

Legislative History for Connecticut Act

Act Number: PA 04-228
Bill Number: 5475
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Committee: Finance: 136, ~~155-157~~, ¹⁵⁵⁻¹⁶²157-162, 191-192, 197-
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CONNECTICUT
GEN. ASSEMBLY
SENATE

PROCEEDINGS
2004

VOL. 47
PART 11
3196-3432

pat

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003218

Senate

May 4, 2004

5221.

Madam President, perhaps I should PT this item for a moment and move along.

THE CHAIR:

This item will be passed temporarily.

SEN. DEFRONZO:

Thank you, Madam President.

THE CLERK:

Calendar Page 7, Calendar 496, File 560, Substitute for H.B. 5475 An Act Concerning The Situs Of Connecticut Motor Vehicles For Property Tax Purposes. Favorable Report of the Committee on Finance, Revenue and Bonding and Transportation.

THE CHAIR:

Senator Daily.

SEN. DAILY:

Thank you, Madam President. I move the Joint Committee's Favorable Report and seek passage of the bill.

THE CHAIR:

The question is on passage. Will you remark?

SEN. DAILY:

Thank you very much, Madam President. There was a case in Waterbury, I think it was, it was, that said on appeal the way every municipality collects motor vehicle

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Senate

May 4, 2004

tax. This is intended to undo that and restore conditions to what they were thought to be before that day and that is, that where the car is garaged, you pay the tax.

THE CHAIR:

The question is on passage of the bill. Will you remark further?

SEN. DAILY:

Thank you, Madam President. I would like to ask the Clerk to call LC05032.

THE CLERK:

LC05032 which will be designated Senate Amendment Schedule "A". It is offered by Senator Daily of the 33rd District.

THE CHAIR:

Senator Daily.

SEN. DAILY:

Thank you very much, Madam President. I move the amendment and seek leave to summarize.

THE CHAIR:

The question is on adoption. Will you remark?

SEN. DAILY:

Thank you. It's a simple, one sentence amendment, effective from passage and applicable to any assessment year that's intended to clarify the point that it was

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always intended to be this way going backward and going forward.

THE CHAIR:

The question is on adoption of the amendment. Will you remark further? If not, I will try your minds. All those in favor indicate by saying "aye".

ASSEMBLY:

Aye.

THE CHAIR:

Opposed, "nay"? The ayes have it. The amendment is adopted. Will you remark further on the bill as amended? Senator Daily.

SEN. DAILY:

Thank you very much, Madam President. If there are no questions or no objection, I would move this to the Consent Calendar.

THE CHAIR:

Without objection, so ordered.

THE CLERK:

Calendar 501, Files 196 and 675, Substitute for H.B. 5521 An Act Concerning The Duties Of The Office Of Policy And Management Relative To Certain Grant Programs And Establishing A Transportation Grants And Restricted Accounts Fund, as amended by House Amendment Schedule "A". Favorable Report of the Committees on Planning and

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003372

Senate

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those items marked Consent that I'd asked to be taken off, to put back on Consent if you would like to vote on the Consent Calendar, Mr. President. Thank you.

THE CHAIR:

Mr. Clerk, do you need to review those items?

THE CLERK:

No, Mr. President. I'm prepared to call a Consent Calendar.

THE CHAIR:

Very good. You will please announce that the Consent Calendar is being called. The machine will be opened.

THE CLERK:

The Senate is now voting by roll call on the Fourth Consent Calendar. Will all Senators please return to the Chamber.

The Senate is now voting by roll call on the Fourth Consent Calendar. Will all Senators please return to the Chamber.

Mr. President, those items previously placed on the Fourth Consent Calendar will begin on Senate Agenda No. 1, S.B. 477.

Calendar Page 7, Calendar 496, Substitute for H.B. 5475.

Calendar 501, Substitute for H.B. 5521.

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Calendar 502, Substitute for H.B. 5526.

Calendar Page 8, Calendar 504, Substitute for H.B.
5478.

Calendar 515, Substitute for H.B. 5512.

Calendar Page 9, Calendar 524, H.B. 5653.

Calendar 526, Substitute for H.B. 5643.

Calendar Page 10, Calendar 529, H.B. 5399.

Calendar 531, H.B. 5557.

Calendar Page 11, Calendar 532, H.B. 5690.

Calendar 533, H.B. 5114.

Calendar 534, Substitute for H.B. 5233.

Calendar 535, Substitute for H.B. 5416.

Calendar 536, Substitute for H.B. 5474.

Calendar Page 12, Calendar 538, H.B. 5601.

Calendar 539, H.B. 5608.

Calendar 540, Substitute for H.B. 5392.

Calendar 541, H.B. 5585.

Calendar Page 13, Calendar 544, Substitute for H.B.

5429.

Calendar 546, H.B. 5204.

Calendar Page 14, Calendar 548, Substitute for H.B.

5631.

Calendar 549, H.B. 5216.

Calendar Page 15, Calendar 100, Substitute for S.B.

315.

H-915

CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
2004

VOL. 47
PART 7
1892-2241

prh

237

002128

House of Representatives

Thursday, April 22, 2004

please check the machine. 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.

THE CLERK:

HB 5356, as amended by House "A",

Total number voting, 143;

Necessary for passage, 72;

Those voting Yea, 143;

Those voting Nay, 0;

Absent, not voting, 8.

SPEAKER HYSLOP:

The bill as amended passes.

Clerk, please call Calendar 376.

THE CLERK:

On Page 26, Calendar 376, Substitute for HB 5475,

AN ACT CONCERNING THE SITUS OF MOTOR VEHICLES FOR PROPERTY TAX PURPOSES. Favorable report of the Committee on Transportation.

SPEAKER HYSLOP:

Representative Stillman.

RÉP. STILLMAN:

(38th)

Thank you, Mr. Speaker. I move the joint committee's favorable report and passage of the bill.

SPEAKER HYSLOP:

prh

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002129

House of Representatives

Thursday, April 22, 2004

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

REP. STILLMAN:

(38th)

Thank you, sir. The bill before us specifies that all motor vehicles and snowmobiles operating or located in Connecticut must pay property taxes here if they most frequently from or return to a Connecticut town. This requirement applies to all motor vehicles regardless of whether they are registered here or not.

