs and effort required in this process, although substantial, are generally incurred only once decennially and are spread (unevenly) over the decade. We agree with the Connecticut Association of Assessors that "revaluation every five years...will cost more than revaluations every ten years [and] it will require an increased state bureaucracy<sup>2</sup>..." The costs to SNET and other statewide businesses of a three year cycle would be significantly higher than the costs of a five year cycle. To compete effectively, SNET must work to aggressively reduce our costs and to increase our revenues. To achieve these objectives, we request that Bill No. 6998 be amended to implement a five year revaluation cycle, with municipalities and parcels scheduled evenly throughout the cycle.

#### Summary

SNET is opposed to a three year revaluation cycle because the costs of compliance to statewide businesses will be excessive. The costs to SNET and other statewide businesses of a three year cycle will be significantly higher than the costs of a five year cycle, therefore, we recommend that Bill No. 6998 be amended to implement a five year revaluation cycle, scheduled evenly throughout the cycle.

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<sup>2</sup>Ibid, VI, page 32.

*add to transcript*

This is the testimony of Bette Linck, Vice President of Moving Pictures Video & Film, Glastonbury, regarding House Bill #6998.

Video & Film Production Companies are in the business of manufacturing a product and as such should be treated as any other manufacturer in regard to exemption of the Property Tax in Connecticut. Videos and commercials are manufactured at our facilities using the latest technology and highly skilled employees.

Productions Houses are in a unique position due to the highly technical nature of their business. Unlike many industries that can purchase expensive equipment and continue to utilize it for many years, video production companies must constantly upgrade and purchase new equipment or their facilities will become obsolete. Our corporate and commercial clients have come to expect the latest technological developments and state-of-the art equipment at all of the editing facilities they utilize.

In addition, the video production industry does not profit from the high mark-up enjoyed by most companies. Due to Connecticut's economics problems, prices charged by production companies have actually gone down over the last five years and there is no indication that we will be able to increase them in the near future.

Production companies should be entitled to the same incentives and tax breaks available to other manufacturers in Connecticut and therefore we request that Video & Film Editing Facilities and Production Companies be allowed to benefit from Property Tax exemptions currently offered to the other manufacturing industries.

2450 Main Street  
Glastonbury, Connecticut • 06033

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*Page 4 A  
speaker 7*

**TESTIMONY OF  
JOSEPH F. BRENNAN  
VICE PRESIDENT OF LEGISLATIVE AFFAIRS  
CONNECTICUT BUSINESS AND INDUSTRY ASSOCIATION  
BEFORE THE  
FINANCE, REVENUE AND BONDING COMMITTEE  
LEGISLATIVE OFFICE BUILDING  
HARTFORD, CONNECTICUT  
APRIL 3, 1995**

Good morning. My name is Joseph F. Brennan. I am vice president of legislative affairs for the Connecticut Business and Industry Association (CBIA). CBIA represents about 7,400 companies, ranging from large industrial corporations to small businesses with one or two employees. Most of our members are small companies with fewer than 50 employees.

I am testifying today in support of HB-6998, An Act Concerning the Improvement of Process and Administration of the Property Tax. The bill contains many provisions; I would like to comment on three.

First, the bill requires municipalities to perform statistical revaluations of real property every three years, and continues the ten-year cycle for physical revals. One of the biggest problems with our current property tax system is the ten-year reval cycle. No other state in the country has as long a period between revaluations as Connecticut.

Having such a gap between revaluations of real property causes a dramatic shift between residential property and personal property during the ten years. After a municipality performs a revaluation, there is a dramatic shift back to residential property. In effect, the personal property owner has subsidized the residential property owner during the ten year period.

This causes a particular problem for manufacturers. Because they own large amounts of expensive machinery, they pay high property taxes. And since many of their competitors in industrialized states do not pay a property tax on their production machinery. This tax puts our manufacturers at a competitive disadvantage. More frequent revaluations will substantially reduce the shifting that goes back and forth, easing the burden on manufacturers and making it easier for municipal leaders to institute revaluations, because the shift back to real property will not be as dramatic.

The second aspect is the extension of the four-year property tax exemption for newly purchased manufacturing machinery to a fifth year. The local property tax on production machinery is the most burdensome tax on manufacturers in Connecticut. This has caused much investment to go out of the state. When the four-year exemption was passed in 1990, it signaled an important change for manufacturing in this state. Manufacturers were encouraged to make their investments here because they would not have to pay any property tax on new machinery for four years after purchase. The program has been successful, as many companies have taken advantage of it.

A fifth year of exemption would continue this progress. As mentioned above, many states exempt this machinery altogether. Ultimately we would like to see the total elimination of the property tax on production machinery. Because of the sheer expense of it, that will not happen for a while. A fifth year of exemption will help make our manufacturers more competitive, however.

The third positive provision in this bill from our perspective is the fixed depreciation schedules. These will provide uniformity in the assessment of personal property across Connecticut's 169 cities and towns. Also, the 20 percent residual level on all three schedules will be a more accurate reflection of the value of used property.

Manufacturers who purchase new machinery would not pay any tax for the first five years, then at 20 percent for as long as they own the property. This will also improve their competitive position.

There are two important points that are not reflected in HB-6998 as currently drafted. Because we are now moving to fixed depreciation schedules, it is important that personal property owners have some appeal mechanism open to them if the schedules do not reflect the fair market value of a piece of property. The purpose of the schedules is to provide uniformity, not to remove fair market value as the basis of assessment. Subcommittee 2 of the Property Tax Reform Commission discussed this and agreed that there should be language securing the right to appeal.

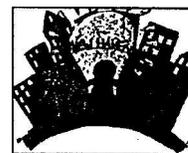
The other point that is mentioned in the Commission report but is not in the bill is the right of an assessor to authorize 100 percent depreciation on manufacturing machinery and equipment that is no longer in use, if it can be documented that sales or scrap market value is lower than the cost of dismantling and/or disposing of the obsolete machinery or equipment. We ask that this language be included in the bill.

Thank you for the opportunity to present this testimony.

OFFICE OF THE MAYOR  
CITY OF NEW HAVEN • CONNECTICUT 06510



JOHN DESTEFANO, JR.  
MAYOR



*The vision of New Haven's  
children is our city's greatest  
resource\**

TESTIMONY OF JOHN DESTEFANO, JR.  
MAYOR, CITY OF NEW HAVEN

FINANCE, REVENUE AND BONDING COMMITTEE,  
CONNECTICUT GENERAL ASSEMBLY

APRIL 3, 1995

Senator Nickerson, Representative Schiessl, Members of the  
Committee:

Thank you for permitting me to join you today. I am here to  
testify in favor of H.B. 6996 and H.B. 6998.

Specifically, I will briefly outline the reasons why we need  
property tax reform and describe the conclusions of Subcommittee  
#3 of the Property Tax Reform Commission, of which I served as co-  
chair along with Mayor Linda Blogoslawski. Several of  
Subcommittee 3's recommendations, as presented in the Commission's  
January report, are included in the first of the two bills, H.B.  
6996.

THE NEED FOR REFORM. First, let me explain why I believe we must  
enact meaningful property tax reform rather than cutting the  
income tax as is proposed in Senate Bill 941. And the primary  
reason is jobs.

- A UConn survey released Thursday by CBIA reveals the fact that  
only 11% of business executives believe the state provides a  
good or excellent climate for business. 56% of executives  
revealed that if they were to expand or move, they would not do  
so within Connecticut; rather, they would relocate to another  
state.

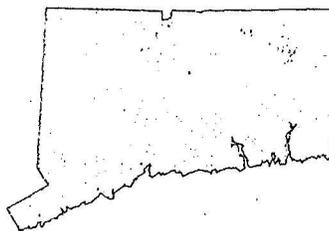
It is in fact the property tax and not the income tax that is  
making this state less competitive, hindering economic  
development, business growth, and job creation. All of the 10  
fastest growing states in the nation have property taxes that  
are lower than Connecticut's. On the other hand, 7 of those 10

*\*This creative impression is the work of Jocelyn Polanco, an 8th grader at Saint Aedan's School.*

# Connecticut Association of Assessing Officers

Page 4A  
Appendix 23

Object: To improve  
standards of  
assessment practice



Affiliated with the  
International Association  
of Assessing Officers

April 3, 1995

Room 2C LOB  
Public Hearing  
HB6998

Chairman Senator William Nickerson  
Chairman Representative Carl Schiessel  
Ladies and Gentlemen of the Finance Review & Bonding Committee

The Property Tax Reform Commission was formed in 1993 in response to a statewide gubernatorial mandate for major changes to Connecticut's property tax system. In over forty meetings related to the Commission's work during 1994, the Connecticut Association of Assessing Officers (CAAO) sought to raise all relevant concerns with respect to statewide assessment standards. It was, and continues to be, the belief of CAAO that even minor statutory refinements will produce major changes in the administration of the property tax in Connecticut.

Within HB6998 several of these mechanical proposals have been raised; specifically:

Sec. #2 - Recertification of Assessors. Existing statutes put forth a certification program. A recertification program will require local assessment officials to stay in tune with economic change and to support computer enhancement. As proposed within the Commission report, we ask that a 5 year implementation period be added to this Section.

Sec. #4 & 5 - It is with enthusiasm that we support the computerization of towns across the state by automating functions within the Assessor's office. Additional funding will reduce long-term costs, allow proper public access to public records, and more importantly, deliver accurate accountable records for revaluation purposes. Please note that Computer Assisted Mass Appraisal (CAMA) is as much a tool for economic development as it is for mass appraisal purposes, potentially allowing public officials direct on-line access to a detailed database of property information at the parcel level, by planning neighborhood, and by any other data layer defined by the system.

Sec. #8 - Establishes defined depreciation schedule(s) for the assessment of Personal Property. Supported by CAAO in public testimony for the past seven years, a mandated schedule would guarantee a predictable revenue stream for the corporate accountant preparing their submission to a town and would enhance a town's ability to predict future revenues for future budget purposes.

CAAO advocates refinements to the appeals process through the Boards of Tax Review or Boards of Assessment Appeals as redefined within HB6998. We also ask that the ten-day notice to taxpayers, as stipulated in CGS 12-55(b), be redefined to allow a minimum mailing of ten days prior to the signing of the Grand List.

CAAO is on record as advocating a shorter revaluation cycle with statutory quality standards being mandated.

Attached to today's testimony are copies of several agenda meetings that occurred during 1994. Referenced within the Property Tax Commission report are questions raised at the meeting of August 10, 1994, observations noted at the meeting of September 7, 1994, and the meeting dates outlined in the memo dated September 9, 1994.

As technicians, we support many aspects of HB6998 and ask that detailed enhancements, as presented in the Property Tax Commission report, be included.

We thank you for the opportunity to discuss HB6998.

Sincerely,

Anthony J. Homicki, CCMA  
Newington Assessor  
Immediate Past President CAAO

Michael Bekech, CCMA  
Manchester Assessor  
Vice President CAAO

Enc. August 10, 1994 Committee Agenda  
September 7, 1994 Committee Agenda  
September 9, 1994 Committee Agenda

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**CONNECTICUT ASSOCIATION OF ASSESSING OFFICERS**

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TO: John McDermott - Co-Chair: Sub-Committee #1  
Rod Rodriguez - Co-Chair Sub-Committee #1  
Patricia Braislin  
William Cibes  
Michael Curtin

FROM: Charles Agli and Michael Bekech

DATE: August 10, 1994

SUBJECT: Focus Questions for Sub-Committee #1 (HB 6998)  
of the Property Tax Reform Commission  
from the Connecticut Association of Assessing Officers

At our sub-committee meeting on August 2, 1994, sub-committee members were asked to submit a list of questions which would help to define the scope of the work of our sub-committee. I have attached a list of questions which we believe will help give definition to the work of the sub-committee.

