

Legislative History for Connecticut Act

HB 6952	<PA 1897	1999
SENATE	3408, 3426-3428	4p.
HOUSE:	3321-3326, 3614-3648	41p.
Finance:	267, 268, 272-277, 349-367, 376, 378-387, 390-392, 491, 493-494, 499-502, 515-518, 539-550	63p.
		Total-108 p.

Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate  
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CONNECTICUT  
GEN. ASSEMBLY  
SENATE

PROCEEDINGS  
1999

VOL. 42  
PART 10  
3161-3510

003408

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Senate

Monday, June 7, 1999

SEN. JEPSEN:

Thank you, Madam President. At this time I'd like to place several items on the Consent Calendar.

THE CHAIR:

Please proceed.

SEN. JEPSEN:

Page 6, Calendar 562, HB6952 previously passed temporarily, I would move that to the Consent Calendar.

THE CHAIR:

Without objection, I'm sorry, without objection, so ordered.

SEN. JEPSEN:

Thank you, Madam President. Page 21, the three resolutions, Calendar 565, SR47, I move to the Consent Calendar.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

Page 21, Calendar 566, SR48 I move to the Consent Calendar.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

Page 21, Calendar 584, SR49 I move to the Consent Calendar.

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Senate

Monday, June 7, 1999

a regular time tomorrow, there will be a Senate Republican Caucus at 11:00 a.m. I know that we'll be getting out early tomorrow as indicated by the Majority Leader. Thank you.

SEN. JEPSEN:

Thank you. If the Clerk will call the Consent Calendar.

THE CHAIR:

Mr. Clerk, would you first announce a roll call vote on the Consent Calendar.

THE CLERK:

An immediate roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber.

An immediate roll call has been ordered in the Senate on the Consent Calendar. Will all Senators please return to the Chamber.

Madam President, the Second Consent Calendar begins on Calendar Page 2, Calendar 234, SB1351.

Calendar Page 3, Calendar 453, Substitute for SB1266.

Calendar Page 6, Calendar 562, Substitute for HB6952.

Calendar Page 9, Calendar 578, Substitute for HB6656.

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Calendar Page 10, Calendar 583, Substitute for  
HB6944.

Calendar Page 11, Calendar 101, SB1013.

Calendar Page 12, Calendar 190, Substitute for  
SB801.

Calendar Page 16, Calendar 391, Substitute for  
SB353.

Calendar 430, Substitute for HB5905.

Calendar 450, Substitute for SB1189.

Calendar Page 17, Calendar 455, Substitute for  
SB1326.

Calendar Page 18, Calendar 89, Substitute for  
SB971.

Calendar 109, Substitute for SB1100.

Calendar Page 21, Calendar 565, SR47.

Calendar 566, SR48.

Calendar 584, SR49.

Madam President, I believe that completes the  
Second Consent Calendar.

THE CHAIR:

Thank you, Sir. Would you once again announce a  
roll call vote on the Consent Calendar. The machine  
will be opened.

THE CLERK:

An immediate roll call has been ordered in the

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Senate

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Senate on the Consent Calendar. Will all Senators please return to the Chamber.

An immediate roll call has been ordered in the Senate on the Consent Calendar. 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 announce the tally.

THE CLERK:

Motion is on adoption of Consent Calendar No. 2. Total number voting, 36; those voting yea, 36; those voting nay, 0. Those absent and not voting, 0.

THE CHAIR:

The Consent Calendar is adopted.

THE CLERK:

Madam President, the Clerk is also in possession on Senate Agenda No. 2 for Monday, June 7, 1999, copies of which have been distributed.

THE CHAIR:

Senator Jepsen.

SEN. JEPSEN:

Thank you, Madam President. Before adopting Senate Agenda No. 2, I would move immediate transmittal of all items acted upon tonight to the House of

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2947-3321

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House of Representatives

Thursday, May 27, 1999

Total Number Voting	135
Necessary for Passage	70
Those voting Yea	135
Those voting Nay	4
Those absent and not voting	12

SPEAKER HYSLOP:

The bill as amended, passes. Clerk, please call  
Calendar 413.

CLERK:

On page nine. Calendar 413, Substitute for House  
Bill Number 6959, AN ACT CONCERNING MENTAL HEALTH  
SERVICES FOR CHILDREN. Favorable Report of the  
Committee on Public Health.

SPEAKER HYSLOP:

Representative Godfrey.

REP. GODFREY: (110th)

Thank you, Mr. Speaker. I move that this item be  
passed temporarily.

SPEAKER HYSLOP:

Seeing no objection, so ordered. Clerk, please  
call Calendar 443.

CLERK:

On page twenty-nine. Calendar 443, Substitute for  
House Bill Number 6952, AN ACT CONCERNING TECHNICAL  
CHANGES AND CLARIFICATIONS TO THE ASSESSMENT OF PERSONAL

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VOL. 42  
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3322-3720

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House of Representatives

Thursday, May 27, 1999

PROPERTY. Favorable Report of the Committee on Planning and Development.

SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

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

SPEAKER HYSLOP:

Question is on acceptance and passage. Will you remark?

REP. MCDONALD: (148th)

Yes. This bill is often referred to as the assessor's bill. The assessors of this state and their association have been working for quite a few years in trying to get rid of our archaic language in our laws and redefining terms as they are practiced at the local municipality and town level.

If you will look in your file copy, you will see that the bill is broken down into seventeen sections. And I would just like to kind of summarize and say, that they've changed the definitions of things to clarify a lot of terminology.

For example, instead of calling things "list" all the time, when they're referring to personal properties, they call them the "declaration of personal property" so

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as not to confuse it with the grand list.

They have also, we also changed some of the penalties. Sometimes somebody who has omitted a piece of personal property, especially when they're assessing large corporations, and it was an oversight, and a 25% penalty was kind of onerous.

So, we've reduced that to ten percent penalty when the assessor determines that it was not a willful act. But we have left the 25% penalty in the bill for people who are blatantly getting around the law.

Mr. Speaker, the Clerk has LCO-8918, will he please call and I be allowed to summarize?

SPEAKER HYSLOP:

Clerk, please call LCO-8918, be designated House A.

The Representative has asked leave to summarize.

CLERK:

LCO-8918, House A, offered by Representative McDonald.

SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

Yes, Mr. Speaker. This amendment in line 181, we're talking about who can do --

REP. PRELLI: (63rd)

Mr. Speaker, Mr. Speaker.

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SPEAKER HYSLOP:

Representative Prelli.

REP. PRELLI: (63rd)

Mr. Speaker, we don't seem to have copies of the amendment yet. Could we please wait a minute?

SPEAKER HYSLOP:

Chamber stand at ease till we receive copies on the other side. Chamber will come back to order.

Representative McDonald.

REP. MCDONALD: (148th)

Yes, Mr. Speaker, the first two items on this amendment, in line 181 before the word "revaluation" insert "certified public accountant." And in line 226, strike out the word "used" and substitute the word "requested."

Those two amendments, I mean those two items, were requested at the direction of Commissioner of Office of Policy and Management, Mark Ryan. What it really does is tell what kind of requirements are required to do audits of personal property. And people have to have a reveal license, or they can be a certified public accountant.

And in line 226, the information must be in forms requested by the assessor. Those two items. The last item asks to strike out lines 683 to 709 in their

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entirety and renumber the lines.

The reason for this is this section was put on in the Planning and Development Committee. And it refers to a gross earnings tax. There hasn't been a gross earnings tax on telecommunications since 1990.

And it precludes the telecommunication companies that currently qualify for the election to have the personal property tax and a state buy bill right from qualifying, because it requires such companies to be subject to a gross earning tax, which we haven't had in this state since 1990.

Mr. Speaker, I move adoption of this amendment.

SPEAKER HYSLOP:

Question is on adoption of House A. Will you remark on House A? Will you remark on House A? If not, we'll try your minds. All those in favor signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER HYSLOP:

Those opposed? The aye's have it. House A's adopted. Will you remark further on the bill as amended? Representative McDonald.

REP. MCDONALD: (148th)

Yes, Mr. Speaker. The Clerk has LCO-9286. Will he

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please call and I be allowed to summarize?

SPEAKER HYSLOP:

Clerk, please call LCO-9286, to be designated House B, and the Representative has asked leave to summarize.

CLERK:

LCO-9286, House B, offered by Representatives McDonald and Belden.

SPEAKER HYSLOP:

Chamber will stand at ease till we get the amendment passed out. The Chamber will come back to order. Representative Pudlin.

REP. PUDLIN: (24th)

Mr. Speaker, I suggest at this time, this item be .PT'd.

SPEAKER HYSLOP:

Seeing no objections, so ordered. Clerk, please call Calendar 124.

CLERK:

On page thirty-four. Calendar 124, Substitute for House Bill Number 6365, AN ACT CONCERNING MUNICIPAL INPUT WITH SITING OF POWER GENERATING FACILITIES. Favorable Report of the Committee on Planning and Development.

SPEAKER HYSLOP:

Representative Murphy.

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Tuesday, June 1, 1999

HB5432 as amended by House schedules "A" and "B."

Total Number Voting	143
Necessary for Passage	72
Those voting Yea	143
Those voting Nay	0
Those absent and not voting	8

DEP. SPEAKER HYSLOP:

Bill as amended passes. Clerk please call Calendar 443.

CLERK:

On page twenty-eight. Calendar 443, substitute for HB6952, AN ACT CONCERNING TECHNICAL CHANGES AND CLARIFICATIONS TO THE ASSESSMENT OF PERSONAL PROPERTY, as amended by House amendment schedule "A." Favorable report of the Committee on Planning and Development.

DEP. SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

Yes, Mr. Speaker. The other day I had called an amendment and it was posted on the board and the copies weren't made so they PT'd the bill. I don't know if it's going to be posted there now, or if, I wanted to withdraw the posting and place another amendment on the board. And I'm asking you for the procedures.

Mr. Speaker the amendment I want to withdraw --

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Mr. Speaker, I move acceptance of the Joint Committee's favorable report and passage of the bill.

DEP. SPEAKER HYSLOP:

Questions on acceptance and passage, will you remark further.

REP. MCDONALD: (148th)

Yes, I explained this bill the other day. And what it is, it's mostly technical changes in the assessors, assessors for the different towns. They have a lot of things in the law that were really outdated and this changes that. I had called one amendment the other day and now I'm calling another amendment. The one I called the other day was LCO 9286, I would like to withdraw that and I have another amendment to call in its place.

The amendment I called the other day and which I now want to withdraw is LCO 9286.

CLERK:

Clerk please call LCO 9286, previously designated House "B."

CLERK:

LCO 9286, House "B" offered by Representatives McDonald and Belden.

DEP. SPEAKER HYSLOP:

Representative McDonald.

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REP. MCDONALD: (148th)

Yes, Mr. Speaker, I would like to withdraw that  
amendment.

DEP. SPEAKER HYSLOP:

Seeing no objections so ordered. Representative  
McDonald.

REP. MCDONALD: (148th)

Yes, Mr. Speaker. The Clerk has LCO 9370, will he  
please call and I be allowed to summarize.

DEP. SPEAKER HYSLOP:

Clerk please call LCO 9370 designated House "C" and  
the Representative has asked leave to summarize.

CLERK:

LCO 9370 House "C" offered by Representatives  
Belden and McDonald.

DEP. SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

Yes, Mr. Speaker. What this amendment does is look  
at a requirement in our law that every town and  
municipality has to do re-val, every four years by  
statistical methods and four years again and then a  
physical re-val at twelve years. Presently in the law  
we do not give any extensions for re-val and impose a  
penalty of 10%.

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In other words if you don't do your re-val on time the state can take away 10% of your state money and take it away from you, which is a very, very harsh punishment for the cities that don't comply. What we've done with this amendment is we've worked with OPM extensively and we've set up a system.

The present law says you can get a waiver of the punishment, not a waiver of doing this but waiver of the punishment, that's the 10% punishment. What this amendment does, is OPM worked with us and sets up the procedure by which towns and municipalities can go to OPM for a certain variety of reasons to work with them over a one year period and not incur any penalties. I move adoption.

DEP. SPEAKER HYSLOP:

Questions on the adoption of House "C" will you remark? Will you remark on House "C?" Representative Bernhard.

REP. BERNHARD: (136th)

Thank you Mr. Speaker. The Clerk has LCO 8960.

DEP. SPEAKER HYSLOP:

Excuse me Representative Bernhard, we have House amendment "C" before us right now.

REP. BERNHARD: (136th)

Forgive me Mr. Speaker.

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DEP. SPEAKER HYSLOP:

You're forgiven. Representative Belden.

REP. BELDEN: (113th)

Thank you Mr. Speaker. I rise in support of this amendment as well. Our process for re-val has been suspect and changed many, many times over the years. The way the law was written a waiver of the penalty could be granted forever. And so working with OPM we have been able to come up with a process where the penalty is graduated and would start at 1% and can only be granted a waiver, it can only be granted one time.

So I think this is a fair approach and I believe both the legislative and executive branch can live with.

I think it would serve notice on a municipality that we can look at these issues fairly and we can to some degree understand their particular problems and I believe we have addressed them in this amendment. Thank you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Representative Samowitz.

REP. SAMOWITZ: (129th)

Mr. Speaker, I have a problem with the philosophy and the policy of this type of amendment. I think the ones that get punished the most are the taxpayers of the towns that have the highest effective property tax and

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those that are going to have -- with a revaluation -- are going to have an even higher property tax.

They're strangling the cities right now with property tax without any safety net. And having these penalties in place the only ones that get hurt are those that can least help themselves. I know they're being ignored, I know that no one -- I assume this amendment will pass -- but to me when this state has no safety net and doesn't care about those towns, particularly the older cities with environmental problems who can't use their land, this hurts them even more.

And to have such a punishment and system involved, to me is a bit cruel to those who can least help themselves. Because when they do re-evaluate, the revaluation is going to be onerous I don't know how any one of the cities are going to be able to survive. Thank you.

DEP. SPEAKER HYSLOP:

Representative Cleary.

REP. CLEARY: (80th)

REP. CLEARY: (80th)

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

DEP. SPEAKER HYSLOP:

Proceed.

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REP. CLEARY: (80th)

Through you Mr. Speaker to Representative McDonald.

As I read this amendment this extension for one year for the waiver of penalty for that period would only be for extraordinary circumstances? Through you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

Representative Cleary, through you Mr. Speaker. the amendment lays out, in the amendment what those circumstances are. They have to notify the Office of Policy and Management if they're going to do it and it lays out what the -- there are five different things that you can get this extension for.

And then OPM is going to work with you and help you to get the thing straightened around. And contrary to what Representative Samowitz said, right now we have a penalty of 10% of your state funds. This is really helping municipalities to get over this hump and do the re-val and that they will only be getting a 1% punishment if after the year and a half they haven't proceeded to get it done.

So it does lay out the procedures that you have to go through with OPM. I hope that answered you

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Representative Cleary.

DEP. SPEAKER HYSLOP:

Representative Cleary.

REP. CLEARY: (80th)

I think it does, but maybe if I could rephrase the question. Through you Mr. Speaker. The items laid out on this bill are basically extraordinary items. That if a municipality had real difficulty because of some of the extraordinary items listed in the bill, not just because they decided it would be in their best interest to wait a year or two for revaluation, that it would have to be an extraordinary circumstance as laid out in this bill to even get that waiver, through OPM. Through you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

Through you Mr. Speaker. The municipality would have gone to OPM long before this and talked to them, and you don't have to have extraordinary circumstances to approach OPM and tell them what your problems are. So, you can go to them and tell them it doesn't have to be extraordinary. Through you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Representative Cleary.

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REP. CLEARY: (80th)

Through you Mr. Speaker to Representative McDonald.

Do you expect that this will stop the annual special acts of extensions for various municipalities, some of which are I think are out about 16 or 17 years on their re-vals? Through you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

Through you Mr. Speaker. Last year, not this session but the last session, we finished giving extensions of re-val. There were two municipalities that had come quite a few times. They did not get an extension last year and as of now we have no town or municipality that has an extension of re-val. Through you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Representative Cleary.

REP. CLEARY: (80th)

Thank you Representative McDonald, thank you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Will you remark further on House "C?" Representative Winkler.

REP. WINKLER: (41st.)

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Thank you Mr. Speaker. A question through you to Representative McDonald.

DEP. SPEAKER HYSLOP:

Proceed.

REP. WINKLER: (41st)

Thank you. Representative McDonald on lines 57 through 59 it states that the secretary may enter into no more than one agreement. Suppose, for legislative intent is it your belief that a municipality has an extraordinary incident that they incur that would allow them to get this exemption and what would happen if the following year there was some act of God and they needed to come back and ask for another exemption.

Through you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

Through you Mr. Speaker. They can get a waiver without an agreement. In lines 38 and 39 it talks about the act of God. It also talks about the assessor dying, those kinds of things, those are extraordinary circumstances.

DEP. SPEAKER HYSLOP:

Representative Winkler.

REP. WINKLER: (41st)

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Thank you Mr. Speaker. But through you sir, it states that no more than one waiver shall be granted. I would just like some clarification, through you sir.

DEP. SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

Through you Mr. Speaker. There is only one waiver granted for the agreement. But for acts of God, or those other reasons you can get more than one waiver.

DEP. SPEAKER HYSLOP:

Representative Winkler.

REP. WINKLER: (41st)

Thank you. So that this would not prohibit a municipality for coming back the second time in extenuating circumstances. Thank you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Representative Belden.