The bill establishes rules for determining that. And I would like the Chamber to realize that the Connecticut Association of Assessing Officers is in support of the bill and believes that this bill is imperative to maintain continuity and stability in each of Connecticut's 169 towns and cities.

And I urge passage of the bill.

SPEAKER HYSLOP:

Will you remark further on the bill? Will you remark on the bill? If not, staff and guests to the well of the House. The machine will be opened.

THE CLERK:

The House of Representatives is voting by Roll Call. Members to the Chamber. The House is taking a Roll Call vote. Members to the Chamber.

SPEAKER HYSLOP:

prh

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002130

House of Representatives

Thursday, April 22, 2004

Have all members voted? If all members have voted, please check the machine. 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.

THE CLERK:

HB 5475,

Total number voting, 144;

Necessary for passage, 73;

Those voting Yea, 144;

Those voting Nay, 0;

Absent, not voting, 7.

SPEAKER HYSLOP:

The bill passes.

Clerk, please call Calendar 422.

THE CLERK:

On Page 14, Calendar 422, SB 485, AN ACT
ESTABLISHING FLEXIBLE HEALTH CARE SPENDING ACCOUNTS FOR
STATE EMPLOYEES. Favorable report of the Committee on
Finance, Revenue and Bonding.

SPEAKER HYSLOP:

Representative Orefice.

The Chamber will stand at ease.

(CHAMBER AT EASE)

SPEAKER HYSLOP:

H-925

CONNECTICUT
GEN. ASSEMBLY
HOUSE

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2004

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PART 17
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005620

prh

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House of Representatives

May 5, 2004

SPEAKER CURREY:

The legislation passes -- the Resolution passes.

Would the Clerk please call Calendar 376?

Representative Godfrey of the 110th.

REP. GODFREY:

(110th)

Madam Speaker, I move for suspension of the rules for the immediate consideration of HB 5475.

SPEAKER CURREY:

Without objection, the rules are suspended to take up the matter.

Will the Clerk please call Calendar 376?

THE CLERK:

Calendar 376, SUBST. HB 5475, AN ACT CONCERNING THE SITUS OF MOTOR VEHICLES FOR PROPERTY TAX PURPOSES. Favorable report of the Committee on Transportation.

SPEAKER CURREY:

Representative Stone of the 9th.

REP. STONE:

(9th)

Thank you, Madam Speaker. I move acceptance of the joint committee's favorable report and passage of the bill in concurrence with the Senate.

SPEAKER CURREY:

The question before us is on acceptance and passage.

Please proceed, sir.

005621

prh

515

House of Representatives

May 5, 2004

REP. STONE:

(9th)

Thank you, Madam Speaker. This bill was approved unanimously by the House just a few days ago. The Senate took it up, approved it unanimously with an amendment. And I ask the Clerk to call LCO No. 5032, previously designated Senate "A" and I be given leave to summarize.

SPEAKER CURREY:

Will the Clerk please call LCO 5032, previously designated Senate Amendment "A"?

THE CLERK:

LCO No. 5032, Senate "A", offered by Senator Daily.

SPEAKER CURREY:

Representative Stone.

REP. STONE:

(9th)

Thank you, Madam Speaker. All this amendment does it change the effective date to effective from passage and applicable to any assessment year.

I move adoption.

SPEAKER CURREY:

Would you care to comment further on the amendment before us? Would you care to comment further on the amendment before us? If not, I'll try your minds.

All those in favor please signify by saying Aye.

VOICES:

005622

prh

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House of Representatives

May 5, 2004

Aye.

SPEAKER CURREY:

All those opposed, Nay?

The amendment is adopted.

Would you care to comment further on the bill
before us? Would you care --

Representative Bacchiochi of the 52nd.

Representative Bacchiochi, did you wish to speak, Ma'am?
I guess not.

Would you care to remark further on the bill before
us? Would you care to remark further on the bill? If
not, staff and guests to the well of the House. The
machine will be opened.

THE 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.

(Speaker Lyons in the Chair)

SPEAKER LYONS:

Have all the members voted? Have all the members
voted? Would the members please check the board to make
sure their vote is accurately recorded? If all the
members have voted, the machine will be locked and the
Clerk will take a tally.

Clerk, please announce the tally.

prh

House of Representatives

517

005623

May 5, 2004

THE CLERK:

HB 5475, as amended by Senate "A", in concurrence
with the Senate,

Total number voting, 149;
Necessary for passage, 75;
Those voting Yea, 149;
Those voting Nay, 0;
Absent, not voting, 2.

SPEAKER LYONS:

The bill as amended passes.

The Clerk has -- excuse me. Would the Clerk please
call Calendar 532?

THE CLERK:

On Page 14, Calendar 532, SUBST. SB 399, AN ACT
CONCERNING INTRODUCTORY RATE OFFERS AND AUTOMATIC
RENEWAL OF CONSUMER CONTRACTS. Favorable report of the
Committee on Judiciary.

SPEAKER LYONS:

Representative Fox, you have the floor, sir.

REP. FOX:

(144th)

Thank you, Madam Speaker. I move acceptance of the
joint committee's favorable report and passage of the
bill.

SPEAKER LYONS:

The question before the Chamber is on acceptance

JOINT
STANDING
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PART 1

1-333

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REP. BERGER: Yes, Marc, you had made some comments on motor vehicle taxation, and I was wondering are you going to comment on HB5475, AN ACT CONCERNING THE SITUS OF MOTOR VEHICLES FOR PROPERTY TAX PURPOSES, because I will reserve my follow up questions if you are going to comment on that bill.

SEC. MARC RYAN: I would be willing to -- I wasn't specifically going to give testimony on it, but I would be willing to take questions on any bill that is out there, so --

REP. BERGER: Well, when you're done with your presentation then, or if you want to lead in to that, then I will ask my questions at that time so you can proceed forward.

SEC. MARC RYAN: Great. Thank you. I guess lastly, just to make sure we cover all of the points on the current bill. I think I've hit most of the highlights that were on -- and again, for everyone's edification, we're still on SB35.