**General**

In Connecticut, is there a heavy reliance on the property tax to fund municipal services?

Will a change in revaluation techniques or timetables reduce the overall burden of the property tax?

Will a change in revaluation techniques or timetables reduce the overall property tax burden in the urban centers or "high effective tax rate" municipalities in Connecticut?

Will changes in revaluation techniques or timetables contribute to more timely appraisals based on current market conditions and statutory standards?

**Revaluation**

What are the main advantages and disadvantages of Connecticut's current 10-year cycle for property tax revaluation?

How does Connecticut's 10-year cycle compare to those of other states? Compare to other states in region?

What has been the trend over the past few decades with regards to revaluation: more frequent, less frequent, no major change? What has been the general experience?

What are the mechanics of making the shift to more frequent revaluation?

Should statutory time limits be set for revaluation to be done and implemented? Should the law provide penalties to ensure that revaluations are done and implemented within the statutory time limits? Should the penalties be enforced by the state?

Should revaluation results be required to pass statutory standards to be certified as an acceptable revaluation? Should the state have the power to complete any revaluation, in conformity with statutory standards, if a municipality fails to do so? Should such a municipality be subject to costs and penalties?

How frequently should property be revalued by physical inspection?

What role does computer assisted mass appraisal (CAMA) play in more frequent revaluations?

Should statistical revaluations be used to accomplish more frequent revaluation?

How is "statistical revaluation" to be defined? (Is it simply a factored "update" of assessments, or is it a "full" revaluation without physical inspections? Will income and expense statements be submitted for new analysis, neighborhoods redelineated, etc.?)

Should existing minimum standards for CAMA systems be updated?

Should minimum standards be established for assessment administration systems?

Should there be a required state CAMA system?

Should there be a required state assessment administration system?

Would state hardware/software replace existing systems which may be superior to the state system? Could a state system upset the functioning of existing municipal MIS?

Should there be state funding for hardware and CAMA systems to encourage municipalities to use such technology?

Section 12-62f of the General Statutes of the State of Connecticut provides grants for qualified CAMA systems to municipalities who performed revaluation between 1987 and 1992. Should this law be amended to cover municipalities who meet the provisions of the law for revaluations between 1993 and 1996?

Should municipalities be required to use CAMA technology?

What are the pros and cons of a "trigger" approach to revaluation?

An important argument in favor of more frequent revaluation is the greater equity that would result, particularly reducing intra-class differentials in tax rates (for example, between two single-family houses near each other or in different neighborhoods). To what extent does it do so?

How does more frequent revaluation affect inter-class equity? How can states with frequent revaluation use property tax relief cushions to provide more stability in the tax bills of their residential taxpayers?

Until recently, residential property has been appreciating more rapidly than business property and motor vehicles, resulting in revaluation "shocks" for residential taxpayers. With frequent revaluations, the shocks are smaller but they occur more often. How do taxpayers react to this tradeoff of frequency vs. magnitude of shocks?

What are the implications for residential assessments in a "soft" market, one in which property values of homes have declined?

What are the administrative costs of more frequent revaluation? What other changes in the assessment process are made in conjunction with more frequent revaluation?

What are the pros and cons of mandating more frequent statistical revaluation (using sales/assessment ratios) while maintaining the current 10-year requirement for physical revaluations? Is this viable for small towns with a small number of sales?

Could an adjustment of the revaluation cycle provide an opportunity for regional assessment administration cooperation, geographic economies of scale and improvements in quality.

To what extent is it feasible to consider regional assessment consolidation?

What are the pros and cons of the "statewide revaluation" approach? This approach includes use of a single vendor, a single statewide revaluation date, standard statewide CAMA system, municipalities provide property data and market data, state determines values, state defends values, a project manager exercises control over the project through authority provided by the state and the state pays all costs.

If the taxation of personal property and motor vehicles is eliminated, is it desirable to implement revaluation of real estate in all municipalities on the same assessment date?

If revaluations are done more frequently, is it desirable to implement revaluation of real estate in all municipalities on the same assessment date?

What would be the effect of a class action suit against a statewide revaluation? What provisions would be made for a revaluation contractor that went bankrupt, failed to provide the contracted services or could not provide the contracted services?

What would be the motivation of the contractor or the state to aggressively defend assessment appeals? Would the revaluation contractor defend assessments with appraisers with national designations (MAI or comparable) as is often used in major appeals currently?

Would there not be a conflict of interest for the state to determine value on state-owned property for which the state pays statutory reimbursements to municipalities?

Will municipalities have the statutory ability to initiate court action against the state in value disputes? On state-owned property? On any property?

Are the costs of a statewide revaluation including training, public relations, software, hardware, value defense, etc. any less expensive than revaluations performed at the municipal level?

What role does a good public relations program play in a successful revaluation program?

Have any states successfully implemented statewide revaluation as of a single assessment date? What was the period of time necessary to conduct such a program? What was the structure of the program in terms of duties and responsibilities?

What are the benefits of GIS (geographic information systems)?

Is GIS a necessary prerequisite to "statewide" revaluation?

Should revaluation companies be certified by the State of Connecticut?

Should revaluation company managers, supervisors and appraisers be certified by the State of Connecticut?

Currently, Connecticut municipalities are to conduct and to implement revaluation no later than ten years following the last revaluation. Currently, municipalities who were scheduled for revaluations for October 1, 1993 and October 1, 1994, have been permitted to "stay the implementation" of these revaluations. How many municipalities have utilized this authority to stay implementation? How will the commission address any possible transition to any new revaluation scheme for the '93 & '94 "stay" municipalities? for the municipalities scheduled for 1995, 1996, etc.?

#### **Standard Depreciation Schedule for Personal Property Valuation**

Is there variation in valuation standards from one municipality to another in personal property valuation?

How will this variation effect the EDP tax credit which was recently enacted?

Have statutory depreciation schedules for the valuation of personal property been recommended by previous legislative study commissions?

What are the pros and cons of statutory depreciation schedules for the valuation of personal property?

#### **Assessor Certification**

Should assessors who sign grand lists in Connecticut municipalities be required to be certified by state law?

Should the current certification law be amended to add the "recertification of assessors" to the list of responsibilities of the certification committee?

### Appeals

Should local Boards of Tax Review be retained if municipal assessors continue to be responsible for assessment valuations?

Should local Boards of Tax Review be retained if the state is to conduct, and be responsible for, revaluation?

If local Boards of Tax review are to be retained, should members of Boards of Tax Review be required to attend workshops on assessment valuation law, Board of Tax Review law and Freedom of Information law to become familiar with the statutory duties and responsibilities of Boards of Tax Review?

Should the Connecticut Appeals Board be funded?

If the Connecticut Appeals Board is to be funded, should the Board consist of three members, five members, or more? How many members would be necessary to hear the volume of appeals?

Should individual members of the Board hear and decide appeals on single family, two family and three family properties?

Should individual members of the Board hear and decide appeals on properties valued at \$500,000 or less as the assessment basis?

If the Connecticut Appeals Board is funded, appointed and becomes operable, should taxpayers have the option of "by-passing" the Board of Tax Review and appealing directly to the Connecticut Appeals Board?

The current Connecticut Appeals Board law, requires any party who would appeal to the Board to pay an application fee of \$50. Should a "sliding scale" fee structure or a "so much per thousand" of value structure be considered?

Should the Connecticut Appeals Board be affiliated with the court system, the Office of Policy and Management, or some other branch of state government?

How have statistical revaluations fared in courts when challenged by taxpayers?

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**CONNECTICUT ASSOCIATION OF ASSESSING OFFICERS**

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TO: CAAO Special Committee Members (Property Tax Reform Commission)

FROM: Charles Agli

DATE: September 7, 1994

SUBJECT: Meeting of Subcommittee #4 - September 7, 1994 (HB 6998)  
Property Tax Reform Commission

Subcommittee #4 met September 7, 1994 from 9:00 a.m until approximately 11:30 a.m.  
The agenda items and a brief sense of the discussion follows.

1. Discussion of state spending cap in context of property tax relief.  
The state spending cap will constrain property tax relief proposals. The spending cap does not affect increased state spending for distressed municipalities. The cap can be exceeded if 60% of the legislature vote to exceed the cap. It is possible that spending would need to be cut in other areas to provide money for property tax relief. It is possible that a constitutional amendment would be recommended to alter cap provisions.  
-additional points:  
-Politically it is unlikely that 60% of the legislature would vote to exceed the cap.  
-The state should look at "tax caps", not "spending caps". (e.g property tax cap 2%)
2. Should there be a tax/spending cap at the local level?  
There was considerable discussion about efficiency and inefficiency in government. There was discussion about providing services at the state level and at the local level. There was discussion about 169 towns performing the functions of local government and delivering services individually versus performing these activities with a broader form of government to achieve greater efficiency. There was no one who supported local spending caps.
3. Review of 1994 property tax credit legislation.  
The subcommittee was informed there will be a credit on EDP equipment. The subcommittee was informed that the law now contains a motor vehicle tax credit to begin with October 1, 1996 grand list. Both co-chairs (both of whom are legislators) stated they believed this would be repealed.

Page 2 - Subcommittee #4 (September 7, 1994)

4. Discussion of alternative sources of revenue to replace the property tax.

Co-Chair Mulready summarized as follows:

-Reduce local expenditures:

A. greater efficiency

i. local efficiency

ii. regional co-operation

B. service cuts

-Take certain programs and their funding to state level. (problem - spending cap)

-Allow alternative revenue streams - municipalities impose income tax or sales tax

-Statewide property tax

-Income tax increase or surcharge

There was considerable discussion on many aspects of state and local expenditures and taxes. One portion of the discussion which directly involved the property tax was to tax motor vehicles and personal property at statewide mill rates with all revenue going to the state. In turn municipalities would have lifted from their expenditure burden general assistance costs, health department costs and some education costs. The meeting was an opportunity to share perspectives. There was little detail. It was not a time for detail. Frankly, it was difficult to judge what this group may discuss next. There is no obvious focus at this time. The group decided to meet later rather than sooner. It is possible this subcommittee may next meet on October 12, 1994.

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**CONNECTICUT ASSOCIATION OF ASSESSING OFFICERS**

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TO: CAAO Special Committee Members (Property Tax Reform Commission)

FROM: Charles Agli and Mike Bekech

DATE: September 9, 1994

SUBJECT: Meeting Friday, September 30, 1994  
Report on Work of Property Tax Reform Commission

(HB 6998)

The CAAO special committee for the Property Tax Reform Commission will meet on Friday morning September 30, 1994 from 9:30 a.m. until 12:00 noon in the Newington Town Hall in Conference Room 3 near Town Engineer. The purpose of the meeting is to share information on the work of the Commission with our CAAO committee and to have discussion concerning CAAO positions especially concerning revaluation and CAMA. At this point the September schedule will have the whole Commission meet on September 14, 1994 at 9:00 a.m. in room 1E of the Legislative Office Building. Subcommittee #1 will meet on September 21, 1994 at 1:00 p.m. in room 1E of the Legislative Office Building to have a presentation on the State of Massachusetts real estate valuation system. Subcommittee #1 will meet on September 28, 1994 at 1:00 p.m. in room 2E of the Legislative Office Building to have a presentation by revaluation companies on real estate mass appraisal systems. Subcommittee #1 will meet on October 4, 1994 at 9:30 a.m. in a room of the Legislative Office Building yet to be determined to have discussion about revaluation and CAMA systems. It is because of this schedule that we have called a meeting for September 30, 1994. The September 21 and 28 sessions of Subcommittee #1 will be important information gathering sessions. The October 4 meeting of Subcommittee #1 will be to discuss revaluation and CAMA and to begin to look for areas of consensus. It is not anticipated that Subcommittee #1 will vote on any issues on October 4. We thought it was important to have our CAAO committee meet after the presentations but before the October 4 discussions.