REP. BELDEN: (113th)

Thank you Mr. Speaker. Mr. Speaker, just to recap a little bit. Maybe we need to do that based upon some of the comments I've heard in the debate so far. There are two towns currently who have not completed their re-val. They're about to come in for a waiver request and very simply for public record, they are Waterbury and Naugatuck.

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The Commissioner, the Secretary of OPM under current law could grant them a waiver and another waiver, and another waiver, and another waiver of the penalty. That's the way the law currently reads. This amendment sets a process in place that essentially says, an act of God, the assessor dies, whatever -- if you read lines 37 to 46, very clearly indicates what those exceptions are -- then the Secretary of OPM does not forgive when the re-val is supposed to be done.

It forgives the penalty in that first year. In the second year if they don't complete their re-val there is a penalty. Under current law that penalty would be 10% of all state funds. Under this amendment the penalty becomes 1% and it's a graduated penalty over time.

What we're attempting to do here is to preclude these towns from coming in. The chairs and ranking members of the Finance Committee recently met with the representatives from six towns, including the largest city in the state about giving extensions to re-val. The request was for a four year extension. Well, I think from a policy point of view, that's not too practical.

this amendment is a step to try to assist those municipalities if they have serious problems, to come in. Can come in and show the Secretary of OPM what they are. That they can receive and extension of when they

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have to complete their re-val without penalty for one year.

I believe this is a good faith effort on the part of everybody to try to be somewhat flexible but to still require that these re-vals be completed and that there be some type of penalty. I think the amendment is a good piece of work. It certainly clears up the existing law, which is very, very vague. Thank you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Will you remark further on House "C?"

Representative Beamon, .

REP. BEAMON: (72nd)

Thank you Mr. Speaker. I too have some reservations about this amendment. But as Representative Belden aptly put, it does put something in a work of art in progress. It's really not an act of God that a revaluation is not being taken place, it's act of politicians. And the political will within municipalities that revaluation is not being undertaken at the right time.

And coming from a city from which we have not done the re-val, we're on the process of re-val, I think in some way this amendment tends to begin a compromise in some way. But there is nothing here which would prevent those extenuating circumstances from not allowing

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another waiver to be issued. I want everyone to understand that.

So instead of coming to this body, requesting a special act to delay, which has been past practice basically what can be done is a waiver can be issued by the Secretary of OPM in order to do the same thing or delay or put off.

Now don't be fooled that, to think that this amendment here will correct the problem because in no way will it correct the problem. Because anyone could say an extenuating circumstance. We may have to come back and amend this amendment if this passes in order to include other waivers.

There is no guarantee. But as Representative Belden put it, this is a step in the right direction. But here again my main point in terms of purpose of legislative intent, not only for this body to all those cities and all those municipalities who have not revalued, don't blame it on God. Blame it on politicians who don't have the will to go and do what they should do at the right time.

DEP. SPEAKER HYSLOP:

Representative Samowitz, for the second time.

REP. SAMOWITZ: (129th)

For the second time. Thank you Mr. Speaker. It's

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not just the act of God, it's not just the will of the politicians at the local level. It's basically the will of the General Assembly here, that won't deal with the real issues of all the pain that revaluation causes on the taxpayers, the property taxpayers, the homeowners who are faced with a tremendous amount of property tax.

And it's for this reason that we in the past have, this body has allowed them to go without re-evaluation and yes this may be a better system because it may take care of itself at least for one more year or one more re-evaluation. But it doesn't address the underlying problem. And the more we ignore it, and it's not an act of God, it's an act of the political unwillingness to address the major problems of stifling cities and stifling property taxes that have stifled the people of the state of Connecticut and the progress of many of our major cities. And to not be able to address it any more, and not being able to have a debate on it which we're not even really having this year, is unfair to many people and many of our cities, particularly the older cities.

I can't, I would just like to try to express that the property taxes in the city of Bridgeport for a home that's \$150,000 is three times higher than it would be

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in Greenwich, where the people have a general income higher to afford that.

When we have re-evaluation it's going to get even higher, it's going to make it be four times more. And for these reasons with the same market value, paying those prices when we have a system that ignores that problem and doesn't address it causes more and more problems to those cities.

Because it's going from a three times problem to a four times problem And that's where the real problem is. Thank you.

DEP. SPEAKER HYSLOP:

Will you remark further on House "C"?  
Representative Beamon, for the second time.

REP. BEAMON: (72nd)

Speaking for the second time. A question through you to the proponent of the amendment please.

DEP. SPEAKER HYSLOP:

Please frame your question.

REP. BEAMON: (72nd)

Thank you Mr. Speaker. To our esteemed chair of the Finance Committee, just for the purposes of legislative intent. This 10% penalty, through you Mr. Speaker, when was the last time that was implemented or imposed upon a municipality? Through you Mr. Speaker.

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DEP. SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

Through you Mr. Speaker. To the best of my knowledge, it's never been imposed.

DEP. SPEAKER HYSLOP:

Representative Beamon.

REP. BEAMON: (72nd)

Thank you.

DEP. SPEAKER HYSLOP:

Will you remark further on House "C?"

Representative Ward.

REP. WARD: (86th)

Thank you Mr. Speaker. Mr. Speaker, I also rise to support the amendment. Let me indicate when I hear some of the argument against it, it makes it sound like revaluation is some plot to undermine the urban centers of our state. Nothing could be further from the truth.

Revaluation is simply saying that if we have a property tax system that it ought to be based on some reasonable estimate of the value of the property and all of us understand that that ought to be updated at some point in time.

Whether it's 5 years or 10 years, and we could all argue what the years ought to be. But at some point in

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time you ought to get to it. And I represent communities that frankly get annoyed that when they go through the pain of revaluation in every community there is some shift, depending on market conditions at the time, from commercial to residential.

In some places the shift is worse than others and it depends on what year you do it, but there is some shift. A lot of the towns get annoyed when they do it when the law requires. And then other towns ignore it, avoid the political pain of doing it, and they just parade up to the legislature and ask for an extension and an extension and an extension.

What we're saying here is you get one more extension without penalty provided you meet some certain criteria, like taking some rational steps toward getting to a revaluation. So this isn't some plot to undermine urban Connecticut by any means. It is a sense of fairness to people who do pay property taxes in those communities, that the taxes will be based on some rational connection to the fair market value of the property. Thank you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Will you remark further on House "C"? Will you remark further on House "C"? If not we'll try your minds. All those in favor signify by saying aye.

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REPRESENTATIVES:

Aye.

DEP. SPEAKER HYSLOP:

Those opposed. The ayes have it, House "C" is  
adopted. Will you remark further on the bill as  
amended? Representative Lockton.

REP. LOCKTON: (149th)

Thank you Mr. Speaker. Mr. Speaker, will the Clerk  
please call LCO 8947 and I be allowed to summarize.

DEP. SPEAKER HYSLOP:

Clerk please call LCO 8947, to be designated House  
"D" and the Representative has asked leave to summarize.

CLERK:

LCO 8947, House "D" offered by Representatives  
Lockton and Nardello.

DEP. SPEAKER HYSLOP:

Representative Lockton.

REP. LOCKTON: (149th)

I believe there's another name on that amendment,  
Mr. Clerk, I believe, on 8947.

CLERK:

And Davis.

REP. LOCKTON: (149th)

Thank you Mr. Clerk. LCO 8947, removes the ability  
of national and international competitive companies to

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choose taxation for personal property taxes under OPM.

I move adoption.

DEP. SPEAKER HYSLOP:

The question is on adoption of House "D," will you remark further on House "D"?

REP. LOCKTON: (149th)

Thank you Mr. Speaker. Mr. Speaker, only regulated wire based telecommunications companies and the railroads were allowed to go to OPM for taxation before modification last year in a tech bill. Because of the modifications made last year, Bridgeport who was crying for revenue is estimated to lose over \$505,000. New Haven is estimated to lose over \$421,000, Hartford \$147,000 and Stamford \$63,000 by the modification made last year. It was estimated that municipalities lost approximately \$3.7 million in revenues for the first year under the alternate option.

The revenue loss will grow as wireless competitor providers investments increase in the state and more and more providers choose the favorable OPM treatment. OPM's depreciation scheduled allows companies to depreciate to zero in as little as five years. There are no audits, there are no penalties and there is one person at OPM that oversees the procedure.

The equipment used by the industry has a useful

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life in excess of 10 to 30 years and should not be considered valueless in as little as five years. As we heard, and as we know, municipalities rely on one form of taxation to service their communities, to keep their communities whole, that is the property tax.

It is critical that the tax be as broad based as possible. It is impossible to think that we as a body would exempt one competitive national industry from fair taxation under our laws. And once again I move adoption for the benefit of our cities and towns and the state of Connecticut. Thank you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Will you remark further on House "C"?

Representative McDonald.

REP. MCDONALD: (148th)

Mr. Speaker, Representative Lockton's amendment is an attempt to change the whole tax policy on the telecommunications industry in this state. The technical amendment she referred to is not a mistake, she's told me it a mistake, it was not a mistake it was passed in 1997. We have a statewide mill rate that Southern New England Telephone, Woodbury Telephone and I guess NYNEX has.

We have a deregulation telecommunication system. We can't have some companies not have access to the

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statewide mill rate. Contrary to what Representative Lockton said, my assessor called me this morning and tells me that Stamford will lose \$2 million if Representative Lockton's amendment passes.

That's not really the point here. This re-doing of the whole telecommunications tax has never been considered by the Finance Committee. None of our members have had time to study it. We haven't had a hearing on it, nothing has been done. They did have a hearing on it I guess, over in Planning.

There is another bill that is coming down the line that does change the residual value of the depreciation schedule to 10% instead of zero, it's on the House Calendar at this very moment. I would urge you not to change the tax structure of the whole segment of a community -- the telecommunications industry -- just with a five minute amendment on the floor. When the Finance Committee has not had a chance to study it at a hearing, talk with our attorneys, talk with the people involved, talk with the various companies in the industry.

And Mr. Speaker, I would ask that when you call for the vote, it be done by roll call.

DEP. SPEAKER HYSLOP:

For roll call when the vote is taken, all those in

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favor of a roll call please signify by saying aye.

REPRESENTATIVES:

Aye.

DEP. SPEAKER HYSLOP:

Twenty percent has been met, when the vote is taken it will be taken by roll. Will you remark further on House "D?" Representative Davis.

REP. DAVIS: (50th)

Thank you very much Mr. Speaker. I have tremendous respect for the Chair of the Finance Committee and would never say to here or any member of this Chamber that the Finance Committee is not the Committee that has cognizance over tax policy in the state of Connecticut.

But what I would say is that as issues evolve before this Chamber in any particular year that different committees bring forward different ideas that get often, often become part of the revenue and spending package that we end up adopting here as a General Assembly.

This is in fact an attempt to change a portion of the telecommunications tax policy of the state. And let me tell you a couple of reasons why. First, the amount of information that these companies -- the telecommunications companies -- are required to provide the Office of Policy and Management in relation to the value of their equipment is woefully inadequate.

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These companies simply provide OPM with a single net depreciated value. In contrast the level of reporting requirements that they have to have when they go to the local assessor is very different. Second, the present language contained in 12-88 permits companies to use a much more aggressive depreciation schedule.

And with all due respect even though there is another bill out here that provides for a 10% residual value, often there are communities in this state which have a 20% to 30% residual value and this is what hurts them. In the first year of the statewide mill rate it may be of benefit to a particular municipality but that benefit quickly is gone as you have this five year accelerated federal depreciation schedule which OPM follows now which leaves a zero value for that equipment even though it's still in useful production.

And third, and in many ways I think most troubling about this is, the current policy and the reason for this amendment. Is that the present language does not provide for audit provisions to allow either OPM or the local assessor from reviewing the financial records of the companies to insure that what's being submitted is accurate and reasonable. So for those reasons, as well as for each one of your towns they're just going to see

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a loss in revenue because of the change that's presently on the books. I hope you will support this amendment.

Thank you.

DEP. SPEAKER HYSLOP:

Will you remark further on House "D"?

Representative DelGobbo.

REP. DELGOBBO: (70th)

Thank you Mr. Speaker. I rise urging rejection of the amendment. And I do so both following the comments of the chair of the Finance Committee in terms of the implications for tax policy but also serving on the Energy and Technology Committee, I'm very concerned about this issue in terms how it relates to an extraordinarily complex industry.

And the Chair of Planning and Development Committee just mentioned some aspects of that. Frankly this may be an idea that has some issues of merit for this General Assembly to consider. But what fundamentally bothers me about it is that here we are considering changing the rules midway through the game. I think that that should give us all pause.

There are, when you consider the statewide mill rate that the Chair had mentioned, 47. That is considerably higher than the average mill rate. The statewide mill rate of 47 mills does generate or has

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generated considerably more revenue for municipalities than they would have otherwise realized. And to have received that benefit and said, "oh I think this is wonderful," and then to have the rules changed I think is a little disingenuous, excuse me I withdraw that comment, it is a little bit problematic.

So for those reasons and with a great deal of concern on how this proposed amendment would impact a very complex industry without our being able to really evaluate its implications very well I would urge rejection of the amendment. Thank you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Representative McDonald for the second time.

REP. MCDONALD: (148th)

Mr. Speaker, next term, next year, I would be very willing to sit down and look over this whole question. Some of the proponents of this amendment never have put in a bill, that we should have better auditing of the statewide mill rate. None of these bills have even come up to the Finance Committee that we would have an audit of these things. And I would be very willing next year to sit down, have hearings, talk to all the companies involved, and see if we can come up with something. But to do it in a five minute amendment on the floor, change the tax policy of this whole industry, I think is a

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very, very, very, very bad public policy. Thank you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Representative Lockton.

REP. LOCKTON: (149th)

Thank you Mr. Speaker. Mr. Speaker, if I may correct something here. Representative McDonald had said that we are changing policy for the industry. In fact that is not true. The regulated providers, SNET, Woodbury and New York Telephone made a deal with OPM when they went from the gross earnings tax in 1989 to this new form of taxation. The wireless competition that we're seeing in the state now, we see international and national companies, that were never included in the gross earnings tax.

These are competitive businesses like every other competitive business in this country, they deserve no special treatment. Now when we talk about, let's sit down and talk about this. I mean let's sit down and talk about putting everybody under OPM, every new business if it's so beneficial. Ladies and gentlemen it's the competitive national, international companies that deserve no special treatment.

We are not changing an historical tax policy. We're changing something that took effect last year that

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nobody knew about because it happened in the technical changes bill. And the reason it happened in the technical changes bill is because two years ago when this issue was addressed, the language that was created made no sense and had no effect. So the first effective year for this to take action for companies to elect was this past tax year.

It's a bad policy, the longer they keep it in and make this one industry special and select, the harder it will be for us to change it. I ask you please to vote in favor of our communities, vote in favor of their ability to tax. Thank you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Will you remark further on House "D?" Will you remark further on House "D?" Representative Nardello.

REP. NARDELLO: (89th)

Thank you Mr. Speaker, through you. I rise to support the amendment. And the reason I rise to support the amendment is that when this was passed last year, I got some very disappointed city officials, town officials calling me and saying how could you let this happen, how could you affect our tax base in such a way?

And I thought did I miss something? Was there something I should have noticed?

So I called the Office of Fiscal Analysis and I

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pulled the bill out and I looked for the municipal impact statement on the bill. And the municipal impact statement said no municipal impact. So I called Fiscal Analysis and I said why did you write this up as no fiscal impact, if there was we should have known that.

And they said, well in reality we did not realize the company would depreciate their property at such an accelerated rate and we did not know that it was going to affect the towns in such a manner, and that's why we didn't put a municipal impact statement on.

So I was very quick to call my town and explain to them that indeed it was not written up as having a municipal impact. That it was unexpected and that I would do whatever I could to change it. As a matter of fact we tried to work last year with the Finance Committee Chair, they were unable to take this up for consideration. That's why this amendment is before you.

It does cost tax dollars to the town. I believe it was an unintended effect. Again, fiscal said they didn't expect it and that's why it was written up as such. And for those reasons I support the amendment and I ask my colleagues to support the amendment as well.

DEP. SPEAKER HYSLOP:

Representative Davis.

REP. DAVIS: (50th)

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Thank you Mr. Speaker. I think we have. Thank you very much.

DEP. SPEAKER HYSLOP:

Representative Davis, could you use Representative Fontana's mic?

REP. DAVIS: (50th)

Thank you very much Mr. Speaker, I just want to make two quick points. The first is, I want people to understand that the movement of this personal property off of local grand lists onto the -- over to the Office of Policy and Management -- has a value of approximately \$70 to \$80 million in loss to local grand lists value. I also want municipalities to understand two new scenarios. Not just municipalities, I want the people who represent those municipalities to understand two scenarios.

Let's say that a \$100,000 investment was made by a new company annually in a new town Under the current scenario at 47 mil statewide mill rate, at the end of two, four, six, eight years the town would receive \$41,000 from the Office of Policy and Management. If they had a mill rate of only 25.5, only 25.5 they would receive \$48,500 at the local level.

If the new company was to make a one time one million investment in personal property in a

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municipality, at the statewide 47 mill rate they would receive from OPM \$59,000. If that same million dollar investment was allowed to be on the local grand list and the mill rate was only 25.5, that town would receive in revenues \$91,000.