But within that bill are also some small sweeps of one time revenue from the pre-alcohol and drug account, from the marshal's account, a little bit remaining in tobacco, health and trust, and \$2,000,000.00 from the boating fund, as well as because of increased fees we're proposing in the transportation fund, we were able not intercept, so to speak, \$13,000,000.00 that would be going in to the STF, and keep it as general fund revenue. So, all of those are included along with the biomedical funds in '04 and '05.

The Commission on Arts, Culture, and Tourism in this bill would no longer be an intercept. The Governor has proposed to bring that back in to the appropriations process and treat the \$20 million in revenue in the original docket budget as revenue.

I would note one of the reasons we're proposing to do that is the way we've gone about this the last several years -- the last year, anyway -- was we essentially appropriated it in the revenue intercept bill. And so why not make it part of the

authorization in place. And now it's about \$4,000,000.00, Mr. Kingsley? Three something. Three two.

So, that would -- that was originally intended for the GA, I believe, and some people thought that maybe it should go in to the construction, but rest assured, there's still \$39,000,000.00 in there. We have not, at this point, proposed any change to the original authorizing language about where it's seeded, largely because we were aware that there was some discussions going on.

REP. RUWET: Thank you.

SEN. DAILY: Thank you very much. Any other questions? Thank you.

SEC. MARC RYAN: Okay, thank you. Oh --

SEN. DAILY: For the 50th time, Representative Berger. (Laughter).

REP. BERGER: Thank you. You were going to expand a little bit on HB5475, and I don't know, Mr. Secretary, if you want to give a little background on that, quick background on that, and then I had a couple of follow up questions I would like to make on that, and, you know, the importance of that bill, or that ruling from the court. How it may affect municipalities in their budget.

SEC. MARC RYAN: Sure.

SEN. DAILY: You're absolutely right, too. You said that we would discuss that.

SEC. MARC RYAN: I -- this is a very, very essential bill in my mind. Essentially, there was a Supreme Court decision, I believe, called *Dinto v. the City of Waterbury*, and basically what the Supreme Court ruled, which I think is very contrary to established practice in the express intent of the legislature, was that essentially, if you had, for example, a leased vehicle or a vehicle that was owned by a business, but otherwise cited continually in another municipality, that the tax

would accrue to the municipality in which the business was located and owned the vehicle, but that the car or truck was not necessarily cited in -- for the period of time that you would normally be able to tax it for.

So, for example, you could have a situation where XYZ Company has a large fleet of cars and trucks, and essentially cite themselves in a suburban community with a very low mil rate, but have vehicles that are continually housed in, say, large urban centers around the state with fairly high mil rates.

And in essence what would happen is under the current Supreme Court ruling, that suburban town would get all of the revenue on the property tax or the car tax, and those municipalities that would actually have the cars or trucks that are actually in their communities, would not get anything.

It seems to me that it's a, in our view, either erroneous or, at the very least, the legislature has to come in and express the clear will and intent of the legislature to say that regardless of ownership, and again, it would deal with leased vehicles, as well, to some degree, the taxation goes to the municipality in which that vehicle is housed, in essence.

REP. BERGER: Okay, as another example, I mean, you can use -- not to pick on SBC, but as an example, and you sent out a memorandum on this, is that if the law can be implemented as the decision the supreme court ruling was made, you could have SBC giving the city of New Haven \$278,000.00, as opposed to \$33,000.00, much to the detriment of where other SBC facilities are housed throughout the state of Connecticut.

SEC. MARC RYAN: That's correct. Yes. And it's not always a suburban versus urban. It's, in some cases, you know, some urban communities could pick up at the detriment of other urban communities, or vice versa. If I had to equate it to anything, it's almost a little bit about like the public utility debate we've had about the equities of

levels of taxation and their impacts on other towns.

REP. BERGER: While we're on the issue of urban suburban and motor vehicle taxation that has changed, and I have just a couple of quick questions, Madam Chair. You had made a statement previously, and I believe Representative Stone had asked you, and I'm a little bit more progressive on motor vehicle taxation than some.

And I have a bill, HB5353, that actually deals with the elimination of taxation of motor vehicles at the local municipal level, and levies a state taxation of motor vehicles. You had made a statement previous that fairness and equality of taxation of motor vehicles would require a state subsidy.

And I think that you were possibly erroneous in that assumption, because if you look at HB5353, there's no state subsidy involved. It equalizes a mil rate throughout the state on motor vehicles, not only for personal, but for a business rolling stock, so your comments.

SEC. MARC RYAN: Representative Berger, what I was really referring to was if I know that obviously this is a political institution, and we did do a quick look at if you were to establish an equalized mil rate to raise the exact amount of money that is raised right now, and distribute the exact amount of money back to each town, so that, in essence, you know, the mil rate would not impact Waterbury, for example, we found that you had to add somewhere in the neighborhood of \$30 million to \$40 million to even get to a point where 50 percent of the towns at least got as much money as they did before.

HB 5475

But that still left many taxpayers paying arbitrarily high mil rates. That was where I talked about the concept of a subsidy. We were trying to get in to a political dialogue of where you would even have impetus for a bill to be passed, and we found it would require tens of millions in subsidies to even get to a point where

50 percent of the towns won and 50 percent of the towns lost.

REP. BERGER: If you were taking the grand list levy -- OLR did some research on this. If you take a 2001 grand list levy for all motor vehicles, business and personal, that are gathered by municipalities in the state, they have come up with roughly with 29.85 as equalized mil rate.

SEC. MARC RYAN: Yes, in that range.

REP. BERGER: Which would then equate to no loss of revenue for that municipality. And there are certainly 14 states in the United States that actually have an excise of state tax, as opposed to a local municipal tax. Certainly we can debate that another time, but I don't believe that once implemented that you might have some administrative --

SEC. MARC RYAN: Yes. It would have to be either OPM or DRS that would have to administer the program.

REP. BERGER: Sure, or when you register a vehicle, you pay your tax, and then OPM would then --

SEC. MARC RYAN: Well, and depending how you implement it is why I think there would need to be a subsidy, frankly, because if you were to do a statewide mil rate, and then distribute based on the number of cars in each town, money back, rather than just doing a flat sum that had been set in time, that could impact things, as well.