In addition, at this September 30 meeting Mike will give a report on Subcommittee #2, Tony will give a report on Subcommittee #3, and Charlie will give a report on Subcommittee #4.

Speaker 4



Connecticut Policy and Economic Council, Inc.  
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TESTIMONY TO FINANCE, REVENUE AND BONDING COMMITTEE  
ON PROPOSED TAX REDUCTIONS

APRIL 3, 1995

BY MICHAEL LEVIN, VICE-PRESIDENT, CT POLICY AND ECONOMIC COUNCIL (HB6998)

Thank you for the opportunity to testify on this crucial topic today.

Although the Council has advocated a sensible tax reduction agenda for some time, any tax cuts that are made must be lasting or they will be of little economic use, and may in fact be counterproductive. The Governor's proposed individual income tax reduction and the new circuit-breaker recommended by the Property Tax Reform Commission, which would also erode the income tax base, are unaffordable at this time. State revenue growth has been as disappointing as the performance of the Connecticut economy. Income tax collections are lagging the budgeted amount for fiscal 1995, corporation taxes are declining because of previously enacted tax rate and base reductions and federal revenue windfalls from Medicaid appear to be evaporating due to well publicized problems with financing uncompensated hospital care.

(HB6996)

Even ignoring the lack of growth of major state revenues, the Governor finances his tax reductions through, in effect, a tax increase on hospitals, adding three years to the scheduled retirement of deficit notes (which CPEC has steadfastly opposed) and continuing to avoid generally accepted accounting principles in budget preparation. Tax cuts based on this shaky foundation will not hold.

(SB952)

(SB944)

In addition, the Council believes the proposed two-tier personal income tax would establish a bad precedent of differential rates, which can cause havoc down the road. Under another governor, two tiers can easily become three and the top rate can rise to uncompetitive levels.

(SB941)

Regarding property tax reductions, the Council cannot support the circuit-breaker plan because it also erodes the shaky state revenue base. In theory a more limited circuit-breaker makes some sense when the economy and revenue outlook improve. However, the Council will soon release a report indicating that the key to stable property taxes is local government spending reductions and reforms (like privatization) rather than a great surge in state aid or property tax credits. The latter can undermine local efforts to hold down taxes since they can be written off against state tax liabilities. The Council continues to support more frequent property tax revaluations and providing local assessors with additional state resources and technical assistance in order to facilitate the change.

In closing, the focus of this year's budget deliberations needs to remain on passing the Governor's comprehensive spending reforms and paying off state debts. If these goals are achieved the stage would be set for tax reductions during the second half of the Governor's term.

H-734

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PROCEEDINGS  
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gmh

House of Representatives

Friday, June 2, 1995

Total Number Voting	146
Necessary for Passage	74
Those voting Yea	146
Those voting Nay	0
Those absent and not voting	5

DEPUTY SPEAKER HYSLOP:

The bill passes. Clerk, please call Calendar 513.

CLERK:

On page 15, Calendar 513, Substitute for House Bill Number 6998, AN ACT CONCERNING THE IMPROVEMENT OF PROCESS AND ADMINISTRATION OF THE PROPERTY TAX.

Favorable Report of the Committee on Finance.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Thank you, Mr. Speaker. I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

DEPUTY SPEAKER HYSLOP:

The motion is on acceptance and passage. Will you remark further?

REP. SCHIESSL: (60th)

Thank you, Mr. Speaker. This bill represents many of the recommendations of the State Property Tax Review Commission which issued its report in January of 1955 -

gmh

House of Representatives

Friday, June 2, 1995

- 1995. I am sorry. It is getting late. These recommendations primarily concern as the title of the bill indicates, the improvement of the process and administration of the property tax.

The bill itself, we intend to change through a series of amendments which we will be offering shortly and what I would like to do is take you through a section-by-section analysis of the bill, once we have had the opportunity to consider some of the amendments that I would like to call.

Mr. Speaker, the Clerk has an amendment, LCO Number 7675. I would ask that he call, the reading be waived and I be given permission to summarize.

DEPUTY SPEAKER HYSLOP:

Will the Clerk please call LCO 7675, designated House Amendment "A". The Representative has asked leave to summarize.

CLERK:

LCO Number 7675, offered by Representatives Schiessl and Belden.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Thank you, Mr. Speaker. This amendment is a technical amendment in nature. What we are doing here

House of Representatives

Friday, June 2, 1995

in House "A" is resolving some language disparities we discovered in the original draft as they relate to current law. In line 136, making that changes resolves the issue of assessors visiting every property. It indicates that their designees can do so.

The change in line 150 makes the terms consistent with existing language in statute as does the change in lines 226 and the final change in -- it strikes the bear majority language because the minority representation statute applies to the situation.

Mr. Speaker, I move adoption of the amendment.

DEPUTY SPEAKER HYSLOP:

The question in on adoption. Will you remark further? Will you remark? If not, I will try your minds. All those in favor, signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER HYSLOP:

Those opposed, nay. The ayes have it. Amendment "A" passes. Will you remark further on the bill, as amended?

REP. SCHIESSL: (60th)

Thank you, Mr. Speaker. The Clerk has an amendment, LCO Number 856. I would ask that he call, the reading be waived and I be given permission to

gmh

House of Representatives

Friday, June 2, 1995

summarize.

DEPUTY SPEAKER HYSLOP:

Clerk, please call LCO 856, designated House "B".  
the Representative has asked leave to summarize.

CLERK:

LCO Number 856, House "B" offered by  
Representatives Schiessl and Lockton.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Thank you, Mr. Speaker. I would begin by moving  
adoption of the amendment.

DEPUTY SPEAKER HYSLOP:

The question is on adoption. Will you remark  
further?

REP. SCHIESSL: (60th)

Yes. Thank you, Mr. Speaker. One of the more  
contentious elements of the file copy addresses  
sections 7 and 8 of the copy. Those sections in the  
file copy set forth a depreciation schedule for and a  
method of determining the asset value of machinery and  
equipment used in the manufacturing process and a  
separate schedule for all other tangible personal  
property other than motor vehicles commencing with the  
10/1/95 grand list.

House of Representatives

Friday, June 2, 1995

We have come to the realization that the implementation of depreciation schedules at this time would impose an undo burden on those municipalities whose schedules are not in sync with the schedules that we put forth in the bill.

And so, in this amendment, we are deleting, we are striking sections 7 and 8, those depreciation schedules that are a contentious portion of this bill and we are creating a task force to study the establishment of a uniform depreciation schedule. This task force is a scaled down version of the original Property Tax Review Commission. It is a 16-member commission. There will be input from the local officials, assessors, representatives of the business community, representatives of municipalities and legislators and legislative leaders, as well.

This task force will make recommendations as of February 1, 1996 so that the next General Assembly can take up the issue of depreciation schedules and try to address any meaningful way some of the challenges associated. We are trying to get every municipality in the state using the same depreciation schedules.

The second section of the amendment is another amendment that is intended to relieve the burden on municipalities that might be imposed by the enactment

gmh

House of Representatives

Friday, June 2, 1995

of uniform procedures for the administration of the property tax. Under current law, Connecticut General Statutes, Section 12-62h, a municipality has the option to delay the implementation of this bill until July of 1996. At the request of many municipalities, this amendment would put off -- let me rephrase that. This amendment would allow municipalities the option to delay implementation of the revaluation, the frequency schedule until July 1, 1997. In essence, we are giving them another year to prepare for the changes that will be coming in the bill.

This is an important amendment in that it addresses some of the major criticisms of the original proposal levied against the bill by representatives of municipalities in this community. I think in that vein it mitigates some of the things that may make you nervous about voting and I would urge adoption, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

The question is on adoption. Will you remark further? Representative San Angelo.

REP. SAN ANGELO: (131st)

Thank you, Mr. Speaker. Through you, a question to the proponent of the amendment, please.

DEPUTY SPEAKER HYSLOP:

gmh

House of Representatives

Friday, June 2, 1995

Representative Schiessl, prepare yourself for question. Proceed.

REP. SAN ANGELO: (131st)

Representative Schiessl, could you tell me how many towns will have the option of postponing the revaluation under this amendment?

DEPUTY SPEAKER HYSLOP:

Through the Chair.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I believe every town in the State would have the opportunity, at its own option, delay a m\_l eme f he recommendations of this proposal. However, every town is on their own schedule right now and there was nothing in the bill that would change a town's current status as to their revaluation schedule. This is really giving a tool to those municipalities that may be somehow oppressed by the implementation of a more frequent statistical and physical revaluation schedule.

I know we haven't addressed that issue yet, but we certainly will when we get to the file copy, as amended.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

gmh

House of Representatives

Friday, June 2, 1995

And another question. Through you, Mr. Speaker. I guess to be a little bit more specific, Representative, will this allow the City of Waterbury and the borough of Naugatuck to delay their revaluation for one more year?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. Through action of their legislative body, under the terms of this amendment, they would be able to put it out yet another year to 1997.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Thank you, Mr. Speaker. Thank you, Representative.

DEPUTY SPEAKER HYSLOP:

Will you remark further on House "B"? Will you remark further on House "B"? Representative Concannon.

REP. CONCANNON: (34th)

Thank you, Mr. Speaker. A question to the proponent of the amendment.

DEPUTY SPEAKER HYSLOP:

Proceed.

gmh

House of Representatives

Friday, June 2, 1995

REP. CONCANNON: (34th)

Through you, Mr. Speaker. The -- pertaining to the depreciation schedules for which you are creating a task force. I wondered if -- has the possibility of passing the schedules on the federal system being discussed or is the state considering developing its own system?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. We are examining those options. There has also been a discussion of a possible phase-in of depreciation schedules should we determine that the burden on municipalities is greater than the benefit. The idea being, we recognize that this is a very contentious issue and needs further study not only here in the Legislature, but in concert with those directly affected by our actions here.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Concannon.

REP. CONCANNON: (34th)

Thank you, Mr. Speaker. I am satisfied with the response.

DEPUTY SPEAKER HYSLOP:

gmh

House of Representatives

Friday, June 2, 1995

Will you remark further? Representative Winkler.

REP. WINKLER: (41st)

Thank you, Mr. Speaker. A question through you sir to Representative Schiessl.

DEPUTY SPEAKER HYSLOP:

Proceed.

REP. WINKLER: (41ST)

Yes. Thank you. Representative Schiessl, what four municipalities in the state are going to be serving on the task force? And if you mentioned that, I apologize. I didn't hear you.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. Actually, those mayors or chief elected officials would be appointed. One by the President of the Senate, Speaker of the House and the minority leaders of the Senate and House of Representatives. It would be up to them, those individuals as appointing authorities to select the mayors to serve.

In addition, in that the Finance Committee chairs and ranking members that also serve on the task force, they have the power to designate members as well and they could select mayors or selectmen to serve.

gmh

House of Representatives

Friday, June 2, 1995

DEPUTY SPEAKER HYSLOP:

Representative Winkler.

REP. WINKLER: (41st)

Yes. Thank you. Through you, sir, then there is no criteria that must be met. It is just left up to the determination of the leaders.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I would hope that the leadership would consult with each other and attempt to appoint mayors and selectmen who represent the myriad of towns and cities in the State of Connecticut. Since the Finance Committee Chair will be participating as part of the Task Force, I will personally see to creating as much diversity among the mayors and selectmen appointed to the task force as possible.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Winkler.