That's a difference of over \$32,000 in what a municipality is going to have in investment by that telecommunication company in their town. And that's again because of the depreciation schedule that OPM currently has. It is in everybody's dollars and cents interest in their municipalities particularly in a time when telecommunication companies are in such steep competition with each other that we make sure that the personal property tax revenue continues to be shown through the local assessor and their audit powers. And again, hope you will vote in favor of this amendment. Thank you Mr. Speaker.

DEP. SPEAKER HYSLOP:

Thank you Representative Fontana. Will you remark further on House "D"? Will you remark further on House "D?" If not, would staff and guests please come to the well, would members take their seats, the machine will be open.

CLERK:

The House of Representatives is voting by roll call

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members to the Chamber. The House is voting House amendment schedule "D" by roll call. Members to the Chamber.

DEP. SPEAKER HYSLOP:

Have all members voted? If all members have voted please check the machine to make sure your vote is properly recorded, the machine will be locked and the Clerk will take a tally. The Clerk will announce the tally.

CLERK:

Amendment schedule "D" for HB6952.

Total Number Voting	144
Necessary for Adoption	73
Those voting Yea	41
Those voting Nay	103
Those absent and not voting	7

DEP. SPEAKER HYSLOP:

House "D" fails, will you remark further on the bill as amended? Will you remark further on the bill as amended? Representative Bernhard.

REP. BERNHARD: (136th)

Thank you Mr. Speaker. The Clerk has LCO 8916, I ask that he call it and I be permitted to summarize.

CLERK:

Clerk please call LCO 8916, to be designated House

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"E" and the Representative has asked leave to summarize.

CLERK:

LCO 8916, House "E" offered by Representative  
Bernhard.

DEP. SPEAKER HYSLOP:

Representative Bernhard.

REP. BERNHARD: (136th)

Thank you Mr. Speaker. This amendment is a small technical adjustment to our elderly tax deferral program and I move its adoption.

DEP. SPEAKER HYSLOP:

Questions on the adoption of House "E" will you remark further?

REP. BERNHARD: (136th)

Thank you Mr. Speaker. Presently we have an enabling legislation for municipalities to permit a tax deferral program for elderly citizens. But the present law is not clear in so far as whether it extends to cooperative units. This amendment takes care of that problem, and I move its adoption.

DEP. SPEAKER HYSLOP:

Questions on the adoption of House "E" will you remark? Representative McDonald.

REP. MCDONALD: (148th)

Yes, Mr. Speaker. Mr. Speaker, this is a friendly

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amendment I urge adoption.

DEP. SPEAKER HYSLOP:

Will you remark further on House "E"? Will you remark further on House "E"? If not we'll try your minds. All those in favor signify by saying aye.

REPRESENTATIVES:

Aye.

DEP. SPEAKER HYSLOP:

Those opposed? The ayes have it, House "E" is adopted. Will you remark further on the bill as amended? Will you remark further on the bill as amended? If not, would staff and guests please come to the well, would members take their seats, the machine will be open.

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.

DEP. SPEAKER HYSLOP:

Have all members voted? If all members have voted please check the machine to make sure your vote is properly recorded, the machine will be locked and the Clerk will take a tally. The Clerk will announce the tally.

CLERK:

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HB6952 as amended by House "A," "C," and "E."

Total Number Voting	144
Necessary for Passage	73
Those voting Yes	144
Those voting Nay	0
Those absent and not voting	7

DEP. SPEAKER HYSLOP:

Bill as amended passes. Clerk please call Calendar 469.

CLERK:

On page thirty-four. Calendar 469, substitute for HB5025, AN ACT CONCERNING WAIVER OF CERTAIN DELINQUENT PROPERTY TAXES. Favorable report of the Committee on Finance, Revenue and Bonding.

DEP. SPEAKER HYSLOP:

Representative McDonald.

REP. MCDONALD: (148th)

Yes, Mr. Speaker. I move acceptance of the Joint Committee's favorable report and passage of the bill.

DEP. SPEAKER HYSLOP:

Questions on acceptance and passage, will you remark?

REP. MCDONALD: (148th)

Yes, Mr. Speaker. Presently when a tax assessor or a tax collector has made a mistake on delinquent

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children, for example, the poverty level is approximately \$12,000 of earnings per year.

REP. HORTON: And for a family of four. Okay --

LESLIE BRETT: Help me out, Representative Horton. I don't have them all in my head. I'm sorry.

REP. HORTON: All right. Well someone else will probably have that number.

LESLIE BRETT: Yes.

REP. HORTON: Thank you very much. Thank you, Mr. Chair.

SEN. LOONEY: Thank you, Representative Horton. Any other questions by members of the committee? If not, thank you very much.

LESLIE BRETT: Thank you.

SEN. LOONEY: Next we will -- moving to the public list we will hear from Nick Rinaldi and then Tammy McFadden, the Commission on Children, then Charlie Elms and then Mayor Giordano. So we'll be alternating back and forth.

NICK RINALDI: Representative McDonald, Senator Looney, members of the committee. My name is Nick Rinaldi. I'm the comptroller for Yankee Energy.

In order to save some time I'm appearing today on a panel with Mr. Richard Zajack, from Northeast Utilities, and Mr. Ken Olson, from United Illuminating. And Mr. Zajack will present our joint testimony.

RICHARD ZAJACK: Senator Looney, Representative McDonald, distinguished members of the revenue, finance and bonding committee. We jointed support Raised Bill 6869. 6869 is AN ACT CONCERNING THE UNIFORM VALUATION OF PERSONAL PROPERTY, the proposed methodology to assess public service company property based on historic cost less DPUC approve depreciation.

It is consistent with its earnings capacity as

prescribed by the Department of Public Utility Control and is also a generally accepted method of valuing service -- public service company property in a majority of the states throughout the country.

Passage of this bill will have no impact on our tax liability other than to provide a statutory formula to develop a public service company's property tax assessment consistent with similar proposed formulas for other business property in the state.

It will help eliminate costly legal challenges for both the municipalities and business because of the sometimes flawed premise of what fair market value should be for complex, high volume, although relatively short live property classified as personal property.

We also jointly support Raised Bill 6952, AN ACT CONCERNING TECHNICAL CHANGES and clarifications to the assessment of personal property. This bill provides clarity to the taxation of personal property as well as a number of other assessment issues.

It demonstrates a strong desire on the part of the assessors and their associates to continue to review existing legislation and to offer their suggested changes, which serve to clarify and protect the rights of all taxpayers as well as the rights of the municipalities.

Northeast Utilities, Yankee Gas and United Illuminating have a vested interest in the State of Connecticut. We are all working very hard to control our costs and to promote economic development within the state.

Raised Bills 6869 and 6952 will help insure that the taxes paid by all taxpayers in the state are based on fair and equitable assessment. In closing, we again urge your support for this bill. Thank you.

SEN. LOONEY: Thank you, sir. Questions? Senator Nickerson.

SEN. NICKERSON: You are utilities that are, of course,

property.

And when the contingency auditor comes out -- assessor comes in he has to follow that same procedure. Is that in this bill or was it in another bill? Because I haven't read the drafted -  
- and which bill was it in?

RICHARD ZAJACK: It's 6952, I believe.

REP. McDONALD: Because sometimes the municipality and towns don't even have it list out how they're going to do it. So a it allows these contingency assessors to come in and do whatever they please because it's not written down how they're supposed to do it.

RICHARD ZAJACK: Actually, if I could interrupt. And I apologize for interrupting, Senator McDonald. But that's happening, and I think probably is real key here for everybody to understand, these are audits of methods that have already been accepted by the assessor in the town three years prior.

And now we've got somebody coming in who is changing that method to suit his own financial reward.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

RICHARD ZAJACK: It does vary and I think probably the crux of why even the two bills are presented, or the depreciation bill. It varies probably significantly from taxpayers to taxpayer because it's extremely difficult to value personal property.

But it's -- we're hoping that there will be some guidance put on this. I think if I could offer an example that people understand on their federal taxes.

You file your federal taxes based on the methods that the government prescribes. And two years later an auditor comes in and he's auditing you based on a contingent fee. You've done everything proper.

In order for him to make any money, he has to change the methods that you originally filed by. That's what's happening to us. And that's what we're asking.

SEN. LOONEY: One question regarding that. Does the contingency auditor receive his fee after identifying the new property and adding to the tax roles or does he only get paid after that addition has been sustained under any appeals process.

RICHARD ZAJACK: It varies, Senator Looney, and it depends on the contract. Some of the initial contracts that were written were providing up to 30 percent of the taxes generated without any regard for whether or not the town would sustain that value on appeal. So it depended on how well the city's corporation counsel reviewed those contracts.

SEN. LOONEY: I see. I would seem to be not very prudent for the town to enter into a payment agreement before they know whether the valuation is going to be upheld or not.

RICHARD ZAJACK: That's correct.

SEN. LOONEY: But in many cases they did do that?

RICHARD ZAJACK: Right.

SEN. LOONEY: I see. Thank you. Representative Belden.

REP. BELDEN: Thank you, Senator. Just so I can get things really clear, you mentioned audit two or three years after change of methodology. Isn't the other problem the fact that the methodology changes from town to town or has the potential of changing from town to town on the same type of equipment?

RICHARD ZAJACK: Oh, it --

REP. BELDEN: Replacement versus new -- replacement new versus depreciated value?

RICHARD ZAJACK: That possibility is there. However, I

can say that throughout the state we are valued on a consistent methodology with the assessors. We've worked with them for a long time in trying to come to a value which was based on the earning capacity of our property and I'm speaking for utility property now.

And we have reviewed the rest of the country to look at the methodology that's applied in the rest of the country and this -- what we do -- but we are not centrally assessed. We file in teach town -- is consistent with the majority of the states, the valuation of utility property.

In other states, they centrally assess the utility. And they actually use deferred taxes as part of the formula that reduces the value and then the apportion it out.

The end result is it comes back to a net value. We are filing on a net value throughout the state so we really don't have a problem except where these audits are taking place.

The valuation issue, it's always there. The towns can change the valuation and that's something on a going forward basis. And we accept that. And we support audits.

REP. BELDEN: Now I'm even more confused.

RICHARD ZAJACK: I'm sorry if I confused you.

REP. BELDEN: The assessor, essentially -- it's a listing of your property. They determine it's value. And then the mill rate is applied to that.

RICHARD ZAJACK: That's correct.

REP. BELDEN: The determined value, the assessor has no legal obligation to have your value assessed at new replacement or depreciate value or whatever. And isn't the issues right now is where an outside for fee consult comes in and says to the assessor why are you taxing this as a depreciated value when you should be taxing it for replacement value. Isn't that the issue?

RICHARD ZAJACK: No, that's really not the issue. There's two -- we have two things here. We have two issues. A revaluation is something that a town would hire an appraisal expert to come in and hopefully use approved appraisal practice.

In this particular case it's an audit that's occurring of those methods that have already been established by a previous expert.

REP. BELDEN: But hasn't the town upheld these audits and haven't they, in fact, sent you bills for these theoretically changed --

RICHARD ZAJACK: Yes.

REP. BELDEN: IN fact, hasn't the town sanctioned the change in the assessment process?

RICHARD ZAJACK: Yes.

REP. BELDEN: That's what I want to get at. Thank you.

RICHARD ZAJACK: You're welcome.

SEN. LOONEY: Senator Guglielmo and then Representative Beals has a question.

SEN GUGLIELMO: Thank you, Mr. Chairman. You may have covered this in the testimony before but I don't think I heard. How are the states -- how are they addressing this problem of property tax for utilities?

RICHARD ZAJACK: In the majority of the other states, except for -- the Northeast is a little different. We file in each individual town. The majority of the states it's done on a centrally assessed basis. The central taxing authority obtains the utility's information, they develop a value which basically is consistent with what we're doing.

And if you took the aggregate of everything we filed it would come very close. They do take into account the deferred taxes. Without getting into that, that has an impact of lowering your rate base

and so in the majority of states when all is said and done they're filing a little bit less than what we advocate and what we've been filing here. But basically, it's done.

SEN. GUGLIELMO: Essentially, it's in that book value methodology.

RICHARD ZAJACK: Yes.

SEN. LOONEY: Thank you, Senator. Representative Beals.

REP. BEALS: Thank you, Mr. Chairman. I wonder if you would just explain to me the reason for the exemption of the property -- persona property of the Millstone Nuclear Power Generating facilities on lines 116 and 17 of Bill 6869. It seems to be lumped in with videotapes and livestock.

RICHARD ZAJACK: WE didn't put that in there and we have asked that that be removed.

REP. BEALS: I see. Thank you.

RICHARD ZAJACK: It shouldn't be in there and there's some other language that should be changed.

REP. BEALS: I agree. Thank you.

RICHARD ZAJACK: You're welcome.

SEN. LOONEY: Thank you. Are there other questions from committee members? Senator Dailey.

SEN. DAILY: Thank you, Mr. Chairman. My question I suppose is to our staff as well. What, in fact, authorized these contingent assessors in the first place. I presume it's statutory enablement for assessors but does that carry through and authorize them to then go on on a different basis anyway?

SEN. LOONEY: We have a question for our LCO. Senator Dailey?

SEN. DAILEY: It was what enabled our contingent assessor positions, initially? What enabled them to be? I think that my recollection is that

statutorily we enable assessors to asses locally but what enabled the creation of the position or the operation of contingent assessors.

REP. CARON: I think the issue is that the assessors, as part of their statutory authority, which is the general statutory authority, interpreted it to allow them to conduct audits.

The contingent audits are just a type of audit that are read into their broad authority and how to determine the tax to be paid. So it's from a reading of their general statutory authority to asses and value the property.

SEN. DAILEY: And has that ever been challenged that you know of?

REP. CARON: In court I don't know.

SEN. DAILEY: Thank you.

REP. CARON: I'm not sure.

SEN. LOONEY: Thank you, Senator. Any additional questions from committee members? If not, thank you, gentlemen very much. If I might just clarify your names again, for the record. Mr. Rinaldi and --

RICHARD ZAJACK: Richard Zajack.

SEN. LOONEY: Thank you, very much.

RICHARD ZAJACK: Thank you.

SEN. LOONEY: Next is Tammy McFaden of the Commission on Children to be followed by Charlie Elms and then Mayor Phil Giordano from Waterbury.

TAMMY McFADEN: Good morning. For the record, my name is Tammy McFaden. I am a commission on the Commission on Children and I was going to present he testimony for the Commission, but Liz Brown, who is their legislative agent, was able to get here in time to do it so I'm going to defer to her.

REP. McDONALD: Excuse me. Our rules don't --

MARSHA BROWN: You don't allow that?

REP. McDONALD: -- allow for relinquishing time. We were in contact with Shelley and I'm sure she will, as she always does, keep us alert of the --

MARSHA BROWN: Well as a social worker I am aware that there are issues related to income and child abuse. And I would just say this. That I think that low income is probably the number one stressor. I've spent five years working for the Department in two other states, not in Connecticut, as a younger person.

But it's clearly from my own personal experience that that is the number one stressor that families face and I think just common sense would say that the earned income tax credit is a much easier way to reduce stress on low income parents than by funding number of other programs, although I think the Health Family, Healthy Start programs are equally valuable.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: Good afternoon, Chairman Looney, Chairman McDonald and distinguished members of the Finance, Revenue and Bonding Committee. My name is Jim Crozier and I come before your committee this afternoon to speak with concern regarding HB6952 as it is currently written.

My firm, Northeast Financial Management Associates, has become a major player in providing services to a number of cities and towns in our state conducting personal property tax audits.

Our company has found millions of dollars in unpaid taxes for the towns we work for. Adoption of this proposal as written would have a drastic impact on our company's ability to assist towns in finding underpaid and unpaid taxes.

The proposal that is before your committee this afternoon I feel is very good, with the exception

of a few key areas that I wish to address.

First of all, beginning on line 178 the bill places limits on who can perform personal property tax audits. We would like to see language added to this section that would qualify attorneys and individuals that hold graduate degrees in finance or accounting to be included in the qualifications necessary to perform audits.

The other section of this bill we would like to comment on begins on line 223 and concerns the methodology used in calculating taxes. The proposed language in this bill would require an assessor to use the taxpayer's methodology as it was originally filed.

The assessor, by adding property to the grand list for such year, as originally filed by the taxpayer, would be limited to the taxpayer's methodology for purposes of verification and subsequent audit.

We feel this requirement permits too much latitude for taxpayers and will place unrealistic burdens on future tax audits.

We would request the committee to consider language that would use the methodology established by the assessor as the proper methodology for the purpose of a tax audit.

With these changes to the bill we feel that HB6952 is an excellent piece of legislation and would urge the committees to support the bill as amended by our suggestions.

At this juncture, I would like to clarify certain misrepresentations that were stated earlier by certain utilities regarding personal property tax audits.

First and foremost, it's important to note that firms such as our receive payments only after a municipality, or municipalities have paid in final adjudication.

We support the methodology used, which is original

cost times depreciation, as employed by most, if not all, assessors.

Third, the utilities utilize a value determined by their ability to recap cost from the DPUC for rate base purposes as opposed to the methodology employed by the assessor.

Both the courts and utilities have acknowledged our methodologies by rendering payment equal to several million dollars in the state during the past several years.

It is important to note that we do not usurp the assessor's authority to assess. That power remains statutorily at all time with the assessor.

To conclude, the only opposition to the methodology employed for both taxation and subsequent remuneration is from the utilities. In fact, it is only the utilities in the state that represent a position or present their lists of personal property in a format different from the format requested by the assessors.