REP. BERGER: Well, again, there's two issues here. We have an issue of fraud. Now, in Waterbury alone, with a mil rate of 53 and change, the fraud recovery on motor vehicles is roughly \$1.5 million, and that's excluding the fees that the company had charged.

If you take that and you try to equalize that, just your comment on it, when you hit a high mil rate, as opposed to a low mil rate, when you equalize it, don't you actually make a fairness and just issue, and you eliminate the foreclosure, so to speak, of

some businesses citing in high mil rate towns, and the loss of revenues of those municipalities to be able to grow their grand list?

SEC. MARC RYAN: Well, I would argue yes, that's clearly an issue, but I would argue, you know, and I apologize for this, but if you're really worried about that issue, you go after the business property tax over time. That, to me, is the bigger economic detriment.

To the degree that a business -- and it could differ on a business if it's a fleet company or something like that, they may do better on the car tax, but I do believe that the business property issue is the bigger detriment, and favors businesses citing over in a suburban town, versus a rural -- versus a urban town.

REP. BERGER: It also depends on the location of those municipalities, and their accessibility to highways and metropolitan areas.

SEC. MARC RYAN: That's right.

REP. BERGER: Okay. We'll continue this.

SEN. DAILY: I should think that some of the towns with a mil rate of 19, 20 would object strenuously.

SEC. MARC RYAN: Yes, and that's the whole issue about if you were to, you know, the whole issue of subsidy goes in to whether you're given the exact same amount of money, or you're setting the statewide mil rate and then generating how much they get for the number of cars, and then, you know, how many towns are going to lose because they're only going to get the 19 mil rate money back in to their town, yet they're paying a 25 or 29 -- you know, it's very complicated. Many different scenarios. But we just figured, if we could discuss further, but any way you do it, if you were going to make even 50 percent of the people happy, in some way or another, whether it's taxpayers or the town, we're talking state subsidy here.

SEN. DAILY: Could be enough to make people in Essex and Lyme come up and demonstrate. (Laughter).

REP. BERGER: Just as a quick follow-up, there's certainly winners and losers, and Essex is obviously a loser in that. I understand that. But, you know, I believe -- and just to make it a point again, that this issue really has moved from not just an urban suburban issue. I mean, you know, Waterbury, obviously is going to benefit from it. New Haven and Hartford.

But, you have other municipalities that are not so large. You have -- just as some examples, Naugatuck, Redding, Rocky Hill, Torrington, Wilton. These are all municipalities that will also benefit. So, the issue is really moot from four or five years ago, urban against suburban, and more of a statewide benefit of municipalities.

And granted, there will be winners and losers as in any legislation. But the truth of the matter is there's over 60 municipalities that will benefit from it.

SEC. MARC RYAN: Selling it is another issue, though, I think.

SEN. DAILY: Senator Nickerson.

SEN. NICKERSON: Marc, what would happen if we eliminated the car tax? Just said there is no such thing. Gone. It's done. It's finished. And raise the revenue off your grand list.

SEC. MARC RYAN: Well, if the towns -- if the state was going to replenish towns --

SEN. NICKERSON: No, no, no, no, no.

SEC. MARC RYAN: Oh.

SEN. NICKERSON: We simply said to the towns, raise the car tax money that you now raise, off your grand list. Everybody will pay the same as they do now, but we won't have the car tax.

SEC. MARC RYAN: So, put it in to real estate or --

SEN. NICKERSON: Yeah. You raise X dollars in your grand list today, Y in your car tax, raise your X to be X plus Y, no state involvement, nobody wins, nobody loses, but the headache and all the gyrations that go in to the irrationalities of a car tax go away.

SEC. MARC RYAN: What I think that does, though, is to the degree that the Waterburys and Hartfords and New Havens of the world then have to put additional burden on businesses or real estate owners, and essentially renters, for example, would absolutely be paying no type of local property tax, so I think it gets you to a point where you actually could make businesses even less competitive in urban centers than many are, even now, I would argue.

SEN. NICKERSON: Would it really make that much difference -- I mean, are we talking about numbers that would actually drive these decisions?

SEC. MARC RYAN: I think you would, if you look at in some large cities, the amount of money they raise in car taxes, it's very significant. And in many cases, for probably the last decade, the growth has really been, in many ways, in car taxes, because of the leasing and the quicker turnover of cars.

SEN. NICKERSON: Even when you spread that over apartment buildings and homes, all the other facilities in a town?

SEC. MARC RYAN: Yeah, it's pretty significant. I'd be fearful of essentially making an elderly homeowner in a community really be even more disadvantaged than they are now, in some ways.

SEN. NICKERSON: If they own a car, they'd pay the same amount.

SEC. MARC RYAN: Well -- but they may own a ten year old car that is -- they're paying two hundred and some dollars on, as opposed to a 53 mil rate on what is now a home revalued every four years, and displacement on them is greater now because

physical plants, businesses, and things of that nature roll back in to the base every four years now.

SEN. NICKERSON: Okay.

SEC. MARC RYAN: We can certainly look at it, but that would be my immediate guess, I think.

SEN. DAILY: Representative Winkler.

REP. WINKLER: Yes. Thank you, Madam Chairman. One quick question. Marc, under DMR, the \$2 million for the community residential revolving loan fund, does any of that money include for the expansion of the waiting list?

SEC. MARC RYAN: Yes, it does. That replenishment would certainly help individuals to obtain mortgages or make improvements and expansions to implement the waiting list program.

REP. WINKLER: And in doing so, how many slots would that open up, do you feel?

SEC. MARC RYAN: Well, we don't believe that the \$2 million will be the answer for everybody, but some people need it. But it will, over the five years between that fund, and we may have to replenish it later, plus existing financial resources of private non-profits, as well as banks, it will mean about 750 slots over five years.

REP. WINKLER: Thank you.

SEC. MARC RYAN: Well, thank you very much, and I just wanted to note, we will be submitting IGP testimony from my agency on our other bills that we didn't discuss today, and just very quickly, HB5478, AN ACT CONCERNING APPLICABILITY OF THE UNIFORM COMMERCIAL CODE TO CERTAIN STATE TRANSACTIONS, we are working with the treasurer on this bill.

This is a very important bill from a state and local bond issuance standpoint, and new language will be coming over. Very complex area. And obviously, HB5480, AN ACT CONCERNING FUNDING OF

SEN. DAILY: Thank you. Could you explain how the state owes you money?