REP. WINKLER: (41st)

Thank you, sir.

DEPUTY SPEAKER HYSLOP:

Will you remark further on House "B"? If not, we will try your minds. All those in favor, signify by

gmh

House of Representatives

Friday, June 2, 1995

saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER HYSLOP:

Those opposed, nay. The ayes have it. House "B"  
passes.

Will you remark further on the bill, as amended?

Representative Schiessl.

REP. SCHIESSL: (60th)

Thank you, Mr. Speaker. The Clerk has an amendment, LCO Number 8803. I would ask that the amendment be called, the reading be waived and I be given permission to summarize.

DEPUTY SPEAKER HYSLOP:

Will the Clerk please call LCO 8803, designated House "C"?

CLERK:

LCO Number 8803, House "C" offered by  
Representative Schiessl.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Thank you, Mr. Speaker. I move adoption of the amendment.

DEPUTY SPEAKER HYSLOP:

gmh

House of Representatives

Friday, June 2, 1995

The question is on adoption. Will you remark further?

REP. SCHIESSL: (60th)

Yes, Mr. Speaker. One of the essential components of the bill and actually, one of the few things left in the bill or not deferred, is the introduction in the State of Connecticut of a revaluation cycle that goes something like this.

There will be a physical revaluation every twelve years and then after the physical revaluation, there will be statistical revaluations every four years. So the deal is, there will be a four, eight, twelve situation where there will be two statistical revaluations in four year intervals between every twelve year.

What this amendment does is address the situation that evolves under current law where we have a phase-in provision of revaluations that extend over a five year period and what this amendment does, through you, Mr. Speaker, is introduce a four year phase-in. The idea being it is kind of -- it wouldn't make sense to have a five year phase-in if you are doing a statistical or a physical every four years. So the amendment just serves to conform the cycle that exists in current law to the proposal that were are containing in the file

gmh

House of Representatives

Friday, June 2, 1995

copy, which is to move to a four-four-twelve system.

Through you, Mr. Speaker. I move adoption.

DEPUTY SPEAKER HYSLOP:

Will you remark on House "C"? Representative Patrick Flaherty.

REP. FLAHERTY: (8th)

Mr. Speaker, we don't have that amendment in front of us. We have the wrong amendment and I would just like a moment to look at the amendment, if I could.

DEPUTY SPEAKER HYSLOP:

Hopefully, they are straightening that out now. Representative Schiessl.

REP. SCHIESSL: (60th)

Thank you. I believe they were passing out LCO 8808?

DEPUTY SPEAKER HYSLOP:

Yes, they were.

REP. SCHIESSL: (60th)

And the amendment I called was --

DEPUTY SPEAKER HYSLOP:

8803.

REP. SCHIESSL: (60th)

Thank you, sir.

DEPUTY SPEAKER HYSLOP:

Representative Young.

gmh

House of Representatives

Friday, June 2, 1995

REP. YOUNG: (143rd)

Mr. Speaker, through you, very quickly, a question for Representative Schiessl.

DEPUTY SPEAKER HYSLOP:

Proceed.

REP. YOUNG: (143rd)

Representative Schiessl, am I correct in that the four-four-three cycle does not go into effect until your next physical revaluation? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. That is correct.

REP. YOUNG: (143rd)

Thank you, sir.

DEPUTY SPEAKER HYSLOP:

Will you remark further on House "C"? If not, I will try your minds. All those in favor, signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER HYSLOP:

Those opposed, no. The ayes have it. The amendment passes. Will you remark further on the bill,

gmh

House of Representatives

Friday, June 2, 1995

as amended? Representative Schiessl. Representative Belden.

REP. BELDEN: (113th)

Thank you, Mr. Speaker. Mr. Speaker, the Clerk has an amendment, LCO 7942. Could the Clerk please call and I be given permission to summarize?

DEPUTY SPEAKER HYSLOP:

Will the Clerk please call LCO 7942, designated House "D"?

CLERK:

LCO Number 7942, House "D" offered by Representative Belden, et al.

DEPUTY SPEAKER HYSLOP:

The Representative has asked leave to summarize. Proceed Representative Belden.

REP. BELDEN: (113th)

Thank you, Mr. Speaker. Currently, when there is a revaluation, the assessor is required to notify all the property owners of that new value of the property. What the amendment does is require that in addition to that, that there will be a notice on that to the effect that it shall describe how a property owner's rights to appeal the revaluation can commence and take place.

I move adoption, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

gmh

House of Representatives

Friday, June 2, 1995

The question is on adoption. Will you remark further?

REP. BELDEN: (113th)

Yes, Mr. Speaker. It is very clear that we will probably, over the next either tonight or certainly over the next two or three years change to some degree how we do our revaluations and also how the appeal process works. There is another bill in process now changing the name of the Board of Tax Appeals and whatnot. This will insure that when the revaluation notice goes out to the individual that they will in fact know how to do the appeal process if the care to challenge their new evaluation.

Mr. Speaker, I think it is a cleanup amendment and ought to pass.

DEPUTY SPEAKER HYSLOP:

Will you remark on House "D"? Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. Just a comment. I consider this a friendly amendment to the bill and would urge adoption.

DEPUTY SPEAKER HYSLOP:

Will you remark further? If not, I will try your minds. All those in favor, signify by saying aye.

gmh

House of Representatives

Friday, June 2, 1995

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER HYSLOP:

Those opposed, nay. The ayes have it. House "D"  
passes. Will you remark further on the bill, as  
amended? Representative Schiessl.

REP. SCHIESSL: (60th)

Thank you, Mr. Speaker. On the bill, as amended,  
what we are doing here is trying to implement  
structural changes to the property tax system.  
Particularly, the most notable change is the  
introduction of a statistical and physical schedule  
that involves a four-four-twelve arrangement of years.  
The reason we are putting this proposal before you  
really lies in equity.

The property tax is based on property value. The  
more often you determine property value, the more often  
your system has a current accurate base. In theory,  
you receive maximum equity. Values change over time  
and equity maybe lost as you move from the date of  
evaluation.

What we have been told is that generally  
assessments deteriorate after about three years and  
that there is a balance between the deterioration of an  
assessment and the cost attributed to the property.

gmh

House of Representatives

Friday, June 2, 1995

And after five years, a deterioration maybe so severe that a pure statistical revaluation maybe difficult.

The debate in the Commission was between going to a three-three-nine or a three-three-twelve system or a five and ten system. The concept of more frequent revaluations is very popular and it has been endorsed roundly. This proposal that we are placing before you is really intended to accommodate the interest of all parties and that we do a statistical and four year intervals, but we push out the physical from ten to twelve years. And if you will allow me to indulge you, it has been mentioned that there will be upfront costs associated with the implementation of this new schedule.

I would suggest to you that we have done some research on that issue and in fact, this material was provided to us by members of the Commission who have been working diligently on this bill since their commission was created.

As to revaluation cost data. The cost of a standard Connecticut ten year revaluation program, based on historical methods, normal workload year and 1995 dollars, yields an average cost per parcel of approximately \$50.00. If you spread that cost over a ten year cycle, the average cost per parcel, per year

gmh

House of Representatives

Friday, June 2, 1995

is \$5.00.

With our proposal, which is a four year statistical with twelve year physical revaluation program, there is an initial year four statistical, we have been given the figure of \$10.00 to \$12.00. That is based on a quotation given by MMC, which is one of the companies that does this to the Town of Groton, a town which has already volunteered to do a four year statistical. So we have a pretty firm market price on that. At least, we think we do.

An initial year eight statistical range is from \$6.00 to \$7.00 per parcel. And the initial twelve year physical revaluation, assuming 100% data verification by a revaluation firm, is \$25.00 to \$32.00.

Now, for a twelve year cost with 100% data, the verification by a revaluation firm ranges from \$41.00 to \$51.00 making the average cost per parcel, \$45.00. If you break that down over twelve years, we are talking about \$3.75 per parcel.

So yes, there maybe some upfront costs in converting to the four-four-twelve cycle. And yes, we have to address the issue of the depreciation schedules, which we will in the next session of the Legislature and yes, in order to accommodate the interest of many Connecticut municipalities, we have

gmh

House of Representatives

Friday, June 2, 1995

put off or allowed them to put off the effect of the implementation of this revaluation schedule into 1997. We think that we have come up with, at least the beginning, of a major structural form of the property tax. One that will get town and cities in Connecticut speaking the same language, using the same systems and using the same data to administer the tax.

I should also point out, finally, that OFA has indicated to me as to the acquisition of the CAMA, Computer Assisted Mass Appraisal Equipment, there is a state grant and aid program available. At present, there are \$750,000 in that account. And that money is made available for grants and aid to those municipalities which need to and start revaluations during the biennium. OFA has indicated that they believe that this figure is enough money to accommodate those towns and cities that will begin revaluation in the next biennium and need a grant and aid to acquire the equipment.

I would, at this time, urge passage of the bill, as amended. Thank you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Will you remark further on the bill?

Representative Dickman.

REP. DICKMAN: (132nd)

gmh

House of Representatives

Friday, June 2, 1995

Thank you, Mr. Speaker. A question to the proponent of the bill. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl, prepare yourself for question.

REP. DICKMAN: (132nd)

Representative Schiessl -- Through you, Mr. Speaker. Is this going to be mandatory on the towns? In other words, is it a mandate?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. Yes, this is a mandate. This is a mandate that towns should conduct revaluations per the schedule that I have set forth before you today. But there is no mistaking that this is a mandate. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Dickman.

REP. DICKMAN: (132nd)

Thank you. And another question, if I may, through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Proceed.

REP. DICKMAN: (132nd)

gmh

House of Representatives

Friday, June 2, 1995

In our town, we just finished revaluation this year. Does this mean, under your schedule that we will not have to do it until 2004? In other words, do we just continue on as we are until 2004, which is ten years from now or would that be our regular time?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. If you have just completed a physical revaluation, I do not believe you would have to do another physical revaluation for another twelve years, under the terms of the proposal we put forth before you. That assumes you are not putting off the effective date of implementation through local option. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Dickman.

REP. DICKMAN: (132d)

And one last question. Through you, Mr. Speaker. But the statistical revaluation, we would have to do in four years. Is that correct? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

gmh

House of Representatives

Friday, June 2, 1995

Through you, Mr. Speaker. In that particular case, I do believe a statistical would be appropriate. I believe it would be in the fourth year. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Dickman.

REP. DICKMAN: (132nd)

Thank you, Mr. Speaker. Under those circumstances, I am going to have to vote against it. Thank you.

DEPUTY SPEAKER HYSLOP:

Representative Samowitz.

REP. SAMOWITZ: (129th)

I realize that it is a very late night. People want to go home, but I hope you realize what this impact of this bill is and I think it is very important to address.

One of the things is, under current law, we reevaluate every ten years. When there isn't revaluation every ten years, there is a big shift onto the homeowners, generally from the businesses and other interests. What we are doing right now is we are having more frequent revaluations which means there is going to be more frequent adjustments.

Although the hit may be less, the hit is going to

gmh

House of Representatives

Friday, June 2, 1995

be more on our homeowners. This is not real property tax reform because what we are doing is we are just rearranging the decks on the Titanic. What we really have to address is the ultimate thing is the burden and the money itself. When you go home and when you wake up and you realized what we are doing tonight, is that we have just increased the taxes on your homeowners, this is what we are doing. Without having the real property tax relief, as the commission did, this is only part of the answer.