We believe uniformity and equity in the understanding of the state statutes is incumbent on all taxpayers and not by those taxpayers that find consistency unfair. At this point I can answer any questions.

REP. McDONALD: What did you say about you realize millions of dollars for the state? Would you clarify what you were talking about there?

JIM CROZIER: My firm has represented several municipalities in the State of Connecticut during the past eight years. We have identified in excess of \$100 million in back personal property taxes that were owed to municipalities, of which close to \$80 million has been collected.

REP. McDONALD: But you mentioned something about realizing some several millions of dollars to the state. I heard those words. What were you talking about there?

JIM CROZIER: I had sated that -- throughout the State of Connecticut.

REP. McDONALD: Oh, throughout the state. Now I want to go back here. What line item -- I have the bill now in front of me. You saying that you didn't like -- would you go back to tell me which lines you didn't like.

JIM CROZIER: Specifically, beginning with line no. 178.

REP. McDONALD: And why didn't you like it?

JIM CROZIER: Well this is in regards to the designee of an assessor. We believe that it's exclusive as opposed to inclusive of individuals such as those that work for my firm, in addition to certain other qualified individuals such as attorneys.

REP. McDONALD: Doesn't the assessor, as a matter of law right now, doesn't do the assessment now anyway. What are you talking about? Are you a contingency assessor?

JIM CROZIER: I'm a contingency auditor.

REP. McDONALD: Auditor. The assessor has the first assessment on personal property, doesn't he, according to current state law. It's only later on when the municipality hires you in and you're kind of looking over what he might have overlooked or gone out to look for others that he didn't find.

But he's the first person that does the assessment, isn't he? So what is it you're objecting to? That he can't do it. He or she I should say. I don't know if we've got any women assessors.

JIM CROZIER: In regards to this particular language, beginning on line 178. First and foremost we do not assess. People in our business are tax experts. We're not tax appraisers. We couldn't tell you the first thing about real property.

But what we could tell you is the identification of omitted assets based on the their federal income tax records, their SEC documentation and any

prepared accounting records.

REP. McDONALD: Your people that work for you are CPA's?

JIM CROZIER: CPA's. There's some people that work for us that hold graduate degrees, master's in taxation but are not CPA's. Advanced degrees and MBA's. Perhaps enrolled agents with the Internal Revenue

Service but are not CPA's and are not attorneys. And we feel those individuals are equally expert in the ability to identify omitted assets as it relates to personal property taxation in the State of Connecticut.

REP. McDONALD: Without identifying them, how many towns and municipalities --

(GAP IN TESTIMONY IN CHANGING TAPES.)

JIM CROZIER: -- that would allow us to earn our pay based on a contingency of the amount collected and final adjudication as opposed to the concept of increasing value artificially and being paid on that subsequent amount.

REP. McDONALD: Would you say that again how you do it?

JIM CROZIER: We very clearly will identify a piece of equipment that has been omitted.

REP. McDONALD: Completely omitted.

JIM CROZIER: Completely omitted. We find this asset or these assets on a taxpayer's federal income tax return. Perhaps we find it on their SEC records as filed. Perhaps we find it on their gap prepared financial statements. Once we identify --

REP. McDONALD: You have access to their federal income tax.

JIM CROZIER: The assessors do.

REP. McDONALD: Oh, the assessor does. So he gives you access to the records.

JIM CROZIER: That's correct. But we're identifying our assets that exist on the taxpayer's books. We are not assessing value. We're taking that original cost as presented for IRS purposes, or DRS purposes, and putting that original cost on the assessor's schedule of cost times depreciation.

REP. McDONALD: I'm surprised an assessor can just give out corporate income taxes to the corporations and just give it to people that they have contracts with. That's surprising to me. Isn't that surprising to you?

JIM CROZIER: It would be selfish of me to say so.

REP. McDONALD: Well it's surprising to me. Maybe we should look at some more bills that can hand that out. But anyway, somebody in the municipality, maybe a board of finance or something, decides that perhaps they're not getting enough personal income tax for whatever that's in the town and they hire you to go out and go out and look for it, correct?

JIM CROZIER: That's correct.

REP. McDONALD: And then you get what percentage?

JIM CROZIER: It varies depending on the community.

REP. McDONALD: Well what's the range?

JIM CROZIER: Currently our range is between 20 and 30 percent.

REP. McDONALD: 20 or 30 percent of what?

JIM CROZIER: The amount collected by the municipality.

REP. McDONALD: The amount collected, not what you found.

JIM CROZIER: That's correct.

REP. McDONALD: Now just one more question from me. Why do you say that it's just the utilizes, the Department of Public Utility Control have a depreciation schedule. Just the utilities that are

protesting what you do? Could you explain that again to me?

JIM CROZIER: Well we feel strongly that the opposition through our judicial system, our opposition has come strictly from the utilities in the State of Connecticut.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: There have been numerous court cases involving the methodologies we employ as well as the ability to conduct an audit in a community.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: We have.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: Yes.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: Yes.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: That has been one of the representations in the past.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: Cross suits by the municipalities saying they have the right to in fact go back to look for omitted assets as it relates to omitted value for three years.

We had a very important state supreme court decision that supported the concept under statute 12-53, the ability for a municipality to identify omitted value in addition to omitted assets.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: The assessor's in the State of Connecticut, in my opinion, are very much

overworked and very much understaffed. They also have the responsibility for personal property taxes which by and large is a training unique to their own training as people or persons that are very much trained in the area of real estate valuation and the like.

This is a niche that's within the world of accounting and not within the world of valuation for real property purposes. There's another issues concerning the ability for an assessor to go out and acquire CPA's and people with our backgrounds in being able to compete with the private marketplace as to salaries and benefits.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: It's comes from both the assessors as well as the political community. But usually we seek our services or seek to provide services through board's of selectmen, board of alderman.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: We make a formal presentation. In fact, we have made presentations in regard to providing services on a fixed fee basis but municipalities do not have the funding in place to hire us.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: You're quite welcome.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

SEN. LOONEY: Good afternoon, Mr. Crozier.

JIM CROZIER: Good afternoon, Senator.

SEN. LOONEY: I just have one question following up on your earlier statement about you said that your contracts provide for payment of 20 to 30 percent based on final collection or final adjudication.

JIM CROZIER: That's correct.

SEN. LOONEY: Does that -- could you define final

adjudication?

JIM CROZIER: Final adjudication. If in fact, a taxpayer renders payment we determine that to be final adjudication. If there is a lawsuit in the court system and a taxpayer has found it to be -- I don't want to use the word guilty.

But if the taxpayer is liable for taxation we receive payment within a certain amount of days after the community has received payment. It's important to note that there are several --

SEN. LOONEY: So you don't get paid until after the community has received actual payment. In other words, if the taxpayer goes to court, loses and then appeals and it goes to the state appellate court, the supreme court, you wait until that final decision has been rendered and until the municipality actually has the money in hand.

JIM CROZIER: That's correct.

SEN. LOONEY: Regardless of whatever length of time that might take.

JIM CROZIER: Absolutely. I'd like to point out too, in fact, that there are numerous audits. Not all taxpayers have omitted property. There's in excess of 50 percent in most communities that have no changes. We don't receive payment for that work.

There is not an hourly fee for that. There are hundreds of thousands of hours put into any given community that go allocated to those with liabilities as well as those without liabilities.

SEN. LOONEY: Okay. Thank you.

REP. McDONALD: Representative Beals.

REP. BEALS: Thank you, Madam Chairman. First of all, Mr. Crozier, did you submit testimony in writing?

JIM CROZIER: Yes, I have.

REP. BEALS: I don't have it in my pile and I hope that

if it wasn't distributed we could get hold of it at a later time. Maybe some more copies could be made then.

I think you went over this a little too fast for me to follow since I'm not in the profession. But I thought I heard you say that utilities use -- or that a different methodology is used for utilities than what the assessor's association recommends. Could you explain that?

JIM CROZIER: Yes. The communities that we have performed services for, if not in fact most assessor's offices in the State of Connecticut -- and I believe there's another bill dealing with the reduction in depreciation rates that's in front of the legislature currently.

But the standard methodology that's employed for personal property taxes in the State of Connecticut is referred to as the modified cost approach, which means we take the cost of an asset and multiply it a depreciation factor.

We equalize that at 70 percent to determine fair market value and that becomes our basis for taxation in the State of Connecticut. That is the standard that has been supported by the courts consistently for the past two decades.

My concern is in changing the methodology as the language reads in the current bill that would basically force an assessor, or a group of assessors, to use the methodology as employed by the taxpayer would cause the assessor's to use a methodology different from the one that they're used to.

By way of example, the utilities with our experience -- and this is all public information -- the reporting methodology employed by the utilities is based on the concept of sound value.

This concept allows a utility to recoup stranded costs through depreciation allowed by the DPUC. This concept further renders a value that is lower for personal property tax purposes than the amounts

the utility can be reimbursed in its rate base. This results in a lower tax liability for the taxpayer.

We feel strongly if utilities or other industries -  
- I'm not here necessarily to oppose just the utility industry, by any industry that uses the methodology different from that of the assessor, would provide that industry, that taxpayer with the ability to use a methodology that's not consistent with the assessing community in the State of Connecticut.

REP. BEALS: And again, what line is that in the bill?

JIM CROZIER: That language that I'm concerned with regards -- assessment methodology begins on line 223.

REP. BEALS: 223. Thank you very much.

JIM CROZIER: You're quite welcome.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

SEN. NICKERSON: Thank you very much, Madam Chairman. I wanted to get into this a little further with regard to creating a division line between looking back and looking forward.

Clearly, I think we would all agree the assessors have the ability to change their methodology looking forward. I don't think there's any controversy about that. I don't think there should be.

The question is looking back. And my question to you is under current law are you saying that when you do an audit you have the right to look back on previously filed tax returns that have been approved and the tax paid without limit as to the ability to change the methodology? Again, looking back now.

JIM CROZIER: The current statute that we're dealing with is 12-53, subparagraphs A, B and C. That statutory language allows an assessor to look back

to find two things. Omitted assets and omitted value.

SEN. NICKERSON: I understand. I'm looking at methodology now. Not omitted assets, but omitted value would mean change of methodology.

JIM CROZIER: That would be my understanding.

SEN. NICKERSON: And is that time limited under current law?

JIM CROZIER: I'm not aware of that, Senator.

SEN. NICKERSON: You're not aware of a time limit. So you and an assessor can look back as far as the eye can see to change the methodology, not omitted assets, but the methodology of calculating value. I see people in the audience shaking their head, no.

JIM CROZIER: No.

SEN. NICKERSON: No what? You mean you can't look back?

JIM CROZIER: We can go back three years collectively as a municipality to look for two things. Omitted value and omitted assets. I'm not aware of any statutory language in terms of changing the methodology.

SEN. NICKERSON: But isn't omitted value a function of changing methodology.

JIM CROZIER: Not according to the state supreme court.

SEN. NICKERSON: But if you change the methodology to increase the value you then have "omitted value." So yes, it seems to me change in methodology could very well lead to omitted value perhaps.

JIM CROZIER: I'm not a hundred percent sure of your point, Senator.

SEN. NICKERSON: My point is I want to get a hold of what it is we're now doing in the area of changing methodology looking back. And it seems to me that is an area where if that is currently going on that

is of great concern.

Because where you have a methodology and a return that are approved, made public and paid and the assessor has the ability to look back and says you didn't omit anything, but we've changed our mind as to how you should calculate it, that's a real choker for taxpayers.

JIM CROZIER: That's not what I'm saying, Senator. Let me make that point very clear.

SEN. NICKERSON: You would agree that that is a choker for taxpayers.

JIM CROZIER: I would agree with that. My point very clear in this language is the following. If an assessor asks you to provide them certain data, specifically asks you to fill out of form of cost times depreciation and you submit something different than that, call it whatever concept you'd like, but it's different than mine, as the assessor, this bill as it's written, as I understand it, says that I can't challenge it. The only way I can challenge your methodology is by using your methodology even though you ignored my requirements as the assessor to fill out this form correctly and use the modified cost approach.

SEN. NICKERSON: But again, before we get this change -- and i don't want to spend the whole afternoon on this, before we get to the change in the law I want to understand what the current law is.

Can the assessor now change the assessor's own view as to what the methodology should have been three years back and assess a new tax based on that, because you omitted valued?

JIM CROZIER: I believe so.

SEN. NICKERSON: I think that's dead wrong.

JIM CROZIER: I didn't write the bill, Senator.

SEN. NICKERSON: I understand. We write bills every day. I think it is absolutely wrong to look back

and change a methodology previously approved. Omitted assets? Absolutely. That's a no, no. But when you have approved a methodology and you've accepted the form and accepted the tax, to then say you know what, I changed my mind. I'm to impose on you a new methodology looking back, I think that's --

JIM CROZIER: Senator, just if I could make one comment on that.

SEN. NICKERSON: It's absolutely an impossible world for taxpayers because they never know when they've paid enough tax.

JIM CROZIER: Well just one final comment on that.

SEN. NICKERSON: Again, excluding omitted assets. That's a no, no.

JIM CROZIER: I understand that.

SEN. NICKERSON: And I'm certainly excluding looking forward. New technologies come along in your industry as they do in any other one and the assessors are certainly entitled to say do it on blue paper instead of green henceforth. I'm concerned about the look back.

JIM CROZIER: With all due respect to your position, Senator, I would say this much. An assessor in a modest sized community that would have two to 3,000 personal property tax accounts and has requested each of those taxpayers to fill out their form in a certain format, doesn't have the staff in place to make sure that every form that comes back and is returned to them on October 1 -- or excuse me, November 1, has been filled out correctly, I believe the issue of omitted value under 12-53 is giving the taxpayer -- excuse me. The assessor the ability to make sure that that form is completed the way they request it.

If that means that they change the methodology that the taxpayers used which is different from the one that the assessor required them to use, I believe that's where the quagmire exists.

SEN. NICKERSON: That I found precisely the issue and you and I have a major difference. Because I don't think the burden of the lack of administrative ability on the part of the assessor should fall on an individual taxpayer.

That's a burden that should fall on the taxpayers of the town as a whole to have adequate assets, just as we look it DRS to have adequate assets to administer our tax laws fairly.

And not say if it's administered unfairly that guy's got to pay the whole bill. I understand you better now. Thank you.

JIM CROZIER: Thank you, Senator.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

JIM CROZIER: Perhaps we're being divided on a common language. Maybe I misunderstood you, Senator. My point was very clearly -- I thought it was clear, was that if an assessor requires a certain methodology and the whole grand list is based on the methodology and a taxpayer uses a methodology that's different than that, we believe 12-53 allows an assessor, and we believe the state supreme court addressed this issue, to go back three years and reconcile that difference.

It would allow an assessor to put that particular taxpayer on par with everybody else on that grand list that was using the modified cost approach as opposed to a methodology that a industry group decides is within their purview to use.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

SEN. NICKERSON: Yes. I don't mean to prolong a debate. The concern is not where -- my concern is not where a taxpayer has filed on a basis different from that which the town required. I could debate that's a possible fair point of inquiry.

My concern is where a taxpayer has filed a form which is on the basis that the town required at the

time when it was filed.

JIM CROZIER: I would agree with that.

SEN. NICKERSON: And the assessor wakes up one morning and says last year's method is not the one I meant. I mean a new method and I'm going to reopen the books for last year and impose a new methodology, not the methodology that was in use at the time you filed, but a new methodology. That's where I have a big concern.

JIM CROZIER: And I would agree with you 100 percent.

SEN. NICKERSON: So you would agree the assessor should not be able to impose a newly invented technology looking back.

JIM CROZIER: I would agree with that.

SEN. NICKERSON: I'm sorry. Not technology but newly invented methodology should be forward looking. So you're saying your only look back with regard to omitted value in the methodology area is where the taxpayer failed to follow the methodology that was required by the assessor.

JIM CROZIER: Correct. We agree 100 percent.

SEN. NICKERSON: I didn't hear you say that the first time around and I thank the chairman for her question.

JIM CROZIER: Thank you.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

REP. BELDEN: Going back to line 178 you had some concerns about that particular section. Is that because the way it's written right now it would preclude hiring of firms such as yours to do audits.

JIM CROZIER: That's correct.

REP. BELDEN: And by adding the fact that qualified attorneys and individuals that hold graduate

degrees, that would allow your firm to conduct audits?

JIM CROZIER: Well we currently employ and have employed a variety of people with these designations. CCMA's, CPA's, attorneys. But as a principal of the firm I sit here before you as I'm not a CPA, I am not an attorney. I do hold a designation. I'm enrolled to practice in front of the Internal Revenue Service. I do hold a masters's degree in tax law.

I would like to be able to have that flexibility as a firm to go out and hire these individuals, in my opinion, that can do the job of identifying omitted assets. Again, we're not assessors. We don't purport to be assessors. We don't purport to be reval firms.

We want to have the ability to find the best talent out there that has an accounting and tax background that can identify omitted assets. We feel that this language would restrict us and those like us that are in the business.

REP. McDONALD: Representative Altobello.

REP. ALTOBELLO: Thank you. Beginning of line 223, the bill as written now would not allow an assessor to look back to a taxpayer who had used any type of methodology at all that the taxpayer chose to use.

What your suggestion here is or your amendment would be that, and simply that, whatever methodology the taxpayer, the assessor requested the taxpayer must use. Is that correct?