DIANA KALAMBOKUS: Sure.

SEN. DAILY: When you pay the floor tax that's on your actual inventory?

DIANA KALAMBOKUS: That's correct. And because I'd say 90 percent of our sales are exported out of the state of Connecticut, if the net decrease in our inventory decreases, the state -- and we've got a deposit with the state for the money that's representing our inventory at the beginning of the month, the net decrease of our inventory means now we have a receivable and money owed to us by the state.

SEN. DAILY: So the floor tax is for every day that you have that stock?

DIANA KALAMBOKUS: In theory, yes, so that's why from the tax return standpoint at the end of a month, that's when we count our inventory, and that's when we report to the state the net inflow or outflow of our stock.

SEN. DAILY: And if the tax were increased but the floor tax provision was removed, how serious would that be? Would that be a helpful measure?

DIANA KALAMBOKUS: If there would be no floor tax, we would have no liability except for any sales that we make to retailers within the state of Connecticut. So, that would alleviate the \$1.5 million, would be an immediate cash inflow to us, because it would be a tax on our inventory.

SEN. DAILY: Thank you. Are there other questions? Thank you very much.

DIANA KALAMBOKUS: Thank you for your time.

SEN. DAILY: Gian Carl Casa, followed by Harvey Corso...

GIAN CARL CASA: Thank you, Madam Chairman,

HB 5475
HB 5477

Representative Stillman, members of the committee. My name is Gian Carl Casa. I'm director of Legislative Services for the Connecticut Conference of Municipalities, and I'm here to testify on two bills before you today.

First of all, CCM supports HB5475, AN ACT CONCERNING THE SITUS OF MOTOR VEHICLES FOR PROPERTY TAX PURPOSES, which is the bill addressed by Secretary Ryan earlier, concerning the situs of motor vehicles for property tax purposes.

As the secretary mentioned, in the case of Dinto versus Waterbury, the Supreme Court held that vehicles owned by an electrical company and driven home each day by employees were properly assessed in a municipality where a taxpayer maintained its principal place of business, rather than the towns in which the vehicles were regularly (inaudible) or garaged.

That ruling changes a fundamental principle in assessing motor vehicles in Connecticut, from assessment where they're located, to one where -- to assessing them where they're owned. And it has potentially wide ranging implications for how they're assessed throughout the state.

While some municipalities that are home to a large number of businesses may benefit in the short term, the potential effect would be detrimental in the long run, as businesses establish headquarters in municipalities with low mil rates.

It also encourages companies to engage in tax avoidance techniques by establishing principle places of business in municipalities with lower tax rates. The bill before you today would avoid that kind of obstruction and would maintain present and long standing tax assessment practices. We urge you to favorably report it.

I also want to address HB5477, AN ACT CONCERNING ENFORCEMENT OF MOTOR VEHICLE PROPERTY TAX DELINQUENCIES, that the tax collectors spoke to earlier. The program that they addressed, that this bill was from, is clearly a valuable one for

REP. STILLMAN: Anyone else have any other questions?
Thank you very much.

HARVEY CORSON: Thank you, Andrea.

REP. STILLMAN: Next on the list is Kathryn Ingram, to
be followed by Brad Erickson.

KATHRYN INGRAM: Good afternoon, Senator Daily and
members of the Finance Committee. I'm Kathryn
Ingram, representing CATRALLA, Car and Rental Truck
Leasing and Rental Association for Connecticut.
I'm the controller --

REP. STILLMAN: Can you -- excuse me. Can you move that
microphone closer to -- there you go.

KATHRYN INGRAM: I am a controller for Enterprise Rent A
Car. We've been working very closely with DMV in
reviewing the Connecticut Supreme Court Case and
the raised bill. All parties agree that
legislation that clarifies the tax town for all and
minimizes the expenses incurred by DMV as
necessary.

There is language used in HB5475, AN ACT CONCERNING
THE SITUS OF MOTOR VEHICLES FOR PROPERTY TAX
PURPOSES, that would create and or reinforce
ambiguity that's already in the appropriate tax
town clarifications.

DMV would not be able to change their records
immediately. There are numerous issues which would
need to be addressed before this bill could pass.
Business vehicle owners or lessors would have to
predict where the car would be on the assessment
day when the car is registered.

How would an established site for conducting
business purposes for which it was created be
defined? If it's not defined, there will be
continued disputes on this issue. For many company
and daily rental vehicles, the vehicle is not
located in any one town.

Rental customers want the ability to get a vehicle

in one town and return it in another. There is no current mechanism to report where these vehicles are on the assessment day, nor can any companies accurately report it in a timely manner.

If there are multiple tax town changes during a year, the automatic credit for transfer would not be processed by the towns. We would also increase the likelihood of duplicate billings in multiple towns for property taxes.

The Connecticut Supreme Court concluded, in the case of a corporation, vehicles should be reported where the appropriation has its principle place of business. This is not what is stated in this bill. The DMV would have a very difficult time, if not impossible time, changing the tax town reporting to match the court ruling or the bill.

The October, 2004 grand list issuance will be done soon, and they are already in the process of developing the bills for July, 2004. This information has already been reported. Motor vehicles make up approximately 7.5 percent of the grand lists for the towns, and that we spend an excessive amount of time on the town level, the assessors, the DMV and business that are reporting this information.

In summary, I'd like to say that it's an extremely complicated issue that should be reviewed by a committee, and explained as it applies to daily rental vehicles, business owned vehicles where there isn't a residence. Thank you.

REP. STILLMAN: Thank you for your testimony. Anyone have any questions? Thank you.

REP. BERGER: I have one.

REP. STILLMAN: Oh, excuse me. Representative Berger.

REP. BERGER: Thank you. Thank you. While we're on the topic of motor vehicles, you represent Enterprise Rent a Car?

KATHRYN INGRAM: Yes.

REP. BERGER: If there were an equalized mil rate for motor vehicles throughout the state of Connecticut, either for lease or for personal or business, how would that affect your business?

KATHRYN INGRAM: It certainly would make it a lot easier to explain to companies outside of Connecticut. That's probably the biggest difficulty is there's companies that lease in Connecticut that aren't here. They have a very difficult time understanding that they can pay one mil rate at one time, and another mil rate at a different time, and they're not even doing business in the state.