I understand that probably in order to avoid the large hits that we are always having every ten years, this is probably the best thing to do. But if we are going to be swallowing this, we should have some sugar on the pill and really address the ultimate problem of the State which is the property tax.

Well the reliance upon it as a means of taxation and the disparity between the towns. Thank you.

DEPUTY SPEAKER HYSLOP:

Representative Chase.

REP. CHASE: (120th)

Mr. Speaker, through you, a question to the proponent of the bill.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl, prepare yourself for

gmh

House of Representatives

Friday, June 2, 1995

question.

REP. CHASE: (120th)

Representative Schiessl, this legislation as amended at this point, does this get rid of the town's ability to do a five year phase-in? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. Towns that are currently involved in phasing over five years or have taken final action on adopting a five year phase-in will be allowed to complete their phase-in. We are not intending by this bill to interfere with any of the best laid plans of towns that are following -- our tools available under current law, which are in fact, are among the five year phase-in. So a town that adopted a five year phase-in or is in the process of phasing-in would be allowed to complete their phase-in before setting to the new cycle.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Chase.

REP. CHASE: (120th)

Thank you, Mr. Speaker. If I could interpret

gmh

House of Representatives

Friday, June 2, 1995

that. So in other words, this bill does do away with five year phase-in?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. The bill, as amended, prospectively, changes the five year phase-in to a four year phase-in in order to conform with the four-four-twelve cycle that we would adopt in the file copy of the bill. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Chase.

REP. CHASE: (120th)

Thank you, Mr. Speaker. Mr. Speaker, through you, another question. What do you mean by when your assessments deteriorate? Could you define that for me?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. What I was referring to was the operation of the market -- the growth -- the growing absence of the information that is being relied upon in the assessment. That's what I mean by the deterioration of the numbers. Through you, Mr. Speaker.

gmh

391

House of Representatives

Friday, June 2, 1995

DEPUTY SPEAKER HYSLOP:

Representative Chase.

REP. CHASE: (120th)

Through you, Mr. Speaker. When you refer to deterioration, are we talking about value that is reducing or are we talking about value of property increasing? Either one or both? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. The answer is really both. What I mean by deterioration is really in the quality of the information you are using. I know it implies a devaluation, but that was not my intent. Deterioration really refers to the quality of the data. Whether that means the property is more valuable or less valuable since the last judgment was made is really just the operation of the market. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Chase.

REP. CHASE: (120th)

Thank you, Mr. Speaker. Mr. Speaker, through you, another question. I can understand the need to do the

gmh

392

House of Representatives

Friday, June 2, 1995

natural physical revaluation every ten or twelve years. Why is this statistical revaluation mandated? Why not allow the towns that opportunity to do it on their own? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. One of the goals, at least one of the goals that I believe is valuable in promoting the implementation of this system is that we would like to have all the cities and towns in the State of Connecticut playing by the same rules. Since we are the body that is called upon every year to send more tax dollars to the cities and towns in Connecticut, it would be awfully nice to know that the towns are all operating from the same play book. That the things that they do with the money can be tracked and at least as far as they are valuing their property and imposing a tax on those taxpayers that they are following a system that is relatively uniform throughout the State.

So that, to me, is one of the major goals of this four-four-twelve system. If we allow the towns the option to, say defer or cancel or postpone one of the four year statisticals, I think that that would

gmh

005418  
393

House of Representatives

Friday, June 2, 1995

compromise that ideal. And that is one of the reasons I am supporting the bill, as amended.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Chase.

REP. CHASE: (120th)

Thank you, Mr. Speaker. Thank you, Representative Schiessl. Representative Schiessl, ladies and gentlemen, I will oppose this legislation.

This state is maybe beginning to come out of a major recession. Property values have not gone up. As a matter of fact, they have gone down. And in particular, they have gone down in the commercial market. You are talking about, if this should pass, a major shift in taxes in residential property owners. I believe you're correct when you say that we need to address that problem. But you don't address it until this economy can, if you will, and commercial properties can start to increase. So you don't see such a shock in terms of a shift. Thank you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Will you remark further? Representative Mazzoccoli.

REP. MAZZOCOLI: (27th)

Thank you, Mr. Speaker. I strongly support the

gmh

House of Representatives

Friday, June 2, 1995

concept of statistical revaluation. A couple of questions to the proponent of the bill.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. MAZZOCOLI: (27th)

Thank you, Mr. Speaker. Through you, to the proponent. Do you foresee the state providing the data model for this or will this have to be contracted through a vendor?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I believe that OPM has been coordinating some of that, but there are private vendors that do provide the service.

One of the things that we are trying to do at the State of Connecticut is provide those grants and aid that I referred to earlier to make sure that municipalities that have to go through a physical revaluation can afford the CAMA equipment that we expect that everybody will be using at some point in time. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Mazzoccoli.

REP. MAZZOCOLI: (27th)

gmh

House of Representatives

Friday, June 2, 1995

Through you, Mr. Speaker. Was any discussion made of a prospect that there would be sampling done within the real estate market in a community for this statistical revaluation? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I really don't have information sufficient to respond to a question of that nature. The honest answer is I really don't know.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Mazzoccoli.

REP. MAZZOCOLI: (27th)

Okay. Well, I appreciate that, Mr. Speaker. Again, for those who have questions about statistical revaluation, the fact of the matter is, statistical revaluation offers communities the opportunity to lessen the impact of the revaluation that we currently impose on our communities. In concept, the best way to do statistical revaluation is to do in on an annual basis. I would hope that some day we get to that point so that we really equate taxation with real changes in values like we do with our budget. We do it on an annual basis. Communities do that on an annual basis.

gmh

House of Representatives

Friday, June 2, 1995

The bias that we see today and the outcry that we see on revaluation is that we are so out of sync, with adjusting our property values on a ten year cycle versus what we do on our budget on a one year cycle. The whole concept of statistical revaluation is to try to better match how we operate our budgets and real changes in values of property over a period of time. That period of time should, at best, reflect the period of time we incorporate a budget and that is a one year cycle.

It was talked about the differences in the real estate market. You can suffer wild swings in the real estate market over a ten year period. A one year window on the review of the real estate market provides a much better analysis or at least a view of an impact on a community than what we currently provide for.

I strongly recommend approval of this measure and hope that in the future we continue to move towards a system that provides more balance to our property taxation system.

DEPUTY SPEAKER HYSLOP:

Representative Scalzo.

REP. SCALZO: (111th)

Thank you, Mr. Speaker. A question, through you to the proponent, please.

gmh

House of Representatives

Friday, June 2, 1995

DEPUTY SPEAKER HYSLOP:

Representative Schiessl, prepare yourself.

REP. SCALZO: (111th)

You had related some costs, Representative Schiessl that reflected a difference between a twelve year physical inspection revaluation and a current ten year revaluation according to judicial methods. That twelve year price reflected a discount. Could you relay to me, what in the nature of a twelve year revaluation causes that discounted price?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCALZO: (111th)

That was a per parcel price.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. What I relayed to you was not an indication of any sort of discount, but in comparison between the cost of a straight ten year physical revaluation under current law and the prices that we believe will be imposed in the implementation of not only a twelve year physical, but also the two statisticals. And the difference was an average cost per parcel per year of \$5.00 under current law, assuming just a ten year physical revaluation and a \$3.75 average cost per parcel per year under a twelve

gmh

House of Representatives

Friday, June 2, 1995

year cost with a 100% data and the two statisticals, as well.

In general terms, there are costs associated with implementing the system, but it is my belief, that in the long run, there will actually be savings achieved to municipalities not only because we are going to be lengthening the period of time between physical revaluations which we believe that is where most of the cost lies, but also in using data that has not deteriorated, if you will allow me to use that phrase, over the four year span.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Scalzo.

REP. SCALZO: (111th)

Thank you. Another question. A memorandum had been circulated that reflected the cost of the standard Connecticut ten year revaluation in the neighborhood of \$40 to \$55 and an initial twelve year physical revaluation, assuming 100% data verification, in the neighborhood of \$25 to \$32. Perhaps that was what I was thinking about in my question about a discounted price and I was wondering if you could explain to us what it is in the nature of that twelve year revaluation that causes that discounted per parcel

gmh

House of Representatives

Friday, June 2, 1995

price?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I believe the decrease in costs results from what you are starting with rather than a ten year old or perhaps in some instances, more than ten year old data. And in essence, reinventing the wheel. In using a frequency schedule that has a four, eight and twelve year cycle, you will be working off the eight year statistical when you are doing your physical in four years. So you are actually starting with information that has not yet begun to deteriorate or is in the initial stages of becoming obsolete and that, I think, enables the firms to impose a lower charge than they would have to if they were just coming in after ten years.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Scalzo.

REP. SCALZO: (111th)

Thank you. One final question. You had reflected a cost that was averaged out of the course of twelve years as opposed to a cost of the traditional methods which would be conducted every ten years. Do you have

gmh

005425  
400

House of Representatives

Friday, June 2, 1995

any estimates that could easily be explained by just shifting those by averaging out those costs over two additional years. Does that hold true as we continue to move forward? Or is that just -- or is that lesser costs just associated with the additional two years?

DEPUTY SPEAKER HYSLOP:

Through the Chair, Representative Scalzo.

REP. SCALZO: (111th)

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Thank you, Mr. Speaker. Actually, the State of Massachusetts has a nine year physical inspection revaluation program and much of the information that we are using has been derived from the Massachusetts experience where there is a three year, three-three-nine cycle and what we have found is that the data quality has resulted in the efficiencies in lower price in the implementation of this system. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Scalzo.

REP. SCALZO: (111th)

Thank you, Representative Schiessl. I do have

gmh

House of Representatives

Friday, June 2, 1995

some reservations. I think that certainly the underpinnings of this bill is sound and responsible public policy. However, I would agree with Representative Chase that this might not be the best time, perhaps, to impose this mandate and additional costs upon our municipalities. We have been asking our municipalities for several years to do more with less as we have cut aid to municipalities. I believe I represent my constituents in saying that we are more than happy to contribute our fair share and some would say, more than our fair share to the State Treasury. However, what we would like in return is a little bit more freedom in managing our affairs and certainly this is a task, an endeavor, revaluation that is critical to managing our own affairs.

For those municipalities that have been good citizens and have judiciously conducted the revaluations, without seeking extensions and in those municipalities where the nature of a grand list and a tax base do not and cannot really reflect a significant shift from a commercial to a residential property, it may represent a shift from one type of residential property to another, this mandate, I believe, is not necessarily the best thing being applied to Ridgefield and I don't think it necessarily addresses a lot of the

gmh

House of Representatives

Friday, June 2, 1995

serious needs of our municipalities.

Clearly, in some cases, it may be, but for those reasons, I will be opposing the measure. Thank you.

DEPUTY SPEAKER HYSLOP:

Representative Sauer.

REP. SAUER: (36th)

Thank you, Mr. Speaker. Through you, a question to the proponent.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl, prepare yourself.

REP. SAUER: (36th)

On lines 44 and 45, could you explain the meaning of including the standards for the certification and recertification of assessors. And I wonder what that will mean for the small towns. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. Section one of the bill requires the assessor committee to adopt standards for assessor certification and recertification. These certifications will be valid for five years. That is the essence of the section and the language that the questioner is referring to really includes the specific

House of Representatives

Friday, June 2, 1995

language that where that change can actually be found.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Sauer.