JIM CROZIER: That's correct.

REP. ALTOBELLO: So your amendment to the bill would just do that and that only regarding line 223.

JIM CROZIER: That's correct.

REP. ALTOBELLO: Additionally, I'd say that the difference between everyone else in the business community and the utilities is the fact that the

utilities have used in some case depreciation schedules that were based upon the filings with the DPUC and not the filing that the assessor would prefer. Is that correct?

JIM CROZIER: That's correct. I believe that's an issue of equity for the industry group. They should in fact have some consistency but the way the statutes are written today, they are in fact basing it on their ability to recoup their costs based on what the DPUC will allow them to recoup in their rate base. That does not reconcile with the assessor's schedule.

REP. ALTOBELLO: And just lastly, back to line 223 again. With this language, would that clear up any -- in your opinion, would that clear up any ambiguity regarding the look back and the methodology in the look back?

JIM CROZIER: Yes, it would.

REP. ALTOBELLO: Thank you.

REP. McDONALD: I just have one more question. When you go to work for a municipality or a town does the assessor have it clearly lined up in a policy book or an ordinance or something exactly how he's going to or she's going to assess personal property?

Do you have -- do all these towns have it really listed exactly how they go about such business or is it kind of well we're trying to follow in the forms the kind of nefarious which leaves you in a position that you could do it different from what the assessor had done in the first place. Do they have it listed in an ordinance or in a policy book exactly how you're supposed to go about this?

JIM CROZIER: Only by virtue of the form itself.

REP. McDONALD: What form? Everybody's got a different form?

JIM CROZIER: Well I believe there's a group of individual's that will be speaking after me, the CAAO, the Connecticut Association of Assessing

Officers, was seeking standardization but to answer your question --

REP. McDONALD: But they don't have to now you're saying.

JIM CROZIER: Well I can only speak for the towns I've been in, Representative. The communities that we've been involved with have consistent schedules. Schedules that --

REP. McDONALD: Are they the same from town to town?

JIM CROZIER: Yes. In the towns that I've been in, in the communities that I have represented they use the same standard methodology of cost times depreciation.

REP. McDONALD: So they do have it written out precisely how they went about it.

JIM CROZIER: With an instruction booklet and how to complete the form.

REP. McDONALD: So the only thing that you can really find to increase the revenues is things that have been omitted.

JIM CROZIER: That's correct.

REP. McDONALD: That people never saw in the first place.

JIM CROZIER: That's correct.

REP. McDONALD: Okay. Thank you. Are there any other questions? No other questions. Thank you very much.

JIM CROZIER: Thank you.

REP. McDONALD: I skipped somebody before here by mistake and I want to go back. It was Marie Morelli-Wolfe.

MARIE MORELLI-WOLFE: Good afternoon. Thank you for giving me the opportunity to speak with you today.

said a million here and a million there and pretty soon you end up spending real money. I've been quoting that to a lot of people. But I do have -- I think it is a matter of fairness with you but I can just tell you it just goes on and on and on. It doesn't end.

JOSEPH DONOHUE: I understand. I think we're the first group in here asking for something less than a million dollars.

REP. McDONALD: See, he's not going to give up on that. Are there any questions? No questions. Thank you. Steve Hodgetts, Alana D'Amato and Bob Cornell. He already testified. So it's Steve Hodgetts, Tony Homicki and Alana D'Amato. Steve Hodgetts. Gentlemen, would you introduce yourselves?

STEVE HODGETTS: Yes, good afternoon. My name is --

REP. McDONALD: Steve Hodgetts and Tony Homicki.

STEVE HODGETTS: If I may beg the chair's indulgence, perhaps myself and Mr. Homicki and also Mr. Kosofsky can probably squeeze our testimony into the same three minute period.

REP. McDONALD: Well that would be wonderful. Come up. Join him. If you can squeeze three into one it would be wonderful.

STEVE HODGETTS: Good afternoon, Senator Looney, Representative McDonald and Altobello and other members of the committee. My name is Steve Hodgetts. I'm the president of the Connecticut Assessor's Association.

REP. McDONALD: We've been waiting for you people.

STEVE HODGETTS: We're the assessors that were coming after Mr. Brennan. But a number of bills that are before you today are of interest to Connecticut's assessors. Most are supported by our association, however, I would like to just mention two that we're not really in favor of.

And we generally support HB6869 and see it as a complement to the technical changes and clarifications bill which we hugely endorse, HB6952, which will receive further testimony from Tony Homicki and Steve Kosofksy, our legislative co-chairman.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

TONY HOMICKI: With respect to 6952, we submitted written testimony and this bill contains a series of changes that are designed to improve the process by which assessment of personal property for taxation purposes is accomplished throughout Connecticut. Many of the statutes this bill will amend are obsolete and many have not been looked at since the mid-1940's.

And to be brief, I'm going to just quickly highlight specific items. Throughout Connecticut, law continues to mandate an annual filing of property lists. It does not direct property owners to submit the information an assessor needs in order to value such property using the most commonly accepted method, the cost approach to value.

Cost approach is not only the most universally applied method to value personal property in the state, it is the appraised method that the International Association of the Assessing Offices recommends by use to value the vast majority of person property times.

Passage of this bill will formalize the process by which the data needed to apply the cost approach to value is attained by assessors. Legislation will also protect the rights of taxpayers negatively effected by a personal property audit. It will also allow taxpayers who neglect to file a timely decoration of the personal property to have assessment appeals adjudicated at the local level.

Take together, the provisions protect taxpayers and make the valuation of personal property easier for assessors to administer. It's my belief that this

proposal will put forth consistent financial forecasts which only support positive economic growth for municipalities throughout Connecticut.

And my written testimony is a little more detailed and I did give specific examples of this statutes that will be effected with the attachment. And Mr. Kosofsky, my colleague from Windsor, has a couple of words to say.

STEVE KOSOFKY: Good afternoon, Senator Looney, Representative McDonald, members of the committee. I have prepared a written testimony which I have submitted, but based on some previous testimony that has already been heard, I am simply going to condense my comments to the following.

The Connecticut Association of Assessing Officers endorses the proposed amendment raised by Representative Altobello in terms of the methodology to be used in a personal property audits.

We feel that the language the Representative Altobello suggested would be satisfactory to the organization while still maintaining the intent of the legislation.

The other point I need to make clear is it is the position of the Connecticut Association of Assessing Officers that the methodology that is used in an audit should not differ from the methodology that the assessor initially developed the assessment in that particular assessment year.

If you are going backwards in a three year window that is prescribed by law, the methodology of the audit should be consistent with what was requested by the assessor.

If in fact a methodology is to be changed it should be forward, to give the taxpayer the opportunity to appeal. We believe that the language that Representative Altobello had suggested will in fact do that.

REP. McDONALD: You're just repeating what Senator

Nickerson said too.

STEVE KOSOFSKY: That's correct.

REP. McDONALD: And this gentlemen, I forgot his name here.

STEVE KOSOFSKY: Crozier.

REP. McDONALD: Mr. Crozier. He said they don't do that anyway, but I hear differently from other people. Would you tell me how you assess public utilities in your towns? If they come in with a depreciation schedule from DPUC and according to Mr. Kowicky, they're trying to bring in ways of assessing property that the assessor didn't have in the first place, because it's DUPC depreciation schedules.

What is all this problem with the utilities? I mean this has come in from the Connecticut Business and Industry Association this year and everybody's in an uproar over it. And what's happened in your towns with assessing utilities?

STEVE KOSOFSKY: I'm as equally confused as you are, Representative McDonald. In the Town of Windsor the utilities report exactly as requested by me. I request that they file on the net book value, using the depreciation --

REP. McDONALD: What value?

STEVE KOSOFSKY: Net book value with the depreciation to be used by the Department of Public Utility and Control. The thing that confuses me, and I'm still not clear on this, is I don't understand how using original cost with the depreciation set by the DPUC can possibly come up with a value less than putting in on an assessor depreciation schedule.

The schedules that have been adopted by the DPUC are far, far slower than the depreciation that most assessors use for other types of equipment.

REP. McDONALD: What about the man from the gas company who talks about pipes put down in '58 versus pipe that was put down in '64, all of that? Do you have

any problems with the gas company's pipes, assessing it?

STEVE KOSOFSKY: I don't have any problems assessing the gas company's pipes.

REP. McDONALD: No problem. It's hard to get to the bottom of this whole thing. So you don't have any problems, either one of you. Have you ever had one of these contingency auditors in any of your towns?

STEVE HODGETTS: Yes, in fact, Mr. Crozier did perform some audits in our town.

REP. McDONALD: He did. No problems.

STEVE HODGETTS: We've had some court cases. Some that have been lost, some that have been -- not lost. I'm sorry. Some that have been settled, some that have been won.

REP. McDONALD: Won by who?

STEVE HODGETTS: Some that are still outstanding.

REP. McDONALD: Won by whom?

STEVE HODGETTS: By the town against the taxpayer.

REP. McDONALD: For Mr. Crozier. He was their employer.

STEVE HODGETTS: It was on behalf of the town.

REP. McDONALD: And some were lost?

STEVE HODGETTS: No, no. I don't think we've lost any. We've had some settlements and we still have some that are not settled yet.

REP. McDONALD: Okay. Because he said he's never lost one.

STEVE HODGETTS: No, we didn't lose any.

REP. McDONALD: I don't know if I can get to the bottom. Maybe Representative Belden can.

REP. BELDEN: It seems to me the issue is -- I kind of here -- is that there have been court cases where the allegation is that all parties are not responding on the same form with the same data. Are you essentially saying that you when you ask the utilities for their input, tel them that they can use the DPUC depreciation formula or schedule?

STEVE KOSOFSKY: Part of the problem is the existing language of the statutes as they exist today is extremely vague and ambiguous. It simply says that the assessor is charge with determining fair market value. That's it. It does not elaborate how that method should be applied in coming up with that fair market value.

As such, the method that I may use in Windsor to come up with an estimate of fair market value might be different than what my colleague in Meriden might use because of the fact that there is no basis in the law that requires us to use the same method other than to come up with fair market value.

STEVE HODGETTS: In fact, that's why we support this bill so strongly because it does clarify a lot of the grey areas in the statutes which haven't been addressed for a number of years as far as the omission of assets, as far as when the penalties are to be applied, and how assessors are to assess properties that somewhat compliments, although it's not -- they are two separate issues. The bill that was alluded to before, 6869, they are two stand alone bills, but both will tell assessors how to assess property and methods to be used.

One suggests depreciation schedules to be used. We haven't gone that far in the bill that we support. That's a bill that's coming from the City of Stamford, I believe, but certainly, there's a lot of grey area in the statutes at the moment because they're antiquated statutes.

They haven't been addressed in some time and we feel that this bill will address a lot of those inequities or grey areas, things that cities and municipalities and assessors are taking task and

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They haven't been addressed in some time and we feel that this bill will address a lot of those inequities or grey areas, things that cities and municipalities and assessors are taking task and

taking to court over. There won't be so much of that because the procedures will be laid out once and for all, hopefully.

REP. BELDEN: Not having digested this bill in totality myself at this point, would this bill essentially mandate that all assessors in the State of Connecticut use a DPUC depreciation schedule?

STEVE KOSOFSKY: No, it would not.

REP. BELDEN: It doesn't clear up that grey area at all. It's still in court for the next 50 years or whatever, in that area. So any municipality could hire a firm who could go out and say that we don't think on behalf of the town -- and I think one of the court cases relates to replacement value versus depreciated value. You're talking methodology.

And my understanding is the towns currently, either on their own or through outside consultant services have won all their cases, even though their methodology might be different in the different towns.

I'm just trying to see how do we have a standard basis for treating the taxpayers of Connecticut? Not the taxpayers of each town?

STEVE HODGETTS: Well in fairness, I think that's the two issues that the two separate bills are trying to address. Our bill is trying to address the methodology in coming to the fair market value. We're not trying to say what the fair market value is, and that's basically what 6869 is addressing by laying out the schedules and the statutes to come to that fair market value.

So we've heard some comments from the business sector that says they would still like that fair market value in the statutes because they don't feel that the schedules address the fair market value. So that same bill suggests how we should be assessing utility property.

Our bill, 6952, does not lay down that method. It still does leave that avenue for the fair market

value discussion. However, we are trying to address a uniformity of all the other penalties and procedures and auditing process that are currently out of date in the statutes to our way of thinking.

REP. BELDEN: If I have access to a machine for a half a million dollars, is it going to be assessed and treated the same way in Windsor as it would be in Stratford?

STEVE HODGETTS: Well feel that it should.

REP. BELDEN: It should, but under the laws that we're looking at --

STEVE HODGETTS: Currently, there's no statutorily reason why it has to be other than it's got to be it's valued at fair market value.

TONY HOMICKI: We can go one step further and feel it will. We are assessors that are certified once every five years. We do take training. We are educated. We are licensed. So we do have a standard, professional code of conduct that we follow.

We're not arguing the issue on contingency of the audits. We are arguing continuity, consistency, to answer your question, predictable tax base, not just for us, as fiscal technicians, but also for the business community to submit an assistant behavior for the annual declarations that -- most all use the same forms in the process and most importantly, the same methodology.

REP. BELDEN: Except for utilities.

TONY HOMICKI: With the exception -- we do accept the utility with focus toward that (INAUDIBLE -- NOT USING MICROPHONE.) Yes.

REP. BELDEN: Would you say that currently most of these communities in the state accept the DPUC utility depreciation type schedules in how they assess the tax?

TONY HOMICKI: Most are using the same schedules. Even

with the utility question, it's my belief that if you look over the 50 year life of some of these submissions, parody does exist, continuity exists.

If you trigger in an initial cost in a depreciation schedule with some of the utility issues there may be even a higher value.

Overall the continuity question that you're looking for, we will present that and we will have that in hand with the passage of this bill. It will also prevent the possibility of a renegade audit, if you want to call it that, if that's ever occurred in Connecticut or if it could potentially occur. It won't under this proposal.

REP. BELDEN: A renegade audit. You mean not authorized by the assessor or the town?

TONY HOMICKI: Or using different approaches to value that might be a little excessive, possibility create a renegade. This process and the passage of this law will give continuity.

REP. BELDEN: But you could hire an outside firm.

TONY HOMICKI: On a contingency basis.

REP. BELDEN: On a contingency basis and in that contract you can limit this renegade audit type approach.

TONY HOMICKI: My methodology has been excessive.

REP. BELDEN: If you want to protect that particular -- Thank you.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)  
Was it in your city where after you hired this contingency auditor that some company there had to pay between two and \$3 million more in taxes. And if so, was it a utility company?

Because I think when CBIA came in to see us they were talking about something in Meriden where they had been assessed a certain amount for their personal property and then they hired this contingency auditor and they came up and the

company ended up paying between two and \$3 million I think it was, additional taxes on the assessment.

STEVE HODGETTS: To be honest, the case with the utilities against Meriden is still in court and has not been settled or adjudicated and I'm not quite sure that I'm at liberty to comment on that. Certainly, quite a number of firms --

REP. McDONALD: It's a statewide utility or is it something unique to Meriden or what?

STEVE HODGETTS: No, no. It's a statewide utility.

REP. McDONALD: Oh, statewide.

STEVE HODGETTS: There are no utilities unique to Meriden other than the city owned water department.

REP. McDONALD: But you can say at least it came out of a contingency auditor finding something different from what they had had before, correct?

STEVE HODGETTS: That's true. There are certainly many cases where it was found omitted assets and under reported assets, under valued assets and whether they've been to court or not, those people have admitted that something was amiss with their property filing and have paid most of the taxes involved.--

REP. McDONALD: Mr. Koricki -- I don't know if I'm pronouncing his name right. What was his name? Crozier. He said he's only looking for omitted assets. That's all he's looking -- he's looking for omitted assets.

STEVE HODGETTS: Omitted value too, I believe.

REP. McDONALD: The value. Okay.

STEVE HODGETTS: A company could declare -- it's difficult from the reporting process that we have, since it's based on accounting methods, we are asking for a cost and -- historical cost on the year of acquisition of a piece of machinery or whatever it might be. A computer or a desk.

This particular bill clears up that specifically by saying that those are the types of items that should be declared to us on an annual declaration.

In the past it's been found through audit processes that someone might have declared a piece of equipment with less than the cost that's on their books. Is that omitted? The courts have fairly recently outlined that that is under value, omitted value.

The statute says omitted assets and there was some grey area there. So this is one of the grey areas we're trying to get rid of in the statutes with this bill.

REP. McDONALD: Just one other thing. I think when you started, this thing on equipment that takes two or three years to get it installed, were you the gentlemen that said you didn't want to change that law? You'd like to be able to tax as you go? The equipment --

STEVE HODGETTS: We are opposed to SB1212, yes, for a couple of reasons.

REP. McDONALD: Some towns I hear are overly aggressive and as soon as you pour a footing or something they're in taxing you before you hardly got anything off the ground. And evidently it's different from town to town.

But they don't want to pay taxes on equipment that they're not even using yet, they haven't even become part of the process. And it may be a huge piece of equipment at Pratt and Whitney that take two years to install.

And you're saying that as soon as they start, from the minute they get the permit to put the thing in and the first thing they do, how often do you go in, once a year, to see how much they've done. And they're not using it yet. It's not finished.