REP. BERGER: Interesting, one of the larger corporations, Ford, used to have an equalized -- I think they were one of the last ones, and I know this is a little bit outside of your expertise, but, they used to have a statewide mil rate, so if you had a Ford product, and you leased it, say, you wouldn't have -- lease it under a statewide mil rate.

And I don't know, I believe they might have changed that. And I certainly think that that affects how you lease a vehicle, how you buy a vehicle, and or how you rent a vehicle. And do you have -- did you say specifically the revenue figures that you have, as far as number of vehicles that you lease in the state of Connecticut?

KATHRYN INGRAM: Enterprise Rent A Car leases over 4,000 vehicles in the state of Connecticut. The revenue numbers, I do not have available. I can tell you that the expense for property taxes is 3 percent of our total expense. And as far as administrative tasks, it's at least 20-25 percent of the administrative tasks of the business (inaudible). I think the (inaudible) leasing companies on a long term basis.

There are some leasing companies that still do equalize the taxes you're talking about. That's the easiest way to deal with it. But that doesn't work with the rental car companies, because we're charging people in every town and state, in two

different states.

REP. EBRGER: Where is Enterprise Rent A Car as far as in the pecking order of the most rented? Who is the highest, and where do you fit, one, two, or three?

KATHRYN INGRAM: We're certainly the largest in the state that's renting in more than one location. At the airport, the national companies are a little bit larger.

ERP. BERGER: Okay. Very good, thanks.

REP. STILLMAN: Anyone else? Questions? Thank you.

KATHRYN INGRAM: Thank you for your time.

REP. STILLMAN: Brad Erickson.

BRAD ERICKSON: Good afternoon.

REP. STILLMAN: Good afternoon.

BRAD ERICKSON: Can everyone hear me properly? Before I read my printed testimony, I'd like to mention that I am here today because my business is located in Waterbury, and it's one of the few towns that's enforcing the current statutes regarding property taxes. And my testimony will relate to that and my experience with that.

My name is Brad Erickson. I'm the president of Paper Delivery Incorporated, which is located in the city of Waterbury, Connecticut, and I'm also a member of CATRALLA. I testify before you today to voice my support for HB5475, AN ACT CONCERNING THE SITUS OF MOTOR VEHICLES FOR PROPERTY TAX PURPOSES.

Paper Deliver Incorporated is a small business that employees 10 full time and 45 part time people. The business description in my annual report reads the company provides newspaper delivery and newspaper handling services, is a licensed used car dealer, is a licensed repairer, a licensed leasing company, and operates a public car wash.

So, as you can see, we do a little of everything, with each department contributing revenue, and some more than others, enabling us to meet payroll and pay our taxes. I am here today representing the vehicle leasing department, which we operate under the trade name of Waterbury Motor Lease.

We are a small independent full service leasing concern that has been in business since the 1950s. That's back in the days when no one even knew what a car lease was. Nowadays, the leasing industry is dominated by manufacturers and large financial companies, leaving companies like mine a very small piece of the market in which they operate.

Our niche is leasing vans and light trucks to small business like ourselves, looking for reasonable service lease at a reasonable price. One of the components of that price is property taxes, which are included in the cost of the lease. I became an expert on the issue of assessment of motor vehicles in Connecticut when Waterbury back billed me for three years of taxes on a vehicle that I owned, was registered in my name as Paper Delivery Incorporated, but was leased to a company that was located in Wethersfield.

I immediately called the number on the -- the phone number on the tax bill and explained to them that I had already paid taxes on this vehicle, and that I had paid them to the town of Wethersfield. I was told that didn't make any difference, and that the way we had paid taxes for the last 40 years was no longer valid, and was contrary to state statute.

They told me to pay the taxes in Waterbury and apply for a refund in Wethersfield, which I did. I was fortunate that the assessor in Wethersfield was cooperative and refunded me my money. At the time that happened, the tax rate in Wethersfield was 23 mils, and the tax rate in Waterbury was 98 mils.

On this one vehicle, I paid \$2,800.00 additional in taxes. We were fortunate that there was only one vehicle involved, otherwise I wouldn't be here testifying today, because I would no longer be in the business. That will soon change when -- that

will soon change unless HB5475 is passed.

Under the current statutes, and by order of the recent ruling of the Connecticut Supreme Court, the DMV will have to report the owner's resident address to the assessors in the state. All of my vehicles registered with DMV will be taxed in Waterbury regardless of where they're garaged or where the companies that lease the car are from.

How can I compete with a town that has a 20 mil rate when Waterbury has a 55 mil rate? I'm going to be out of the leasing business. Our service is great, but the bottom line still sells the lease. My little niche market will quickly disappear and we'll no longer be listing motor vehicle leasing as one of the things we do.

Will this force me out of business? No. I will probably have to lay people off --

(gap in testimony, changing from tape 3a to 3b)

BRAD ERICKSON: -- question I pay \$18,500.00 to the city of Waterbury in motor vehicle taxes, and \$8,000.00 to other towns. I'd like to thank you for the opportunity to testify before you today, and ask for your support of HB5475, and assure its passage so that personal property taxes in the state of Connecticut can continue to be taxed in a fair and logical manner. Thank you.

REP. STILLMAN: Thank you, sir. You use taxing and logical in the same phrase. That's fascinating.

BRAD ERICKSON: It should be logical. (Laughter).

REP. STILLMAN: I don't hear that too often. Any questions, other than Representative Berger? (Laughter). This is Waterbury day, I guess. Go right ahead, sir.

REP. BERGER: Thank you. Well, we'd like to think of it as the progressive taxation of motor vehicle day.

REP. STILLMAN: Don't push your luck. (Laughter).

REP. BERGER: Thank you for coming. I just want to kind of explore a couple of the issues that you spoke of. And certainly the ability of you to be able -- one question I'd like to get from you -- or answer is, the ability for you to be able to expand your business in Waterbury because of 53 mils, as opposed to if we had a statewide mil rate of, say, 29.5.

I mean, obviously the answer to that question would be that you would be -- it's impaired you from the ability to be able to expand your business, and so then be able to expand the grand list. Just your comment on that.