REP. SAUER: (36th)

Well, I just wondered what difference that makes with current practice.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Thank you. The subcommittee entertained testimony that the State of Massachusetts benefitted from the certification of assessors. We have a program in Connecticut with extensive course requirements and some municipalities require, as part of the hiring process, that the assessor of that municipality be certified. It was the recommendation of Subcommittee Number One which addressed the administration and structure of the property tax to -- it was their belief that the assessor who signed the grand list should be required by law to be certified in order that they are on top of any changes in the technology that may occur in this area as it develops. And that is the reason the

gmh

House of Representatives

Friday, June 2, 1995

language is in the bill because the Finance Committee believed that it was a valid recommendation of the Subcommittee, that would in fact, help improve the standardization of the implementation of the property tax in Connecticut.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Sauer.

REP. SAUER: (36th)

Thank you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Prelli.

REP. PRELLI: (63rd)

Thank you, Mr. Speaker. Mr. Speaker, the Clerk has an amendment, LCO Number 7923. Could he please call and I be allowed to summarize?

DEPUTY SPEAKER HYSLOP:

Will the Clerk please call LCO 7923, designated House "E" and the Representative has asked leave to summarize.

CLERK:

LCO Number 7923, House "E" offered by Representatives Prelli and Lockton.

DEPUTY SPEAKER HYSLOP:

Representative Prelli.

gmh

House of Representatives

Friday, June 2, 1995

REP. PRELLI: (63rd)

Thank you, Mr. Speaker. Mr. Speaker, this bill would remove the reference that all the court appeals would have to come to the Hartford/New Britain court and I move its adoption.

DEPUTY SPEAKER HYSLOP:

The question is on adoption. Will you remark further?

REP. PRELLI: (63rd)

Mr. Speaker, in many of the legislation we are getting this year, it appears that all or many of the new trials have to come to the Hartford/New Britain Courthouse. It seems to me that if we are looking at appeals of our property tax, we should be concerned about the citizens of the State of Connecticut and they shouldn't always have to come to Hartford/New Britain.

Most of the people in my district, their local courthouse is in Litchfield. Some of them, it is Hartford/New Britain. For the people down along the shore in southwestern Connecticut, they would have an hour and one-half drive up to the Hartford/New Britain court. I think that is wrong. I think we should be able to take our tax appeals to the local courts and for that reason, I think the bill should move forward.

DEPUTY SPEAKER HYSLOP:

gmh

House of Representatives

Friday, June 2, 1995

Will you remark further? Representative Schiessl.  
REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I rise, respectfully, to oppose the amendment for the following reason or reasons. We are engaged in an experiment here in Connecticut, an experiment that is being conducted by the Judicial branch in the State of Connecticut. That experiment is the creation of a tax court. The Subcommittee on Practice and Procedure of a Tax Section of the Connecticut Bar, the Advisory Committee of the Tax Section, and the Judicial Branch has confirmed today that the reason we would like to have these trials conducted in the judicial district of Hartford/New Britain is because that is where this tax court has been set up. Judge Arnold Aaronson is currently presiding and one of the reasons you have seen legislation throughout the session that directs tax related trials and litigation to that court is because we want to see if this experimental tax court will work to increase judicial efficiency.

And with regard to this particular type of appeal, this type of appeal relates to the value of property and in discussing this situation with Judge Aaron Ment today, the representative of the Judicial Branch who generally communicates with legislators, he has

gmh

House of Representatives

Friday, June 2, 1995

indicated that this tax court has the flexibility to hear cases throughout the state. In fact, with regard to this particular type of litigation, he has indicated to me that he will establish mediation and pretrial procedures to take place in four or five judicial districts throughout the state.

Most of these cases never go to trial. They are settled out because they involve the valuation of property. If you accept the words of Judge Ment as the representative of the Judicial Branch in that he will establish pretrial and mediation circuits, and allow the pretrial procedures where the bulk of these cases are resolved to take place in the judicial districts around the state, then there is really no need for this amendment at this time.

I would counsel you that if in fact what Judge Ment has indicated to me does not occur and that pretrial procedures and mediation only takes place in the judicial branch of Hartford/New Britain, then I think it would be appropriate for the Legislative branch to impose its will on the Judicial Branch and require these types of trials to be held all over the state.

But this is just part of a great experiment and I think, a necessary experiment in the administration of

gmh

408

House of Representatives

Friday, June 2, 1995

justice in Connecticut and I would respectfully oppose the amendment at this time. Thank you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Will you remark further on the amendment?

Representative Powers.

REP. POWERS: (151st)

Thank you, Mr. Speaker. I rise in support of the amendment. Representing a town that is an hour and one-half away from here, even if it is just a few cases, I would not want to be responsible for sending an elderly person up to Hartford/New Britain to argue a case. Thank you.

DEPUTY SPEAKER HYSLOP:

Representative Johnston.

REP. JOHNSTON: (51st)

Thank you, Mr. Speaker. A question to Representative Schiessl, through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl. On the amendment?

REP. JOHNSTON: (51st)

Yes, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. JOHNSTON: (51st)

In section 17, is it my understanding now that if

gmh

House of Representatives

Friday, June 2, 1995

a taxpayer is not in agreement with his --

DEPUTY SPEAKER HYSLOP:

Representative Johnston, are you talking on the amendment or on the bill?

REP. JOHNSTON: (51st)

Well, the amendment strikes out actions in section 17 and I guess I would like to understand section 17 better before I can vote on the amendment.

DEPUTY SPEAKER HYSLOP:

Proceed.

REP. JOHNSTON: (51st)

Thank you, Mr. Speaker. In section 17, if a taxpayer is not pleased with his evaluation and is in disagreement, according to this language, he would have to travel to Hartford and aggrieve it in a court there as opposed to the present system where he would go before a board of tax review, elected by his towns people?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. No, that is not correct. That aggrieved taxpayer would have the opportunity to take his case before the Board of Tax Review and if he or she receive an adverse decision,

gmh

House of Representatives

Friday, June 2, 1995

there would be an opportunity to take an appeal. That appeal would be taken to the court in the Judicial District of Hartford/New Britain, but that would not require that individual to travel to the court. That appeal can be taken on the papers. In fact, if Judgment is good to his word and I have no reason to believe that he is not, there is really no reason to believe that if that aggrieved taxpayer does end up having a trial that that trial would necessarily be held in the Judicial District of Hartford/New Britain.

In fact, I would guess that in a majority of cases, it would be resolved prior to trial. The trial itself would be held in the Judicial District of Hartford/New Britain, but the pretrial procedures could in fact occur on the circuit or in a more local judicial district under the terms of the representations we have received from the Judicial Branch. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Johnston.

REP. JOHNSTON: (51st)

Through you, Mr. Speaker. I would like to thank Representative Schiessl. It does explain that section and allows me to understand the amendment and what it might do to the bill. Thank you.

gmh

House of Representatives

Friday, June 2, 1995

DEPUTY SPEAKER HYSLOP:

Representative Roraback.

REP. RORABACK: (64th)

Thank you, Mr. Speaker. Through you, a question to the proponent of the amendment, if I may.

DEPUTY SPEAKER HYSLOP:

Representative Prelli, prepare yourself.

REP. RORABACK: (64th)

Representative Schiessl is it --

DEPUTY SPEAKER HYSLOP:

Representative Prelli is the proponent of the amendment.

REP. RORABACK: (64th)

I am sorry. A question, through you to Representative Schiessl, if I may.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl, would you prepare yourself?

REP. RORABACK: (64th)

Representative Schiessl, is it your contention that the property tax court be set up in Hartford/New Britain would have expertise that would not be possessed by superior court judges to litigate tax appeals? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

gmh

House of Representatives

Friday, June 2, 1995

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. The court is already set up. One of the judges presiding is a fellow named Arnold Aaronson. I know from personal experience that he is quite adept at handling matters of this nature and I believe there is another judge sitting as well, whose name escapes me. But I believe the idea is to have judges presiding over these matters who are very well versed and experienced in the law and that may actually help resolve some of these issues since they can bring their real world expertise to the mediation and resolution of these complaints, hopefully, short of trial. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Roraback.

REP. RORABACK: (64th)

Through you, Mr. Speaker. Representative Schiessl, is it the current practice now for property tax appeals to be heard by that court in Hartford/New Britain or are they now being in the Judicial Districts where the property is located? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

House of Representatives

Friday, June 2, 1995

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. It is my belief that those matters are currently being held in the Judicial Districts in which they have been brought. And are not being heard at the tax session. I think the change proposed in the law would have those appeals heard in the -- actually the trials are conducted in the Judicial District of Hartford/New Britain. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Roraback.

REP. RORABACK: (64th)

Through you, Mr. Speaker. Representative Schiessl, in my experience has been when these matters are litigated, it largely boils down to the testimony of competing appraisers as to the value of the subject property. Through you, Mr. Speaker. I can understand why it is that a special court of competent jurisdiction in Hartford is set up to litigate appeals from the Department of Revenue Services on complex matters of state tax law, but with respect to a property tax appeal, through you, Mr. Speaker, it is Representative Schiessl's belief that the court in Hartford/New Britain would have competence to judge the testimony of appraisers which would not be possessed by

gmh

414

House of Representatives

Friday, June 2, 1995

judges sitting in the Judicial Districts? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. In that these particular judges in the tax session would be handling cases from all over the state, they would be relying on the expert testimony of those witnesses brought by the various parties, they would be competent to do their jobs and pass justly on the claims before them.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Roraback.

REP. RORABACK: (64th)

Thank you, Mr. Speaker. I would just like to support the amendment because I think it would prevent unnecessary expense being imposed upon litigants and appraisers and I don't see any need to be travelling to Hartford and New Britain to litigate a tax appeal.

Thank you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

With that, Representative Radcliffe.

REP. RADCLIFFE: (123rd)

Thank you, Mr. Speaker. Just very briefly to

gmh

005440  
415

House of Representatives

Friday, June 2, 1995

underline that. You know, the reason for venue in the District of Hartford/New Britain is for two reasons. Number one, appeals from state agencies because the agencies are here, the expertise is here and it makes sense to have the appeal to Hartford/New Britain. Representative Schiessl indicated that the trend had been the other way. On the contrary. We have got a bill on our calendar now regarding the Affordable Housing Appeal. That, in fact, would go just the opposite way. It would say that we would keep the specialized court, keep the specialized judges, but allow venue or allow a writ to be returned in the area where the land is located.

It is even more important in a situation where you are going to have to bring expert witnesses. A plaintiff who takes a property tax appeal, if he or she wants to exercise a right to a trial would have to come from many parts of the state to Hartford. Not only the plaintiff has to come, they have to engage an expert witness, have to pay an appraiser, have to pay the appraiser for his or her time and it is an inconvenience. It is much easier, as will be the case if that bill is passed in the Affordable Housing area, it is much easier for the specialized judges to go from Hartford to Litchfield to Stamford to New Haven to hear

gmh

005441  
416

House of Representatives

Friday, June 2, 1995

several cases than it is for all of those litigants and all of those witnesses to have to come to the City of Hartford.

The reason for venue in Hartford an appeal from a state agency, simply doesn't exist here. It ought to be where venue normally is located in the area where the land or the municipality is located as a convenience to litigants, as a convenience to witnesses. I don't think it does any inconvenience to the judiciary which is far more mobile.

DEPUTY SPEAKER HYSLOP:

We will try your minds. All those in favor, signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER HYSLOP:

Those opposed, no.

REPRESENTATIVES:

No.

DEPUTY SPEAKER HYSLOP:

Amendment "E" fails. Will you remark further on the bill? The no's have it. Amendment "E" fails.

Will you remark further on the bill, as amended?

Representative San Angelo.

REP. SAN ANGELO: (131st)

gmh

House of Representatives

Friday, June 2, 1995

Thank you, Mr. Speaker. I thought you had forgotten about me over here. A few questions, through you to the proponent of the amendment, please.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl. Proceed.