STEVE HODGETTS: Right.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

STEVE HODGETTS: That's correct. I believe some sort of amendment to that section that would clarify the situation, not the way it's being done here, would be more clear to assessors and this way leaves it open to interpretation and I don't want to say misuse, but it still could be used or interpreted as being available for taxation. I'm sure the owner of the equipment wouldn't feel that way and, therefor, you'd end up in court. You wouldn't be no further head. You'd be still be with the grey area in the statute there.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

REP. BELDON: Just a couple of follow ups. On your bill there was a couple of suggested changes to that bill made by Mr. Crozier. I assume you heard what those were. Could you comment on what your feelings are with regard to those suggested changes? HB6952

STEVE HODGETTS: Certainly. One of them we have no problem with changing the methodology sentence to as requested by the assessor. In fact, we feel that bolsters our position. We can request the information and we can audit on that method.

If it's not submitted, we still would like to be able to audit on the method we requested if the taxpayer doesn't see fit to give us that information that we asked for.

As far as who performs an audit, I'm not so sure about those changes. Certainly, someone with a degree in financial -- in accounting, that might not be too bad.

However, an attorney -- I think there's various attorneys that may not have any specialization in taxation or accounting. Just put in the work attorney would leave it open to any small town attorney being able to do this process and they may not have the expertise available to them.

STEVE KOSOFKY: In addition it's also our feeling that an individual such as an attorney or perhaps an individual that may have a master's or a higher degree in finance would certainly be a bright enough individual that could perhaps take advantage of the existing language that's in there and according to Section 12-2B take a certification test offered by the State of Connecticut's office of Policy and Management to become a certified revaluation company for personal property.

It's our feeling if they've got that kind of background they certainly could sit for that test and be certified as a revaluation company.

STEVE HODGETTS: In which case the existing wording would apply to them after they pass that test.

REP. BELDEN: Let me just ask one other thing. In my world depreciation doesn't start until the item's capitalized. And the item certainly is not capitalized until it's operational and ready to produce whatever it's going to produce essentially. I'm talking about machinery.

So on one hand the tax law -- the federal tax law says you cannot start depreciation until you reach that point. And no company is going to capitalize an item until, in fact, it does meet those requirements because then they're fudging things.

So the problem here is we're talking about somebody wants to collect taxes on a certain date, even though that particular item is not functional, operational or anything else and it may never become functional for whatever reason.

You've just saying just because -- you're feeling is just because something is sited here in the State of Connecticut that it's taxable on some value, regardless of whether it can do anything or not. I'm getting into nitty gritty but this is --

STEVE HODGETTS: In actual fact that's what the statutes say right now. We're not changing anything there. The taxability of property is based upon ownership on the assessment date and the location within the

municipality in Connecticut. And it's not based upon the use or --

REP. BELDEN: That's a lot clearer for real property. It's a little greyer for personal property.

STEVE HODGETTS: Possibly it is but personal property is not excluded in any way. Except that would be a policy type decision that -- we are technicians. We don't want to get into the policy decision of whether that should be taxable equipment or not.

But under the current statutes it is taxable property. And it has led to court cases and litigation and we feel that the language that's proposed for 1271 will only make that a greyer area. It's not cleaning anything up to our way of thinking. Maybe it should be addressed some other way if that's the policy of the legislature.

STEVE KOSOFSKY: I agree with my colleague in the fact that I think the present suggestion in the proposal doesn't truly clear up this issue. Getting back to whether we have the authority to tax it, I think the statutes are clear that in terms of situs it gives us the ability to assess it. But that's only part of the standard.

We then come up to what is the fair market value, at least under the present language of the land right now, of that item. And you make a good point. If something is not contributing value, what is the true fair market value of it? Certainly that would have to go into the decision of the assessor in coming up with that fair market value.

The only problem with that that I see is it perhaps could open up a pandora's box where you may have some equipment that has started to have been capitalized and as of a particular assessment date, due to a loss of a contract may be idle at that time. And all of a sudden you've got that issue staring at you.

REP. BELDEN: I think that's pretty clear. Thank you.

Tape # 3 Page # 8 Speaker # 25

000491

TESTIMONY OF  
JOSEPH F. BRENNAN  
VICE PRESIDENT OF LEGISLATIVE AFFAIRS  
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION  
BEFORE THE  
FINANCE, REVENUE AND BONDING COMMITTEE  
MARCH 12, 1999

Good morning. My name is Joe Brennan. I am vice president of legislative affairs for the Connecticut Business and Industry Association (CBIA). CBIA represents 10,000 businesses across the state of Connecticut, ranging from large industrial corporations to small businesses with one or two employees. The vast majority of our members, about 90 percent, have fewer than 50 employees.

I would like to testify today on several bills. The first is SB 1212, An Act Concerning the Personal Property Tax Applicable to Certain Equipment. This bill excludes machinery and equipment that is in the process of assembly, construction or installation and cannot be placed in service from the local personal property tax. **CBIA supports SB 1212.**

The personal property tax on machinery and equipment has inhibited growth in Connecticut for many years. Many other states either have no tax on personal property or exempt machinery and equipment from the tax. The Finance Committee and the legislature recognized this and have acted to improve our competitiveness in this area. For example, a five-year exemption from the property tax for newly acquired manufacturing machinery and equipment was passed several years ago.

There are still problems with the personal property tax as applied to machinery and equipment however. SB 1212 deals with one of those problems--machinery that is in the process of being constructed (construction in progress, or CIP). This equipment has limited value to the employer until it can be placed in service. Although the parts have value, the true worth of the CIP to the company is after the machine is installed and operating as part of the owner's process.

**Joe Brennan, CBIA testimony**

I would also like to offer comments on HB 6952, An Act Concerning Technical Changes and Clarifications to the Assessment of Personal Property. Among other things, this bill addresses what has become a significant problem for business taxpayers--changing the methodology used to value personal property during a tax audit. Due to a state Supreme Court decision, municipalities are permitted to go back three years on a property tax audit. Several towns have hired audit companies to perform these audits. Often times the audit company will change the established valuation methodology used by the town, without any prior notice to the taxpayer, and come up with a large assessment.

We believe it is completely improper for any taxing authority to change the rules on a taxpayer without prior notice. Whenever it has happened on the state level, we have registered complaints with the Department of Revenue Services, and the practice would then be terminated. It is no less repugnant when done on the local level.

Two of the key factors in setting business tax policy, whether on the federal, state or local level, are consistency and predictability. Unpredictability in tax policy makes it very difficult to set up a successful business plan, and changing valuation methodologies during an audit damages both business planning and the relationship between the town and the taxpayer. We join with the Connecticut Association of Assessing Officers in calling for language that prohibits changing methodologies in property tax audits.

Although it is not part of the bill before you, we also believe that the committee should consider adding language that would prohibit audit companies from being hired to do personal property tax audits on a contingent fee basis. As it is improper for the Internal Revenue Service or the Department of Revenue Services to use contingent fees for their auditors, we believe it is also improper for a town to use contingent fee contracts with audit companies. It is bad public policy for an agent of a taxing authority to be paid based on what new dollars they can assess.

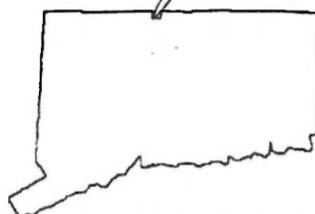
000494

**Joe Brennan, CBIA testimony**

Although we are in basic agreement with the bill, we do object to those sections of HB 6952 that place a mandatory 25% penalty on underreported or omitted property. A penalty of 25%, with no discretion granted to the assessor as to whether or not it may be waived, is much too high. Clearly if a taxpayer is trying to defraud the town by underreporting the value of his property the penalty make some sense. But there also may be cases where the taxpayer makes a good faith effort to comply but inadvertently misreports the value of a piece of property. In this instance, the 25% penalty is out of line.

We suggest that assessors be given discretion in assessing the penalty, and that the penalty be lowered. Perhaps an interest rate could be applied, and the penalty imposed in those cases where the assessor felt there was an intentional underreporting. The current language imposing a 25% penalty in all cases should be changed.

Tape # 5 Page # 145 Speaker # 8 000499



**Connecticut Association of Assessing Officers, Inc.**

Steven Hodgetts, President, City of Meriden Assessor Tel: (203) 630-4065 Fax: (203) 630-4068	Charles Feldman, Vivian Bachteler, Patricia Hedwall, Janice Steinmetz.	Vice-President 2nd Vice-President Secretary Treasurer
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Written Testimony submitted by Steven Hodgetts,  
President of the Connecticut Association of Assessing Officers  
to the Finance, Revenue and Bonding Committee, March 12, 1999.

Good morning Senator Looney, Representatives McDonald and Altobello, and members of the committee. My name is Steven Hodgetts. I am the Assessor for the City of Meriden, and the President of the Connecticut Association of Assessing Officers.

A number of bills before you today are of interest to Connecticut's Assessors.

Most are supported by our Association, however, I would like to mention two that we are not in favor of.

S.B. 1212, which will apparently eliminate the ability to assess Machinery & Equipment classed as "Construction in Progress". We feel that the wording of the amendment to C.G.S. 12-71(b) still leaves the assessment of such equipment open to interpretation, and therefore to appeal and potentially costly litigation. In addition, we feel that most towns would not want to lose the ability to assess any equipment that has situs as of the assessment date. For these reasons we oppose S.B. 1212.

S.B. 725, "Establishing a State-wide System of Uniform Property Taxation on Motor Vehicles". With some of the privacy issues which have arisen of late, we are not necessarily opposed to a uniform system, administered by DMV. However, the outlines contained in this bill leave many questions as to some of the procedures to be followed. For instance; When is the tax to be collected? How will existing delinquencies be handled? How will the tax credit system be administered? In addition, some of the time schedules contained in the bill are un-workable with respect to the timetable of an Assessor's office, and the availability of the information from DMV. Finally, the method for calculating the average mill rate will result in under-funding of the Motor Vehicle Property Tax Equalization Fund, especially since it is based upon prior year mill-rates (see attached analysis).

We support S.B. 484, but would like to see an audit provision included. We attach a copy of testimony given to the Planning & Development Committee at a public hearing, March 5th.

We generally support H.B. 6869, and see it as a complement to the Technical Changes and Clarifications Bill, H.B. 6952, which will receive further testimony from the Association's Legislative Chairmen, Anthony Homicki and Steven Kosofsky.

000500

## OCT 1, 1995 GRAND LISTS, OCT 1, 1997 mill-rates

Town Name	Motor Vehicles	Mill Rate	Tax Amount	Avg. Mill Rate	Tax Amount	Tax Difference
Andover	12,291,786	28.40	349,086.72	25.5	313,440.54	-35,646.18
Ansonia	54,215,774	30.60	1,659,002.68	25.5	1,382,502.24	-276,500.45
Ashford	15,089,391	28.00	422,502.95	25.5	384,779.47	-37,723.48
Avon	94,577,990	22.00	2,080,715.78	25.5	2,411,738.75	331,022.97
Barkhamsted	14,114,765	21.30	300,644.49	25.5	359,926.51	59,282.01
Beacon Falls	22,176,881	25.00	554,422.03	25.5	565,510.47	11,088.44
Berlin	87,998,530	29.40	2,587,156.78	25.5	2,243,962.52	-343,194.27
Bethany	27,142,320	26.49	719,000.06	25.5	692,129.16	-26,870.90
Bethel	83,017,016	21.37	1,774,073.63	25.5	2,116,933.91	342,860.28
Bethlehem	17,279,756	20.33	351,297.44	25.5	440,633.78	89,336.34
Bloomfield	90,504,076	24.74	2,239,070.84	25.5	2,307,853.94	68,783.10
Bolton	22,965,422	26.545	609,617.13	25.5	585,618.26	-23,998.87
Bozrah	16,363,525	21.00	343,634.03	25.5	417,269.89	73,635.86
Branford	146,773,631	23.53	3,453,583.54	25.5	3,742,727.59	289,144.05
Bridgeport	241,241,993	65.50	15,801,350.54	25.5	6,151,670.82	-9,649,679.72
Bridgewater	10,282,508	19.44	199,891.96	25.5	262,203.95	62,312.00
Bristol	234,612,830	26.50	6,217,240.00	25.5	5,982,627.17	-234,612.83
Brookfield	82,388,570	25.10	2,067,953.11	25.5	2,100,908.54	32,955.43
Brooklyn	28,791,565	21.00	604,622.87	25.5	734,184.91	129,562.04
Burlington	40,046,388	21.50	860,997.34	25.5	1,021,182.89	160,185.55
Canaan	5,899,509	31.75	187,309.41	25.5	150,437.48	-36,871.93
Canterbury	20,529,385	22.91	470,328.21	25.5	523,499.32	53,171.11
Canton	45,468,093	22.32	1,014,847.84	25.5	1,159,436.37	144,588.54
Chaplin	8,375,021	19.00	159,125.40	25.5	213,563.04	54,437.64
Cheshire	134,741,290	27.80	3,745,807.86	25.5	3,435,902.90	-309,904.97
Chester	17,267,440	19.75	341,031.94	25.5	440,319.72	99,287.78
Clinton	56,885,990	28.12	1,599,634.04	25.5	1,450,592.75	-149,041.29
Colchester	55,560,279	26.12	1,451,234.49	25.5	1,416,787.11	-34,447.37
Colebrook	7,082,145	23.10	163,597.55	25.5	180,594.70	16,997.15
Columbia	24,497,935	22.50	551,203.54	25.5	624,697.34	73,493.81
Cornwall	8,461,340	18.75	158,650.13	25.5	215,764.17	57,114.05
Coventry	46,336,010	24.00	1,112,064.24	25.5	1,181,568.26	69,504.01
Cromwell	54,594,640	24.23	1,322,828.13	25.5	1,392,163.32	69,335.19
Danbury	273,145,240	19.13	5,225,268.44	25.5	6,965,203.62	1,739,935.18
Darien	128,794,301	17.05	2,195,942.83	25.5	3,284,254.68	1,088,311.84
Deep River	19,505,597	22.40	436,925.37	25.5	497,392.72	60,467.35
Derby	43,812,815	30.70	1,345,053.42	25.5	1,117,226.78	-227,826.64
Durham	29,049,130	27.25	791,588.79	25.5	740,752.82	-50,835.98
Eastford	6,945,430	31.53	218,989.41	25.5	177,108.47	-41,880.94
East Granby	27,734,357	22.20	615,702.73	25.5	707,226.10	91,523.38
East Haddam	35,019,810	27.20	952,538.83	25.5	893,005.16	-59,533.68
East Hampton	48,403,453	24.49	1,185,400.56	25.5	1,234,288.05	48,887.49
East Hartford	172,763,015	38.87	6,715,298.39	25.5	4,405,456.88	-2,309,841.51
East Haven	94,622,897	36.95	3,496,316.04	25.5	2,412,883.87	-1,083,432.17
East Lyme	69,978,940	27.50	1,924,420.85	25.5	1,784,462.97	-139,957.88
Easton	41,346,200	25.20	1,041,924.24	25.5	1,054,328.10	12,403.86
East Windsor	46,297,040	26.00	1,203,723.04	25.5	1,180,574.52	-23,148.52
Ellington	52,465,344	26.50	1,390,331.62	25.5	1,337,866.27	-52,465.34
Enfield	164,844,018	28.95	4,772,234.32	25.5	4,203,522.46	-568,711.86
Essex	34,077,921	14.00	477,090.89	25.5	868,986.99	391,896.09
Fairfield	278,800,627	26.50	7,388,216.62	25.5	7,109,415.99	-278,800.63
Farmington	126,687,230	22.80	2,888,468.84	25.5	3,230,524.37	342,055.52
Franklin	11,970,130	20.95	250,774.22	25.5	305,238.32	54,464.09
Glastonbury	162,176,990	29.90	4,849,092.00	25.5	4,135,513.25	-713,578.76
Goshen	15,096,793	22.80	344,206.88	25.5	384,968.22	40,761.34
Granby	47,959,028	27.81	1,333,740.57	25.5	1,222,955.21	-110,785.35
Greenwich	420,554,520	17.04	7,166,249.02	25.5	10,724,140.26	3,557,891.24