BRAD ERICKSON: Yes. If nothing is done to change the current statute, I won't be in business because I would no longer be able to compete against another leasing company.

REP. BERGER: And you brought up another good point, and it goes to the fairness issue. If you buy a vehicle -- say, if I buy a \$30,000.00 vehicle in Waterbury, and I go to Greenwich and buy that same vehicle, make and model in Greenwich, that vehicle I could buy for \$30,000.00.

In Waterbury, that vehicle is taxed at four and five times higher than in Greenwich, and quadruple all of the towns in between, driving the same roadways, driving the same highways, driving over the same city. Your comment on that.

BRAD ERICKSON: You're speaking for the unified tax.

REP. BERGER: Yes.

BRAD ERICKSON: Since the majority of my vehicles are in Waterbury, obviously I'd be in favor of a unified tax, even though I live in a less taxed -- I live in Watertown, which is a lot less of a mil rate, obviously. But yes, for the business on the whole it would be much easier for us to administer.

I don't have the size of fleet that Enterprise or other large lessors have, and I don't have that large a problem administering my property taxes,

but it would be definitely make it easier. And obviously a unified tax of 29 mils, that's probably what my average is anyway.

REP. BERGER: Right.

BRAD ERICKSON: And it's probably a little bit greater than that, so I'd probably gain from that.

REP. BERGER: Okay, thank you.

REP. STILLMAN: Thank you. Any other questions? Thank you, sir. Good luck.

BRAD ERICKSON: Thank you.

REP. STILLMAN: Next is David Sutherland, followed by Shelley Geballe.

DAVID SUTHERLAND: Good afternoon. I'm here today representing the Nature Conservancy and the Lyme Land Conservation Coalition for Connecticut, and we're urging your support for continued bond funding for the Recreation and Natural Heritage Trust Program, and the Open Space Matching Grant Program. SB33

Last year, on the day of your bonding hearing, about 240 open space advocates showed up here at the Capitol, and it seemed to add to the general chaos that day, so this year we just decided to have a couple of us come, and we're going to have our briefing day in a couple of weeks after the hearings are through. So, we hope that makes for a smoother, less chaotic process.

Last year, we very much appreciated the support that this committee showed for open space programs in bill number 1036. It was very important support. Unfortunately, bill 1036 never passed last year, so we are left in, at best, an uncertain situation regarding open space funding.

We recognize given the current budget climate the state certainly cannot be spending as much as it was a few years ago, but we feel to completely stall open space programs is very short sighted.

REP. CARON: Well, you also mentioned initially that is was an effort to try and find the abusers in the first place. Generally, being small in nature, a small number in nature, would it make more sense to come at it from that point of view, and some way tighten up on those who do abuse, as opposed to making such a broadly, almost indefinable measure?

JOE BRENNAN: Yes, I understand what you're saying. We'll -- like I said, we'll look at any suggestions you have, because we know it hurts the business community as a whole when you have taxpayers out there that are doing very abusive things. And that led to carpenter technology.

And even though carpenter technology's theme was basically ratified by the State Supreme Court, we knew that that's not the thing that people want to see corporations doing. And we worked to close that loophole. But again, that was very specific facts. To try to do it in a broad sense is very difficult to do.

REP. CARON: Thank you, sir.

REP. STILLMAN: Thank you. Thank you very much.

JOE BRENNAN: Thank you.

REP. STILLMAN: Oh, I'm sorry.

SEN. DAILY: Mr. Brennan, you've probably noticed over the years that there are certain people for whom three minutes and simply fifty seconds -- (laughter).

JOE BRENNAN: I have noticed that. Here comes now right now. (Laughter).

REP. STILLMAN: That's between you two. (Laughter). Mr. Riley, you're next, followed by C.J. Cuticello. I don't know if I pronounced right or not, but whatever. I apologize if I didn't. Mr. Riley, you're on.

MIKE RILEY: I'm Mike Riley, Motor Transport Association of Connecticut. We'd like to testify in support of

HB5475

HB5475, AN ACT CONCERNING THE SITUS OF MOTOR VEHICLES FOR PROPERTY TAX PURPOSES, the bill having to do with situs of motor vehicles. For many, many years, motor vehicles were taxed in the towns where they sleep.

Not a problem for most of my members. The trucks stay in the terminal at night. The property tax is paid there. Some employees have vehicles that they take home. And in that case, over the years, the home has been where that vehicle has been property taxed.

Along comes the Supreme Court decision this summer, which then threw this all in to disarray. And changed the way this is to be applied, so that now vehicles have to be taxed in the town where the owner has its place of business. So, this has completely screwed up everything. It's a solution to a problem that didn't exist, and a cure that's worse than the disease that it purports to cure.

The biggest problem is leased vehicles, where a owner resides in a town and leases trucks all around the state, and pays property tax, as it is now, all around the state. Under this ruling, all of those would be counted in the town where he resides, and let me tell you, that Waterford stands to become the corporate headquarters for al awful lot of automobile leasing companies. (Laughter).

REP. STILLMAN: Now don't shade my objectivity here, sir.

MIKE RILEY: Well, I hate to put that red meat in front of you. (Laughter).

?: I think you already did. (Laughter).

REP. STILLMAN: But it would mean living within two nuclear power plants, so people would have to keep that in mind.

MIKE RILEY: So people are willing to put up with that. Anyway, multiple location out of state owners, it just doesn't work. This bill fixes it. Puts it back on the track the way it's been, and we urge

you to adopt it.

REP. STILLMAN: Thank you. I appreciate your honesty, as usual, when you come before us. Questions? Thank you.

MIKE RILEY: Thank you.

REP. STILLMAN: C.J.? Someone from the City of New Haven -- Cuticello? Moving along, Dr. Michael Zanker. Welcome, sir.

MICHAEL ZANKER: Good afternoon, Senator Daily, Representative Stillman, and members of the committee. I'd like to thank you for allowing me my testimony on SB33, AN ACT AUTHORIZING BONDS OF THE STATE FOR CAPITAL IMPROVEMENTS AND OTHER PURPOSES.