REP. SAN ANGELO: (131st)

Through you, Mr. Speaker. Representative Schiessl, this is obviously being pushed as being a positive thing for municipalities. Does CCM support this particular bill?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I have no comment on whether an interest group has a particular position on a piece of legislation pending before the Chamber.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Well, that particular interest group is our communities and our towns and this bill has a huge effect. So I did have a concern about what our towns thought on this particular piece of legislation.

Through you, Mr. Speaker. We are going to do a

House of Representatives

Friday, June 2, 1995

four year statistical revaluation every year. A variety of people in my district wanted to know if they would get a separate revaluation notice every four years and would it explain what factors went into that revaluation or would it come with their tax bill? How would that notice of revaluation come?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I believe we addressed that issue in a previously adopted amendment. In fact, that amendment, was LCO Number 7942, I believe designated House Amendment "D". The assessors, the Board of Assessors shall send written notice by mail of each revaluation conducted pursuant to the section to each person whose property was revaluated. Such notice shall include information describing the property owner's rights to appeal such revaluation.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Through you, Mr. Speaker. Yes, I understand that particular amendment, but my question was, what factors would be used for determining the statistical

House of Representatives

Friday, June 2, 1995

reevaluation when residents would get their reevaluation notice, how would they determine why it went up?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I simply do not understand the question and would ask the proponent to please rephrase.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Through you, Mr. Speaker. I assume that when they got their statistical reevaluation every four years, that that statistical reevaluation would have a new number reflecting the new assessment. The question I have is how would a citizen understand how that new number was arrived at?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I presume they would be able to derive some understanding by whatever information was included on the notice and I do not have before me an announcement of the particular information that needs to be included in that notice.

gmh

House of Representatives

Friday, June 2, 1995

So perhaps that would be something that would be left to the municipality in administering this system.

Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Through you, Mr. Speaker. Is there any requirement that that notice have that information on it when it was sent from the municipality to the taxpayer?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. In skimming the bill, I am not finding the language, but I cannot say that it isn't there. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Through you, Mr. Speaker. Representative Schiessl, could you tell us some of the factors that might be used in determining the new revaluation number? Would it be a rate of inflation? What would be used in determining that new revaluation number?

DEPUTY SPEAKER HYSLOP:

gmh

House of Representatives

Friday, June 2, 1995

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. If there are particular changes to the property that affect its value, those would be taken into consideration. A room added. A garage added. An out building added. The removal of any of the same. Items that are specifically related to the property would certainly become factors in assessing its value. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Thank you. Through you, Mr. Speaker. Other than new additions to the property, buildings, what factors would actually go into a property that wasn't changed to what other factors would go into that assessment calculation?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. There are several factors that could come into account with regard to the revaluation of a property. Those may include the relative tax burden, whether or not the State of Connecticut has implemented measures to relieve th-

gmh

House of Representatives

Friday, June 2, 1995

property tax burden through a system of credits on the income tax or any number of items related to the mill rate, things of that nature. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Through you, Mr. Speaker. Would there be a set of guidelines from OPM advising municipalities as to what the standards they would use in adopting this statistical revaluation?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I believe those standards exist in the profession and in the implementation of the system by those who are versed in the evaluation of property. They would be the ones to apply those factors and assign a value to the property as is the case under current law. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP SAN ANGELO: (131st)

Through you, Mr. Speaker. Representative Schiessl, could you tell me who would pick up the cost

gmh

House of Representatives

Friday, June 2, 1995

of sending out the new notices on the four year cycle under the new program of statistical revaluation?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. The assessor or Board of Assessors.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Well I assume through that then it would be the municipality would pick up the cost of that notice?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. That is correct.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Through you, Mr. Speaker. One of the main reasons you cited for having this statistical revaluation was to stop the shift, the large shift between the commercial properties and residential properties. Could you explain to me what or how you arrived at a four year cycle and why it wasn't done on a yearly

gmh

House of Representatives

Friday, June 2, 1995

cycle because once the information is set up on a computer, I would think it would be very easy to generate the information on a yearly cycle.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I think Representative Mazzoccoli may have addressed the issue in some manner in his comments in support of the bill. But I can tell you that I don't believe that the cost or technology is available or supports the idea of an annual statistical. That does not necessarily mean that that might not be the case some day, but I always thought that we could track uninsured drivers through the DMV and apparently, that technology is available, isn't available, I would counsel the questioner. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Through you, Mr. Speaker. Doesn't current law currently allow for a statistical revaluation every year for the first five years after a physical?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

gmh

House of Representatives

Friday, June 2, 1995

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. Current law allows a phase-in of a revaluation over a five year period. I believe that if a town wanted to do a statistical every year, they probably could. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Would they be allowed to do a statistical every year through this legislation, to the new legislation or would they only be allowed to do it on a four year cycle?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I believe if they comport with the four-eight cycle called for in the bill, if they want to do statisticals, and incur that cost, in years one, two, three, five, six, seven, nine, ten and eleven, they would be certainly welcome to do that. Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Through you, Mr. Speaker. The issue of bringing

gmh

005451  
426

House of Representatives

Friday, June 2, 1995

the hardware and the software was brought up earlier. Would OPM be required to pick up the full cost of the hardware and software in establishing this program or would it be up OPM through a grant process if they wanted to supply those funds or not?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. There already exists a grant and aid program that allows municipalities facing revaluation to apply to the state, through OPM for grants to defray the costs of acquiring this equipment. Through you, Mr. Speaker. And as I indicated earlier, there is \$750,000 currently sitting in that account that we do believe will be enough to accommodate those towns that do intend to engage in a physical revaluation during the next biennium. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Thank you. Through you, Mr. Speaker. The question once again, would OPM be required to pay the full costs through that grant system in this legislation to pick up all costs incurred of

gmh

005452  
427

House of Representatives

Friday, June 2, 1995

implementing the new statistical revaluation? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. The language in current law is also included in section 4 of the bill at lines 328, etc. The Secretary of the Office of Policy and Management has established a statewide program of financial assistance to municipalities to improve assessment and collection practices within the limits of funds available. I do not believe that there is a requirement that the State of Connecticut covers every cent. But there is a grant and aid program to provide financial assistance to those municipalities who need help obtaining the equipment to comply with the proposed change in the law. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative San Angelo.

REP. SAN ANGELO: (131st)

Thank you, Representative Schiessl. That is the last question.

Just a few comments on the underlying bill. I have some real concerns about the particular underlying bill because I do think it is going to be a large cost

gmh

House of Representatives

Friday, June 2, 1995

to the municipalities. It definitely is another unfunded state mandate. I have some concerns about, but frankly, one of the amendments that was added has a real benefit to my town. The citizens of my town clearly want to have the right to delay revaluation for one more year, so I may end up supporting the underlying bill for the particular amendment attached to it.

But I thank Representative Schiessl for his answers and I thank the Chair.

DEPUTY SPEAKER HYSLOP:

Representative Kerensky.

REP. KERENSKY: (14th)

Thank you, Mr. Speaker. A question on the bill, as amended. Through you, Mr. Speaker, a question for Representative Schiessl.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl, prepare yourself.

Proceed.

REP. KERENSKY: (14th)

Through you, Mr. Speaker. Just a quick question. If a municipality completed its last physical revaluation before 1997, but will not complete its phase-in until 1998, when would they be required to begin this program?

gmh

House of Representatives

Friday, June 2, 1995

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. They would be allowed to complete their phase-in and if you indicated they would complete their phase-in in 1998?

REP. KERENSKY: (14th)

Yes.

REP. SCHIESSL: (60th)

And the physical, through you, Mr. Speaker. And the physical revaluation occurred in what year?

Through you, Mr. Speaker.

REP. KERENSKY: (14th)

Through you, Mr. Speaker. 1996.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. I believe that they would be scheduled for a statistical in the year 2000. Unless they exercise the option to stay implementation of this proposal, I believe that may allow them to push their statistical out a couple of years. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Kerensky.

REP. KERENSKY: (14th)

Okay. Thank you, Mr. Speaker. Thank you,

gmh

House of Representatives

Friday, June 2, 1995

Representative Schiessl.

DEPUTY SPEAKER HYSLOP:

Representative Belden.

REP. BELDEN: (113th)

Thank you, Mr. Speaker. Mr. Speaker, Representative Schiessl and I had the honor as serving as co-chairs of the Property Tax Reform Commission. It wasn't something that I was enamored with, but the legislature said it was our duty, so we did it. And Mr. Speaker, it was alluded to here this evening that this is probably going to cost money and it has been alluded that you can do two statisticals and a physical for the same price that a physical costs you under the old technology.

Well I guess that is probably true and nobody has really mentioned the millions and millions of dollars that are required to get us ready to do that first one and it is not in that equation. So there is considerable upfront money.

But I remember, Mr. Speaker, 20 some years ago in my town, we decided to computerize our voting list. Those of you who remember in the old days when the registrars compiled all this data and went off to the printers and if you were lucky, three or four weeks later, came back these giant sheets and you crossed

House of Representatives

Friday, June 2, 1995

your fingers and hoped everybody was on there because it would take you another three or four weeks to make a change.

Today, we all expect overnight and we can call our registrars and guess what, he gives you a tape the next morning and says, here are all the people registered to vote in the city, by name, by district, sorted out every way you want.

That's what we are really talking about here. We are talking about a technology jump. We know it works. Massachusetts has already implemented. They are finding it to be very efficient. And let's understand. Property tax is the biggest money raiser we have in the state and one of the things that we owe our citizens is a fair and even handed approach to how we assess those taxes.

And in this particular bill before us, as amended, takes a quantum step over the next decade to bring us into a modern technology age enabling us to essentially do a statistical analysis every year, if somebody cared to. Or you could do a physical every three years. The bill says you must do a statistical every four and a physical at least one every twelve.

There is a part of this bill I really don't like. I don't like us extending another year the town's

House of Representatives

Friday, June 2, 1995

ability not to reevaluate. Because that is part of the problem and it was alluded to earlier. When a town doesn't reevaluate for ten or fifteen years, the property values between residential, commercial, industrial, take dramatic changes. And so we see this dramatic swing of who pays the taxes. This technology and this approach will allow us to on a more even handed approach and a more timely manner, readjust the various values of properties in the towns and to, in fact, be able to levy property taxes in a more fair and even handed manner.

Mr. Speaker, there are parts of the package that I don't like and many others don't, but I think on balance, this is a quantum technology jump that we ought to take so that we can in fact say to our citizens, we do have a fair and even handed approach to how we value your property.

Thank you.

DEPUTY SPEAKER HYSLOP:

Representative Knopp.

REP. KNOPP: (137th)

Thank you, Mr. Speaker. Through you, a question to Representative Schiessl.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl, prepare yourself for

House of Representatives

Friday, June 2, 1995

question.

REP. KNOPP: (137th)

Thank you, Mr. Speaker. First let me say, I appreciate all the hard work that my dear friend, Representative Schiessl has put into this issue. I know he cares deeply about it.

I would like to ask a question about the relationship of amendments "B" and "C" that are now part of the file copy, as amended. Representative Schiessl, Norwalk is in a situation of having completed its revaluation and adopted the two year freeze authorized last year by the General Assembly and that freeze would end on June 30, 1996, at which time, we were possibly contemplating going into a three year phase-in which would have fit into the current five year phase-in schedule.