000501

## OCT 1, 1995 GRAND LISTS, OCT 1, 1997 mill-rates

Town Name	Motor	Mill	Tax	Avg. Mill	Tax	Tax
Griswold	39,393,430	22.50	886,352.18	25.5	1,004,532.47	118,180.29
Groton	138,209,963	24.45	3,379,233.60	25.5	3,524,354.06	145,120.46
Guilford	104,162,334	30.23	3,148,827.36	25.5	2,656,139.52	-492,687.84
Haddam	36,264,950	28.50	1,033,551.08	25.5	924,756.23	-108,794.85
Hamden	198,219,790	35.06	6,949,585.84	25.5	5,054,604.65	-1,894,981.19
Hampton	8,121,249	28.00	227,394.97	25.5	207,091.85	-20,303.12
Hartford	206,142,652	29.88	6,159,542.44	25.5	5,256,637.63	-902,904.82
Hartland	8,667,440	21.75	188,516.82	25.5	221,019.72	32,502.90
Harwinton	25,966,782	20.50	532,319.03	25.5	662,152.94	129,833.91
Hebron	34,003,980	29.49	1,002,777.37	25.5	867,101.49	-135,675.88
Kent	15,575,540	19.07	297,025.55	25.5	397,176.27	100,150.72
Killingly	58,132,965	20.50	1,191,725.78	25.5	1,482,390.61	290,664.83
Killingworth	26,658,652	26.50	706,454.28	25.5	679,795.63	-26,658.65
Lebanon	29,386,762	19.20	564,225.83	25.5	749,362.43	185,136.60
Ledyard	66,437,232	28.90	1,920,036.00	25.5	1,694,149.42	-225,886.59
Lisbon	16,769,930	16.50	276,703.85	25.5	427,633.22	150,929.37
Litchfield	43,768,585	20.00	875,371.70	25.5	1,116,098.92	240,727.22
Lyme	12,816,320	12.50	160,204.00	25.5	326,816.16	166,612.16
Madison	91,837,700	22.56	2,071,858.51	25.5	2,341,861.35	270,002.84
Manchester	209,090,060	23.79	4,974,252.53	25.5	5,331,796.53	357,544.00
Mansfield	47,079,703	25.56	1,203,357.21	25.5	1,200,532.43	-2,824.78
Marlborough	27,240,356	30.20	822,658.75	25.5	694,629.08	-128,029.67
Meriden	183,658,380	35.80	6,574,970.00	25.5	4,683,288.69	-1,891,681.31
Middlebury	36,922,040	29.70	1,096,584.59	25.5	941,512.02	-155,072.57
Middlefield	20,555,820	29.28	601,874.41	25.5	524,173.41	-77,701.00
Middletown	159,558,605	24.40	3,893,229.96	25.5	4,068,744.43	175,514.47
Milford	205,757,073	31.06	6,390,814.69	25.5	5,246,805.36	-1,144,009.33
Monroe	95,237,140	23.97	2,282,834.25	25.5	2,428,547.07	145,712.82
Montville	69,389,248	26.00	1,804,120.45	25.5	1,769,425.82	-34,694.62
Morris	10,691,640	24.179	258,513.16	25.5	272,636.82	14,123.66
Naugatuck	103,236,980	55.60	5,739,976.09	25.5	2,632,542.99	-3,107,433.10
New Britain	182,800,768	49.48	9,044,982.00	25.5	4,661,419.58	-4,383,562.42
New Canaan	140,068,020	17.87	2,503,015.52	25.5	3,571,734.51	1,068,718.99
New Fairfield	64,185,410	24.90	1,598,216.71	25.5	1,636,727.96	38,511.25
New Hartford	30,450,230	21.00	639,454.83	25.5	776,480.87	137,026.04
New Haven	194,684,589	35.04	6,821,748.00	25.5	4,964,457.02	-1,857,290.98
Newington	140,177,137	27.17	3,808,612.81	25.5	3,574,516.99	-234,095.82
New London	67,282,722	27.30	1,836,818.31	25.5	1,715,709.41	-121,108.90
New Milford	118,510,510	27.52	3,261,409.24	25.5	3,022,018.01	-239,391.23
Newtown	112,820,198	26.90	3,034,863.33	25.5	2,876,915.05	-157,948.28
Norfolk	9,668,510	23.72	229,337.06	25.5	246,547.01	17,209.95
North Branford	62,254,830	28.67	1,784,845.98	25.5	1,587,498.17	-197,347.81
North Canaan	13,911,870	22.70	315,799.45	25.5	354,752.69	38,953.24
North Haven	131,456,517	24.10	3,168,102.06	25.5	3,352,141.18	184,039.12
North Stonington	22,910,845	24.25	555,587.99	25.5	584,226.55	28,638.56
Norwalk	340,161,505	46.44	15,797,100.29	25.5	8,674,118.38	-7,122,981.91
Norwich	127,124,766	26.15	3,324,312.63	25.5	3,241,681.53	-82,631.10
Old Lyme	39,219,772	18.75	735,370.73	25.5	1,000,104.19	264,733.46
Old Saybrook	55,710,494	15.67	872,983.44	25.5	1,420,617.60	547,634.16
Orange	78,150,594	23.70	1,852,169.08	25.5	1,992,840.15	140,671.07
Oxford	45,019,096	31.43	1,414,950.19	25.5	1,147,986.95	-266,963.24
Plainfield	51,134,420	21.45	1,096,833.31	25.5	1,303,927.71	207,094.40
Plainville	88,415,000	28.20	2,493,303.00	25.5	2,254,582.50	-238,720.50
Plymouth	45,991,744	33.50	1,540,723.42	25.5	1,172,789.47	-367,933.95
Pomfret	15,588,358	20.45	318,781.92	25.5	397,503.13	78,721.21
Portland	39,539,784	29.63	1,171,563.80	25.5	1,008,264.49	-163,299.31
Preston	21,625,127	19.50	421,689.98	25.5	551,440.74	129,750.76
Prospect	42,018,690	25.80	1,084,082.20	25.5	1,071,476.60	-12,605.61

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## OCT 1, 1995 GRAND LISTS, OCT 1, 1997 mill-rates

Town Name	Motor	Mill	Tax	Avg. Mill	Tax	Tax
Putnam	34,779,280	14.25	495,604.74	25.5	886,871.64	391,266.90
Redding	51,027,691	20.90	1,066,478.74	25.5	1,301,206.12	234,727.38
Ridgefield	140,766,547	21.52	3,029,296.09	25.5	3,589,546.95	560,250.86
Rocky Hill	86,227,490	21.90	1,888,382.03	25.5	2,198,801.00	310,418.96
Roxbury	13,252,807	17.50	231,924.12	25.5	337,946.58	106,022.46
Salem	17,379,670	29.00	504,010.43	25.5	443,181.59	-60,828.84
Salisbury	23,623,868	14.90	351,995.63	25.5	602,408.63	250,413.00
Scotland	6,048,520	24.01	145,224.97	25.5	154,237.26	9,012.29
Seymour	60,169,685	25.75	1,549,369.39	25.5	1,534,326.97	-15,042.42
Sharon	17,907,315	17.00	304,424.36	25.5	456,636.53	152,212.18
Shelton	176,116,990	24.13	4,249,702.97	25.5	4,490,983.25	241,280.28
Sherman	19,260,295	15.90	306,238.69	25.5	491,137.52	184,898.83
Simsbury	119,547,070	31.20	3,729,868.58	25.5	3,048,450.29	-681,418.30
Somers	39,283,770	22.56	886,241.85	25.5	1,001,736.14	115,494.28
Southbury	90,108,750	21.50	1,937,338.13	25.5	2,297,773.13	360,435.00
Southington	178,642,102	26.10	4,662,558.86	25.5	4,555,373.60	-107,185.26
South Windsor	127,698,239	33.05	4,220,426.80	25.5	3,256,305.09	-964,121.70
Sprague	11,875,478	21.00	249,385.04	25.5	302,824.69	53,439.65
Stafford	46,436,955	25.10	1,165,567.57	25.5	1,184,142.35	18,574.78
Stamford	506,136,031	28.50	14,424,876.88	25.5	12,906,468.79	-1,518,408.09
Sterling	10,426,290	22.50	234,591.53	25.5	265,870.40	31,278.87
Stonington	77,474,980	22.85	1,770,303.29	25.5	1,975,611.99	205,308.70
Stratford	193,683,330	33.50	6,488,391.56	25.5	4,938,924.92	-1,549,466.64
Suffield	56,231,655	23.33	1,311,884.51	25.5	1,433,907.20	122,022.69
Thomaston	32,901,908	26.44	869,926.45	25.5	838,998.65	-30,927.79
Thompson	36,530,859	17.90	653,902.38	25.5	931,536.90	277,634.53
Tolland	58,134,260	28.00	1,627,759.28	25.5	1,482,423.63	-145,335.65
Torrington	136,445,006	25.26	3,446,600.85	25.5	3,479,347.65	32,746.80
Trumbull	170,157,011	25.00	4,253,925.28	25.5	4,339,003.78	85,078.51
Union	3,256,515	17.14	55,816.67	25.5	83,041.13	27,224.47
Vernon	112,303,800	29.10	3,268,040.58	25.5	2,863,746.90	-404,293.68
Voluntown	9,155,194	24.00	219,724.66	25.5	233,457.45	13,732.79
Wallingford	189,401,010	24.80	4,697,145.05	25.5	4,829,725.76	132,580.71
Warren	6,824,372	20.75	141,605.72	25.5	174,021.49	32,415.77
Washington	23,703,500	17.50	414,811.25	25.5	604,439.25	189,628.00
Waterbury	260,139,960	74.642	19,417,366.89	25.5	6,633,568.98	-12,783,797.91
Waterford	91,155,440	14.93	1,360,950.72	25.5	2,324,463.72	963,513.00
Watertown	100,286,681	20.21	2,026,793.82	25.5	2,557,310.37	530,516.54
Westbrook	27,904,220	21.00	585,988.62	25.5	711,557.61	125,568.99
West Hartford	264,860,579	30.05	7,959,060.40	25.5	6,753,944.76	-1,205,115.63
West Haven	154,726,260	34.46	5,331,866.92	25.5	3,945,519.63	-1,386,347.29
Weston	68,969,377	24.05	1,658,713.52	25.5	1,758,719.11	100,005.60
Westport	190,364,561	24.50	4,663,931.74	25.5	4,854,296.31	190,364.56
Wethersfield	114,402,777	22.96	2,626,687.76	25.5	2,917,270.81	290,583.05
Willington	24,614,578	19.35	476,292.08	25.5	627,671.74	151,379.65
Wilton	114,747,370	23.36	2,680,498.56	25.5	2,926,057.94	245,559.37
Winchester	42,455,300	30.16	1,280,451.85	25.5	1,082,610.15	-197,841.70
Windham	60,752,250	22.80	1,385,151.30	25.5	1,549,182.38	164,031.08
Windsor	125,077,947	22.10	2,764,222.63	25.5	3,189,487.65	425,265.02
Windsor Locks	123,883,055	17.45	2,161,759.31	25.5	3,159,017.90	997,258.59
Wolcott	64,651,850	28.39	1,835,466.02	25.5	1,648,622.18	-186,843.85
Woodbridge	55,957,030	28.98	1,621,634.73	25.5	1,426,904.27	-194,730.46
Woodbury	49,423,360	19.45	961,284.35	25.5	1,260,295.68	299,011.33
Woodstock	31,538,023	25.70	810,527.19	25.5	804,219.59	-6,307.60
		Average				
TOTAL	13,638,288,288	Mill-Rate	388,086,567.45		347,776,351.34	-40,310,216.11
		25.49				

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Yankee Gas Services Company  
599 Research Parkway  
Meriden, CT 06450 1030  
203.639.4354

Nicholas A. Rinaldi  
Controller

**TESTIMONY OF  
NICHOLAS A. RINALDI  
YANKEE GAS SERVICES COMPANY  
BEFORE THE  
FINANCE, REVENUE AND BONDING COMMITTEE  
MARCH 12, 1999**

**Raised Bill No. 6869 - An Act Concerning The Uniform Valuation of Personal Property**

**Raised Bill No. 6952 - An Act Concerning Technical Changes and Clarifications  
To the Assessment of Personal Property**

Senator Looney, Representative McDonald, and members of the Finance, Revenue and Bonding Committee:

Thank you for the opportunity to comment today on Raised Bill No. 6869 and Raised Bill No. 6952

My name is Nicholas A. Rinaldi and I am the Controller for Yankee Gas Services Company (Yankee Gas), a subsidiary of Yankee Energy System, Inc. Yankee Gas is a local gas distribution company doing business in 70 towns and cities throughout the State of Connecticut. We serve approximately 183,000 customers of which over 22,000 are commercial and industrial in nature. Yankee Gas currently pays approximately \$8.7 million in property taxes each year to the towns and cities of this State. Our personal property declarations are filed on the basis of historical cost less book depreciation, the method allowed into gas and electric rates by the Department of Public Utility Control, the State's regulatory authority for public utility companies.

Yankee supports Raised Bill No. 6869 for three primary reasons:

1) Passage of this bill will have the effect of providing predictability and stability to our property values across each of the 70 towns we serve and will have the added benefit of providing each town with a standardized, objective means of determining value.

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2) This bill would provide for the elimination of arbitrary assessments of long lived utility property at a value in excess of its earnings potential, which has become an increasing problem for Yankee Gas and other utility companies. The DPUC allows a utility to earn based upon its rate base, that is, its depreciated investment in utility plant. To fix a value higher than what a utility is allowed to earn upon overstates the fair value of the property and creates an inequity between what a utility has in its rate structure and its actual expense level.

Yankee Gas has not filed for a rate increase since 1992. Personal property tax increases such as we are faced with in Meriden alone are so enormous that they could force us to file a rate application for just the recovery of this expense alone. Moving away from assessing utility property values on a net book value basis would also circumvent much of the work the General Assembly is trying to accomplish in making this state more competitive, particularly with efforts to lower utility rates to promote economic development. This issue does not just affect Yankee Gas and its gas customers, but could affect all customers of electric, gas and water utilities.

3) Passage of this bill would have virtually no impact on the amount of taxes we pay to each of the towns in our service territory. We currently file all of our property values on the net book value method as do most of the other utilities in the state. Passage of this bill simply reaffirms that methodology.

Yankee Gas also supports the technical changes and clarifications in Raised Bill No. 6952. The Assessors Association has long strived to provide clarity to the taxation of personal property and other assessment issues. This bill will help ensure that the taxes paid by all taxpayers in the state of Connecticut are based on fair and equitable assessments.

In closing, we again urge your support for these bills.

Respectively submitted,

Yankee Gas Services Company

By:



Nicholas A. Rinaldi  
Controller

Ken Olsen

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000517

TESTIMONY  
of  
THE UNITED ILLUMINATING COMPANY  
before the  
COMMITTEE ON FINANCE, REVENUE AND BONDING  
Re:  
RAISED BILL NUMBER 6869  
AN ACT CONCERNING THE UNIFORM VALUATION  
OF PERSONAL PROPERTY  
and  
RAISED BILL NUMBER 6952  
AN ACT CONCERNING TECHNICAL CHANGES AND CLARIFICATIONS  
TO THE ASSESSMENT OF PERSONAL PROPERTY

Date: March 12, 1999

STATE CAPITOL  
HARTFORD, CT

Senator Looney, Representative MacDonald and distinguished members of the Finance, Revenue and Bonding Committee. My name is Kenneth O. Olson, Manager of Property Accounting at The United Illuminating Company. I am here to testify on Raised Bill Number 6869, An Act Concerning the Uniform Valuation of Personal Property and Raised Bill Number 6952, An Act Concerning Technical Changes and Clarifications to the Assessment of Personal Property.

First let me speak to Raised Bill No. 6869. UI believes this bill could be beneficial to our Company and to State businesses in general because it defines the true and actual value of tangible personal property for property tax purposes. The lack of a current definition of the term 'fair market value' has resulted in a situation where there are many different interpretations of what constitutes fair market value for property tax purposes. This, in turn, has led to many disputes and court litigation that has added costs to all parties over the years.

UI recognizes this bill will remedy that situation and therefore is supporting it. However, we would like to suggest changes to line numbers 22, 28 and 32, to more clearly define the cost of personal property. In these lines the phrase "established in relation to" should be changed to "established as".

UI also supports the technical changes and clarifications in Raised Bill No. 6852.

UI would like to thank the Committee for this opportunity to testify on this proposed legislation. I will be happy to answer any questions you may have.



Jim Finley

TESTIMONY OF THE  
CONNECTICUT CONFERENCE OF MUNICIPALITIES

TO THE  
FINANCE, REVENUE AND BONDING COMMITTEE  
March 12, 1999

CCM supports RB 6952, "AAC Technical Changes and Clarifications to the Assessment of Personal Property."

RB 6952 would clarify and standardize the assessment of personal property, including declaration procedures, audit procedures, and appeals procedures. The bill would specify the circumstances under which a taxpayer can be assessed the 25% penalty for unreported or under-reported property. It would also ensure that assessors, or their designees, are able to enforce compliance with regard to property taxes through a specific audit procedure, which is not sufficiently defined under current statutes.

This bill would provide municipalities with many tools they need to help ensure tax compliance by all property taxpayers.

Reporting Loophole Closed

The provision tightening the penalties for under-reporting or not reporting property is particularly important. Municipalities presently lose tens of millions of dollars from such unreported and under-reported personal property. *This lost revenue is made up through higher property taxes on residential and business property taxpayers.*

The fairness of any tax is called into question when the governments that administer the tax do not have the ability to ensure compliance. Law-abiding residents and businesses should not be required to carry an increased property tax burden because a few taxpayers omit property from personal property lists.

Needed Amendment

CCM asks that you amend the last sentence of Sec. 5 (c)(1) of the bill. That section would limit the ability of municipalities to use so-called "contingency fee" audits of their assessments. We ask that the bill be amended to include the following:

The methodologies used to determine the value of such property during such audit shall be consistent with professional practices generally accepted in the field of personal property assessment.

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This language will ensure fairness to taxpayers while protecting the ability of municipal assessors to use the generally accepted methodology that best determines fair market value.

CCM appreciates the leadership that the Connecticut Association of Assessing Officers has shown in assessment issues generally, but especially in the area of personal property. This bill, which reflects their efforts and the hard work of legislators, will benefit municipalities and their taxpayers by improving the fairness of tax assessment.

*CCM urges you to amend the bill as indicated, and give it a favorable report.*

\* \* \* \* \*

If you have any questions or comments, please contact Jim Finley or Gian-Carl Casa at 203-498-3000.