Under the file copy, as amended, we will now be going to possibly an additional third year of a freeze and down to a four year phase-in which would mean after the three year freeze expired, it would not really be any possibility of doing any kind of phase-in. So my question is, through you, Mr. Speaker, it seems to be the case as I read amendments House "B" and House "C" there is no special provision for a town like Norwalk to be grandfathered in to still utilize the five year

gmh

434

House of Representatives

Friday, June 2, 1995

phase-in which we haven't yet adopted because we are still finishing out the two year freeze. Does that seem to be an accurate reading of the amended bill?

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. Thank you for that question, Representative Knopp. By action of their legislative body, the City of Norwalk, in this instance, could exercise their right to extend the freeze to June 30, 1997. That is an option to the City. Whether they choose to exercise it or not is up to their discretion.

Upon implementation and enactment of the law of this proposal, the five year freeze would no longer be a tool available to the City of Norwalk in this instance, but they would have available to them, a four year phase-in pursuant to the amendment we adopted to the file copy. So I believe you are accurately stating what Norwalk's experience and options would be under the terms of this proposal. Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Knopp.

REP. KNOPP: (137th)

Through you, Mr. Speaker. Just to make sure then.

House of Representatives

Friday, June 2, 1995

At the end of a -- we have a two year freeze now. If we were to adopt the third year of the freeze authorized by this bill, at the expiration of the third year of the freeze, we would then be eligible to undertake a four year phase-in? Is that your understanding? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. That is my understanding.

DEPUTY SPEAKER HYSLOP:

Representative Knopp.

REP. KNOPP: (137th)

And that therefore under the schedule, it would be at the end of that four year phase-in that we would then be required to do our statistical revaluation since we just have completed a physical revaluation in 1994? Through you, Mr. Speaker.

DEPUTY SPEAKER HYSLOP:

Representative Schiessl.

REP. SCHIESSL: (60th)

Through you, Mr. Speaker. That is correct.

REP. KNOPP: (137th)

Thank you very much.

gmh

House of Representatives

Friday, June 2, 1995

DEPUTY SPEAKER HYSLOP:

Staff and guest to the well of the House. The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members to the Chamber. The House is voting by roll call. Members to the Chamber, please.

DEPUTY SPEAKER HYSLOP:

Have all members voted?

SPEAKER RITTER:

Have all members voted? Please check the roll call machine to make sure your vote is properly cast. If it has, the machine will be locked. Clerk, please take the tally.

Clerk, please announce the tally.

CLERK:

House Bill 6998, as amended by House "A", "B", "C" and "D"

Total Number Voting	147
Necessary for Passage	74
Those voting Yea	99
Those voting Nay	47
Those absent and not voting	5

SPEAKER RITTER:

The bill, as amended passes. At this time, the

S-385

CONNECTICUT  
GEN ASSEMBLY  
SENATE

PROCEEDINGS  
1995

VOL 38  
PART 15  
5313-5706

SEN. FLEMING:

Yes, thank you, Madam President. I would like to go back to an item previously passed temporarily on Page 8, Calendar 591, and I would ask for suspension of the rules to take that item up.

THE CHAIR:

Motion before us is for suspension of the rules. Without objection, so ordered.

THE CLERK:

Page 8, Calendar 591, Substitute for HB6998, An Act Concerning the Improvement of Process and Administration of the Property Tax, amended by House Amendments "A", "B", "C" and "D". Favorable Report of the Committee on Finance, File 746, 897.

THE CHAIR:

Senator Nickerson.

SEN. NICKERSON:

Yes, Madam President. Thank you. I would move acceptance of the Joint Committee's Favorable Report and passage of the bill with three amendments, excuse me, with four amendments in concurrence with the House.

THE CHAIR:

The question is on passage in concurrence with the House. Will you remark?

SEN. NICKERSON:

Yes, Madam President. This is the third time this bill has been before us, though not exactly in this statutory caption. The Chamber may recall that it was first before us on Friday night when this bill was amendment "A" to the succession tax. It was then referred to Approps, approved by Approps, came back to this Chamber, sent to the House. The House deleted Amendment "A" and chose to enact the file copy which they had on their Calendar and which you now have before you.

You have also, I won't spend a great deal of time on the substance of the bill since it's been debated twice in this Chamber.

I do want to let the Chamber know about the amendments, all four of which I believe are salutary, enhance the bill and should be adopted. The first is entirely technical. That's "A".

"B" is a very useful one because it addresses the fact that some members were concerned that the property depreciation schedule needed further work, and to address that, Amendment "B" deletes the depreciation schedule and provides for a study which will come back to this Body for its determination as to how it wants to handle depreciation.

Amendment "C" addresses the fact that under

current law, property revaluations may be phased in over a five year period and clearly since we now have a four year cycle for revaluation, it's appropriate to reduce that phase in period from five years to four years. "C" does that.

And "D" simply requires the assessor to provide homeowners with additional information.

Having described those amendments I won't say more about the bill than merely to say it is the product of a great deal of work at the Property Tax Reform Commission. It addresses its core, its core addresses the concern that we have an antique, antiquated ten year revaluation system which has proved so wrenching to many towns around the state and has frankly, engendered a lack of public confidence in the quality of our assessments.

It moves us forward in the world of technology and software so that we have the latest technologies available to them and I'll close by thanking the Minority for their courtesy in consenting to the suspension. Thank you, Madam President.

THE CHAIR:

Thank you, Senator Nickerson. Will you remark further? Senator Bozek.

SEN. BOZEK:

Thank you, Madam President. I again stand here to oppose this particular bill. I dare say that on all the bills that come before us, there are some bills that we all know something about and there's some bills that many of us are not familiar with.

In this particular case, the only familiarity I think occurs to many people is that this revaluation is going to settle the dispute that they hear from time to time from the business community which says, I'm being overtaxed on my property because I'm paying an unfair burden in comparison to what the residential person is paying because my building sells for less than somebody's home that sells for less.

The fact this is a truism and it's occurred right along. In fact, the homeowner complains that his taxes are too high. What occurs every ten years when we hear revaluation is, in all likelihood what occurs is, commercial property is down.

At the same time because the mill rate is going to be adjusted against the motor vehicle, the mill rate winds up going back up because we have to account for the taxation on motor vehicles which is a fixed item at 70% of value. And when the mill rate comes down because of reassessment value, the total net amount of assessable taxable property winds up going up so the

mill rate comes down.

But to get to the base, let's say \$100 million of needed monies for that community, in order to assess a tax mill rate against the base, we wind up actually then rising the real estate a little more.

In between the commercial property, like the residential property, he or she has had their property reassessed to an equitable value. In all cases, an equitable value is the same at the end of a revaluation as going into a revaluation.

And maybe 30 years ago there's some deficiencies because of the science and artwork that was done in revaluation. In the last more than 20 years, almost all communities have either in-house or have contracted with, some organization, commercial organization which finds all the factors that are attributable to the value of your property, commercial and residential and attributes some equitable, fair value that nets you an assessed value on your property.

If you were paying \$3,500 in taxes and my neighbor was paying \$3,500 in taxes, after the revaluation the likelihood actually is that our assessment value might be up a little bit, but we would probably wind up paying, let's say, \$4,000 in taxes. We would each pay \$4,000.

But on the commercial property, he might get that necessary break because during this period of time, especially in the recent 30 years, commercial property has lost value, goes down in value, diminishes in value. And what occurs is, that particular property that might have been paying \$50,000 in taxes, maybe gets a break down to \$40,000, \$42,000 or \$43,000. I'm only using figures which would be no factual but that would be related to residential homes and commercial properties.

So the commercial property gets a break. In the last 10 or 15 years, the largest complaint outside of commercial property are condominiums. Condominiums have taken a major hit because their values have decreased substantially.

Notwithstanding commercial properties and condominiums, the values of all our properties in all the communities, the relevance is going to be the same. But what we're going to be left with more frequently than we are now is, the complaints that everybody has about their property that was over-valued and they're paying too much taxes.

They've contacted us as elected officials to the state. They contact local municipal officials. If any of you were prior elected officials you know that. And

you've heard it in many social circles and your neighbor's any time revaluation went around. Nobody's ever satisfied.

The fact is, they attribute though, the revaluation process to the process of government and I think at each time they have revaluation, there's so much disconcern and complaints about revaluation that they attribute a negative feeling and consequence about having their government serve them and operate the laws that govern assessment rules.

What we're going to have by doing this on a more frequent basis is, we're going to have ourselves more complaints, more concern and we're going to have a greater disconcern by the electorate about their government, about people who apply the laws as to why are we doing this now? My taxes at least when they went up, they went up every ten years. Now they're going to go up every four years. I'm pretty sure, I'm not going to say mark my words, but you mark some of the words I said on this one. There are going to be a lot of concerned people who are upset about this particular process.

I think that in all honesty, the fact that the remarks that were made about we're going into the 21st Century and this is going to be standard

computerization, I want to tell you, Madam President, that computers are managing virtually all communities assessment records at this time.

What we're engaging the assessors in all our communities to do is to perform other work, additional work or contract for additional contractors to come in and handle their assessment work. It's a cost in my community of \$350,000 in New Britain. I know the relevant amount to the size of your community is going to be increased or going to be a little lower.

You're still going to have to pay on a 12 years and in between you're going to have to pay every four years. I've been working in the assessment for a number of years. I can tell you that talking with our assessors in a couple of the communities, the costs are going to be high and relevant to their budget and none of them want this particular headache or process.

There's an equity built into all our revaluations now and to handle some of the complaints of commercial people, people in the commercial area who say their commercial business is being stifled because they're paying too much taxes, it's no more different than a resident who complains because they're paying too much taxes.

Madam President, I sincerely believe that this

particular measure, this particular bill that we are going to have for revaluation, statistical every four years and a standard revaluation every 12 years I think is not going in the right direction and I know at least from people in the area, in the municipalities that service their communities as being assessors, in my areas have said that they're opposed to it. So I'm opposed to it for that reason and all the other reasons that I've stated where equity is still fair with or without the four year revaluation process.

Thank you, Madam President.

THE CHAIR:

Thank you, Senator Bozek. Will you remark further on the bill?

SEN. NICKERSON:

Yes, Madam President.

THE CHAIR:

Senator Nickerson.

SEN. NICKERSON:

With all due respect to my colleague and I do respect his views and I listen to him. I can only say that all five bodies that have examined this bill have come to exactly the opposite conclusion. Namely, that fairness and equity will be served by this bill.

Those five bodies are first, the Property Tax

Review Commission. Second, the Finance Committee. Third, the Appropriations Committee. Fourth, this Body when it adopted the bill. And Fifth, the House of Representatives.

So, based on that history and the explanation of the amendments and the considerable weight of evidence that supports the concept that this bill will precisely enhance equity, rather than diminish it, I urge adoption.

Thank you, Madam President.

THE CHAIR:

Thank you, Senator. Will you remark further? Will you remark further? If not, would the Clerk please announce a roll call vote. The machine will be open.

THE CLERK:

An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

An immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

THE CHAIR:

Have all members voted? If all members have voted, the machine will be locked. The Clerk please

take a tally.

THE CLERK:

Total number voting, 35; necessary for passage, 18. Those voting "yea", 31; those voting "nay", 4.

THE CHAIR:

The bill is passed.

THE CLERK:

Senate Agendas.

THE CHAIR:

Senator Fleming.

SEN. FLEMING:

Madam President.

THE CHAIR:

Senator Fleming.

SEN. FLEMING:

Yes, thank you, Madam President. Madam President, I would move that all items on Senate Agendas No. 1 and No. 2 dated June 6, 1995 be acted upon as indicated and that the Agenda be incorporated by reference into the Senate Journal and the Senate Transcript.

THE CHAIR:

Without objection, so ordered.

SENATE AGENDA #1