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Tape # 4

Page # 8

Speaker # 1

Testimony on HB 6952  
AN ACT CONCERNING TECHNICAL CHANGES AND CLARIFICATIONS TO  
THE ASSESMENT OF PERSONAL PROPERTY

SUBMITTED BY  
JAMES R. CROZIER, PRINCIPAL  
NORTHEAST FINANCIAL MANAGEMENT ASSOCIATES, LLC

Good afternoon Chairman Looney, Chairman McDonald and distinguished members of the Finance Revenue and Bonding Committee. My name is Jim Crozier and I come before your committee this afternoon to speak in opposition to HB 6952 as it is currently written.

Northeast Financial Management Associates (NFMA) has become a major player in providing services to a number of cities and towns in our state conducting personal property tax audits. Our company has found millions of dollars in unpaid taxes for the towns we work for. Adoption of this proposal, as written, would have a drastic impact on our company's ability to assist towns in finding underpaid or unpaid taxes.

The proposal that is before your committee this afternoon I feel is a very good proposal with the exception of a few key areas that I wish to address. First of all beginning on line 178 the bill places limits on who can perform personal property tax audits to include only assessors or certified public accountants. We would like to see language added to this section that would qualify attorneys and individuals that hold a graduate degree in finance or accounting under the qualifications necessary to perform tax audits.

The other section of this bill we would like to comment on begins on line 223 and concerns the methodology used in calculating taxes. The proposed language in this bill would require an assessor to use the taxpayers methodology as it was originally filed. The assessor, by adding property to the grand list for such year, as originally filed by the taxpayer, would be limited to the taxpayers methodology for purposes of verification and subsequent audit. We feel this requirement permits too much latitude for the taxpayer and will place unrealistic burdens on future tax audits.

We would request the committee consider language that would use the methodology established by the assessor as the proper methodology for the purposes of a tax audit.

With these changes to the bill we feel HB 6952 is an excellent piece of legislation and would urge the committees support of the bill as amended by our suggestions.

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**Language changes suggested for Raised Bill No. 6952 - "An Act Concerning Technical Changes and Clarifications to the Assessment of Personal Property"**

Beginning at line #178-

(3)"designee of an assessor" means a certified Connecticut municipal assessor, a certified public accountant, an attorney, a full-time employee of the town with a background in finance or accounting, an individual with a graduate degree in finance or accounting, a revaluation company certified in accordance with section 12-2b for the valuation of personal property, an individual enrolled as an agent to practice before the Internal Revenue Service pursuant to the requirements of United States Treasury Department circular number 230 or any successor thereto and any firm which employs such individuals with the above qualifications.

**Language elimination suggested for Raised Bill No. 6952 - " An act Concerning Technical Changes and Clarifications to the Assessment of Personal Property"**

Beginning at line #223-

{The methodologies used to determine the value of such property during such audit shall remain consistent with the methodologies employed by the assessor to determine the value of such property for the grand list year to which such audit or audits relate.}

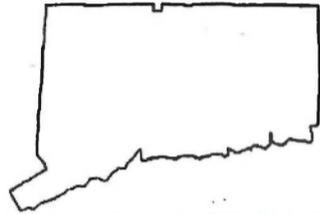
*Statement of Purpose:* The proposed language would require an assessor to use the taxpayers methodology as originally filed. The assessor, by adding such property to the grand list for such year, as originally filed by the taxpayer, would be limited to the taxpayers methodology for purposes of verification and subsequent audit.

Beginning at line #355-

{If the methodology used to determine the value of personal property for which a notice of increase is required differs from that previously used to determine the value of such property by the assessor or assessors of such town, said notice shall include a statement concerning such change, which shall indicate the current methodology and that previously used.

*Statement of Purpose:* The proposed language would become unnecessary if the above language is eliminated from the Raised Bill.

Tape # 5 Page # 13 Speaker # 13 000543



**Connecticut Association of Assessing Officers, Inc.**

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Written Testimony Submitted  
by  
Anthony Homicki, Legislative Committee Co-Chair  
of the  
Connecticut Association of Assessing Officers  
to the  
Finance, Revenue and Bonding Committee  
March 12, 1999

Regarding Raised Bill No. 6952: AAC Technical Changes And Clarifications  
To The Assessment Of Personal Property.

Good morning Senator Looney, Representative McDonald and members of the committee: my name is Tony Homicki. I am the Co-Chair of the Connecticut Association of Assessing Officers' Legislative Committee, as well as the Assessor of Newington. I am submitting this written testimony in support of Raised Bill No. 6952, which contains a series of changes that are designed to improve the process by which the assessment of personal property for taxation purposes is accomplished in this state.

Many of the statutes this bill will amend are antiquated. This is not surprising in that a number of them have not been revised in the last fifty years. Some of the applicable statutes that were amended during the last half-century, still do not reflect the procedure by which personal property is valued for assessment purposes. As a result, these statutes are confusing to taxpayers, and are often difficult for assessors to explain and administer.

Although a Section by Section Summary of the changes contained in Raised Bill No. 6952 is attached to this testimony, I would like to take a few moments to illustrate the need for this legislation.

At one time, taxpayers brought written or printed lists into their local assessor's office once a year. These lists included real and personal property descriptions and the owner's opinion as to the value of such property. From the information on these lists, assessors were expected to value such property and produce their town's Grand List - a record of the taxable property in their taxing jurisdictions.

This procedure worked well enough when assessors were on a first name basis with each property owner in their towns and were familiar with the fair market values of the types of property they were required to value. Personal property, for example, once consisted mainly of farm and mill machinery and office furniture.

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Today, however, given the number of businesses that exist and the myriad types of personal property used by these entities, this procedure is virtually unworkable. And while Connecticut law continues to mandate the annual filing of property lists, it does not direct property owners to submit the information an assessor needs in order to value such property using the most commonly accepted method: the cost approach to value.

To apply the cost approach to value, an assessor must receive data concerning the original cost of an item personal property and the year of its acquisition. The assessor then applies an annual depreciation factor to such costs. Older items receive higher total depreciation, reflecting their losses in value from all causes.

The cost approach is not only the most universally applied method to value personal property in this state, it is the appraisal method that the International Association of Assessing Officers recommends by used to value the vast majority of personal property items.

Passage of this bill will formalize the process by which the data needed to apply the cost approach to value is obtained by assessors. This legislation will also protect the rights of taxpayers negatively affected by a personal property audit. It will allow taxpayers who neglect to file a timely declaration of their personal property to have their assessment appeals adjudicated at the local level.

Taken together, these provisions protect taxpayers and make the valuation of personal property easier for assessors to administer. Cost savings may also accrue to towns and taxpayers, in terms of fewer court appeals and their attendant costs.

Raised Bill No. 6952 is almost identical to bills that received joint favorable reports from this committee in each of the last three years (i.e., HB 5659 in 1998, HB 1266 in 1997 and HB 5755 in 1996). Passage of this bill is long overdue.

The Connecticut Association of Assessing Officers respectfully requests that you given this bill a joint favorable report. I also urge each of you to vote for its enactment.

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Raised Bill No. 6952 - AAC Technical Changes And Clarifications To The Assessment Of Personal Property.

Bill Sec.	Statute	Description of Changes
1	§12-40	Replaces the word "list" with the word "declaration" with respect to the filing of annual reports of taxable property. (This change is reiterated throughout the bill.) Adds the word "personal" to describe the property required to be reported.
		Clarifies that resident owners (§12-42) and nonresident owners (§12-43) of personal property must file declarations.
2	§12-41	Subsec. (a): Changes the definition of "municipality" to encompass the 169 cities and towns only, reflecting the fact that taxpayers are not required to file personal property declarations in lesser taxing districts. (Such districts use the assessments determined by town assessors to develop their tax bases, pursuant to §7-328.) Subsec. (b): Replaces the word "list" with the word "declaration". Subsec. (c): Repeals this subsection, which provides that personal property included on a list previously filed by a taxpayer need not again be reported in detail, as long as dispositions and acquisitions are reported. Subsec. (d): Repeals this subsection, which provides that real estate need not be included in a taxpayer's annual filing, under certain circumstances. All towns were given permission to eliminate real estate filings in the 1980's, since the requisite tax maps and other administrative tools were then in place. Subsec. (e): Clarifies the types of personal property that must be reported on an annual declaration. Adds the provision that leasehold interests classified as other than real property must be declared. Reiterates the exemption of commercial or financial information entered on a declaration from freedom of information disclosure requirements. Subsec. (e): Clarifies the assessment penalty that is imposed if a taxpayer fails to file a declaration, or omits property that should have been included on a declaration. Subsecs. (f), (g) and (h): Deletes these subsections, since the provisions they contain are now included in other sections of the bill or are not needed.
3	§12-42	Clarifies the filing requirements related to property declarations, by removing references to "each parcel of real estate". Corrects a statutory cite related to the fair market value of property. Also provides that declarations may be filed or postmarked, absent the application of an assessment penalty, on the next business day if the filing date falls on a Saturday.
4	§12-43	Replaces "list" with "declaration". Removes references to real estate. Provides that if an assessor does not become aware of the identity or mailing address of a nonresident taxpayer prior to the date by which declarations are sent, the assessor

Bill Sec.	Statute	Description of Changes
4, Cont.	§12-53	must mail a declaration to the nonresident within ten days of determining his identity or address. Defines nonresident.
5	§12-53	Note: This section relates to audits of personal property accounts.
		Subsec. (a): Defines "omitted property", "books, papers, documents and other records" and "designee of an assessor".
		Subsec. (b): Replaces "list" with "declaration". Clarifies that omitted property is subject to an assessment penalty.
		Subsec. (c)(1): Clarifies the date by which notice of an audit of personal property must be provided to a taxpayer. Allows an assessor's designee to perform an audit. Provides that the methodology used to value property during an audit must be the same as that used for the valuation of the property on the assessment list(s) that the audit encompasses.
		Subsec. (c)(2): Clarifies that property that was omitted on a taxpayer's declaration is subject to an assessment penalty.
		Subsec. (c)(3): Clarifies that property that was erroneously included on a taxpayer's declaration is to be removed by the assessor.
		Subsec. (c)(4): Replaces the word "listed" with the word "declared".
		Subsec. (d): Clarifies the time by which an assessor must send a taxpayer a notice of the results of an audit. If an audit results in an assessment increase, the notice must contain information concerning assessment appeals. Also requires assessors to provide audited taxpayers with a personal property declaration, revised in accordance with the audit findings.
		Subsec. (e): Clarifies "payment under protest" provisions with respect to assessment increases resulting from personal property audits.
		Subsec. (f): Extends, from 10 to 30 days, the time by which a tax collector must bill a taxpayer for property that is either added to his declaration, or for which the assessment increases. Clarifies provisions related to the payment of such increased tax.
6	§12-54	Clarifies that an assessor may perform an audit of a taxpayer's personal property, even if he has not been called in to be questioned during the 60 day period after the declaration due date.
7	§12-55	Replaces the word "list" with the word "declaration". Provides that a taxpayer be notified of a valuation methodology change from that previously used by the assessor, if the change results in an assessment increase. Clarifies the fact that a

Bill Sec.	Statute	Description of Changes
7, Cont.	§12-55	Town's grand list is a compilation of assessments of real and personal property and motor vehicles, and applicable property tax exemptions.
8	§12-57	Subsec. (a): Makes the timing of personal property corrections consistent with those applicable to real property corrections. Also removes the requirement that personal property certificates of correction be maintained as permanent records. Instead, they will be maintained pursuant to a records retention schedule issued by the Public Records Administrator. Adds Subsection (b), which allows assessors to correct the taxation of a motor vehicle registered in Connecticut at any time.
9	§12-57a	Subsecs. (a) and (b): Replaces the word "list" with the word "declaration".
10	§12-58	Clarifies the types of business entities that must file a declaration and the type of property that must be reported to an assessor. Deletes references to goods on hand and "for sale", as such inventory is exempt from taxation pursuant to §12-81(54).
11	§12-59	Removes references to real estate. Removes the definition of "permanently located" in relation to a nonresident corporation, since both the definition of "nonresident" and the situs rule for personal property taxation is contained in §12-43, as amended by Sec. 1 of the bill. Provision regarding the reporting of property located in a town for three or more months prior to an assessment date is now contained in §12-43, as amended by Sec. 4 of the bill.
12	§12-71	Subsec. (a): Adds "any interest in a leasehold improvement classified as other than real property" to the statute setting forth the types of personal property that are liable to taxation and makes statutory reference changes necessitated by other sections of the bill. Subsec. (b) No change. Subsec. (c): Repeals this subsection which contains an obsolete reference to the situs of property located in more than one taxing district in the same town during an assessment year. The remaining subsections are renumbered accordingly. Subsec. (d): Replaces "such" with "the" regarding tax payments for personal property. Subsec. (e): Clarifies the exemption of aircraft from personal property taxation.

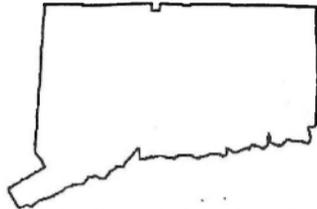
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Page 4 – Summary of Raised Bill No. 6952

Bill Sec.	Statute	Description of Changes
13	§12-113	Replaces the word "list" with "grand list". Provides that the board of assessment appeals may not reduce the valuation or assessment of property of a person who does not appear at a hearing before the board.
14	§12-114	Allows a board of assessment appeals to reduce a personal property assessment even if a property owner failed to file a timely property declaration, provided the property owner supplies the information needed to substantiate an adjustment. Clarifies that an assessment penalty must still be applied to the reduced assessment, based upon the owner's failure to file a timely declaration.
15	§12-115	Clarifies a board of assessment appeals ability to make "supplemental additions to a town's grand list" within the three-month period after it completes its regular duties. Clarifies that fact that omitted property may be added to the grand list during the supplemental session of the board of assessment appeals, and provides that such boards add a 25% assessment penalty for personal property not declared by a taxpayer.
16	§12-24b	Corrects a statutory reference to "subsection (e) of section 12-41" to reflect the change made in Section 2 of the act.

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Tape #5 Speaker # 15  
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Written Testimony Submitted

by

Steven Kosofsky, Legislative Committee Co-Chair

of the

Connecticut Association of Assessing Officers

to the

Finance, Revenue and Bonding Committee

March 12, 1999

Regarding Raised Bill No. 6952: AAC Technical Changes And Clarifications  
To The Assessment Of Personal Property.

I am submitting this written testimony in support of Raised Bill No. 6952, the enactment of which will improve personal property assessment administration in the State of Connecticut.

While the nature of his bill is ambitious in terms of the number amendments it contains, these changes are primarily technical in nature. They are designed to update current law to reflect the character of the personal property that assessors must value, clarify reporting requirements for business owners and provide fairness in terms of the methods used to value such property.

Others will testify before you today on the nature and need for these technical changes. My testimony will center on provisions of the bill that are designed to improve the integrity of the process by which personal property is valued. These provisions, which relate to personal property audits and assessment appeals, are based on basic tenets of fairness.

In Connecticut, the valuation of personal property for assessment purposes is almost universally accomplished via a methodology called the cost approach to value. Assessors provide taxpayers with forms on which they are requested to submit information concerning the original cost of their personal property. That cost is then depreciated each year, with the total percentage of depreciation applied increasing with the age of the property.

Two alternate valuation methods exist: the market sales and income approaches to value. Each has certain inherent limitations, which is why the cost approach is the valuation method most commonly used. (With respect to the market sales approach, the lack of comparable sales data presents a hindrance. The lack of verifiable income and expense data presents a problem in terms of using the income approach.)

The amendment to §12-55 contained in Section 7 of Raised Bill No. 6952 allows for a change in the method by which an assessor values personal property. However, this section of the bill mandates that such a methodology change be prospective, rather than retrospective. Furthermore, as the property owner will be notified of such a change in valuation methodology if an

assessment increase results, he will be afforded the opportunity to appeal his assessment to the board of assessment appeals prior to incurring a tax increase.

The Connecticut Association of Assessing Officers believes this provision will protect taxpayers and will not negatively affect the business interests of firms that conduct contingency fee based audits. Such companies could operate under contractual agreements providing for fees to be based on their recommended changes in valuation methodology for the year *following* the completion of an audit.

With respect to assessment appeals, §12-114 currently prohibits boards of assessment appeals from reducing a personal property assessment if the property owner "...has refused or unnecessarily neglected to give in his sworn list to the assessors as prescribed by law." If a personal property declaration is filed after the deadline for receipt, even if it is only one day late, current law prohibits boards of assessment appeals from adjusting the taxpayer's assessment.

This prohibition is not only unfair, it often leads to litigation since the only other appeal venue is the superior court. Court cases result in costs to both property owners and the towns in which their property is located, and are generally not resolved until several years after they are filed.

The change to §12-114 contained in Section 14 of Raised Bill No. 6952 will allow boards of assessment appeals to adjudicate a personal property assessment appeal even if the property owner failed to file a timely property declaration. Such boards will not be allowed to reduce personal property assessments, however, unless property owners supply them with the information needed to substantiate such adjustments. While an assessment penalty would still be applicable, such boards could reduce the amount of the penalty based upon a successful assessment appeal.

Raised Bill No. 6952 is very similar to bills that received joint favorable reports from this committee in each of the last three years<sup>1</sup>. On behalf of the Connecticut Association of Assessing Officers, I respectfully request that this bill be given a joint favorable report and urge each of you to vote for its enactment.

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<sup>1</sup> 1998's HB 5659, 1997's HB 1266 and 1996's HB 5755