My name is Michael Zanker. I'm an emergency physician at Hartford Hospital, and serve as the commanding officer for the state's Disaster Medical Assistance Team, or DMAT. Our team is sponsored by the Department of Public Health, and it's federally recognized by FEMA as a response asset.

We currently roster over 90 personnel from all medical and many support discipline. We're a local response asset through our affiliation with DPH, and were included in last session's passing of Public Act 03-6, which includes us as a state civil preparedness force.

The bill before you today would greatly augment our ability to provide care for the citizens of this state in the event of a disaster. Connecticut, one, has been included in both the logistical and medical operation of this facility. Excuse me. Our 90-plus personnel, we train regularly on the set up, and will be available to provide initial staffing of this facility should it be needed in the event of a disaster.

As part of the CDC grant for public health preparedness, the state is required to designate an isolation facility capable of caring for 100 patients infected with a highly communicable

show forward movement on this from the Department.

REP. STILLMAN: So we have not received any money from that?

MICHAEL ZANKER: We have received.

REP. STILLMAN: Pardon?

MICHAEL ZANKER: We're in the second year.

REP. STILLMAN: Oh, so it's whatever amount of money it is over seven years? Or is it per year?

MICHAEL ZANKER: It's per year.

REP. STILLMAN: Okay, thank you.

SEN. DAILY: But it's sometime between now and the end of the seven years, when we'll have to have that?

MICHAEL ZANKER: We will need to, yes.

REP. STILLMAN: Thank you. Questions? Thank you very much. David Dietch, followed by Bart Russell.

DAVID DIETCH: Good afternoon, Senator Daily, Representative Stillman, and members of the Finance, Revenue and Bonding Committee. My name is David Dietch. I'm the assessor for the city of Waterbury, and I've come here before you to support RHB575, AN ACT CONCERNING THE SITUS OF MOTOR VEHICLES FOR PROPERTY TAX PURPOSES.

HB5475

I was directly involved in the recent Supreme Court Case, Dinto v. the City of Waterbury, which really was the stimulus for this bill. In that particular set of circumstances, I believe the court made the right decision, they just were a little far reaching, and that decision, in this bill, is a way to correct that.

HB5353

Some of the things in this bill that are trying to be corrected are nuances that did not exist when some of these motor vehicle bills were originally written, and that is leased vehicles and fleet vehicles. The Connecticut Association of Assessing

Officers has also submitted written testimony in support of this bill, for the very same reasons. And also the fact that it will stabilize the tax base as it exists today.

I've been with the city about eight years now. I've done the first reval in 22 years for the city of Waterbury. Followed it by an update the next year. And still, one of the most difficult things I deal with on a day to day basis, is motor vehicles. The time and energy and resources that go in to it, it just far exceeds the revenue that we gain from that.

With that, I'd like to segue in to my support, also, of another bill, HB5353. That bill would go a long way to preventing the tax avoidance that we do see in the big cities. Thank you.

REP. STILLMAN: Thank you. We appreciate your comments. Questions? Representative Berger.

REP. BERGER: Thank you, Madam Chair. David, thanks for making the trek up I-84 to testify here today. You've been doing a, you know, wonderful job over the last eight years in the assessment, and moving the city forward. You know, as a point of comment, moving the city forward and, you know, updating it in to the 21st century, as to how we evaluate property and revaluation of property and the assessment and taxation of it --

(gap in testimony, changing from tape 3b - 4a)

REP. BERGER: -- from your experience in the last eight years, what do you find the most salient point through your experience in the difficulty in collecting motor vehicle taxes, both on the business and the personal side in a city such as Waterbury, over 100,000 population, and maybe, you know, throughout the state of Connecticut?

DAVID DIETCH: It is very difficult. That's our lowest collection rate, really, is on motor vehicle and personal property.

REP. BERGER: What would that percentage be, say?

DAVID DIETCH: Our regular motor vehicle list runs in the low eighties, as far as percentage of collection, and the supplemental list is even lower than that, probably in the upper seventy percent. And that's a big hit for any city to take. Also, it really does stymie any growth.

We've lost a lot of businesses, especially that have big fleets, to surrounding towns because of that difference in the mil rate. The 53 53 with a uniform rate would eliminate that so people wouldn't have to shop around for a location based on taxes. They could do it for the reasons that they really want to, you know, whether it's highway access, or that's their hometown, or what have you.

REP. BERGER: And that, in turn, would grow a municipality's grand list, be it urban or suburban, or even the smallest, obviously, the siting of a company would enable that grand list to grow.

DAVID DIETCH: That would certainly help.

REP. BERGER: A question in reference to fraud collection. I know that you've instituted in the city of Waterbury, a fraud collection on motor vehicles, and I believe this is the second or third year that it's been in existence. And there's an outside company that you hire. How has the city fared, and what kind of fraud numbers are we talking about in a city with a mil rate of 53 mils?

DAVID DIETCH: The numbers are staggering. That firm actually has found more than \$4 million in taxes. This is not assessment. This is actual taxes collected. Now, they worked on a percentage basis, so obviously we have to take out that, but that's a huge number, and the 54 75, I think, can help there, as well.

In that bill there's a presumption of situs as being with the owner. We've never really had that in the present statute, so I think that will help a little bit. But again, a uniform mil rate takes that whole thing out of the equation. There's no need to try to register where your mom lives or

your sister lives, in order to benefit from a lower mil rate.

REP. BERGER: Now you said -- you testified at \$4 million. And that was over the course of one year, two years --

DAVID DIETCH: That was two years.

REP. BERGER: So that's \$4 million in lost revenue for the city over a two year span.

DAVID DIETCH: That's correct.

REP. BERGER: HB5475 talks about a codification of the current practice of basin motor vehicle property taxation on situs. Can you just explain that just a little bit ?

DAVID DIETCH: Most all personal property really does have a situs basis in the statute. Motor Vehicle, for whatever reason, never referred to situs. I believe the original intention may have been to simplify and make it easy. Again, there's a presumption that the vehicle is with the owner.

So, DMV was always asked to just supply each town that they list of owners that reside in your town.

It didn't really get in to the fact that where does the car sit, where is it garaged. Where do you lay the presumption that the car is with you. But with -- you know, with the new changes in the world, and leased vehicles and fleet vehicles, you know, you've got large companies that are based in one community and have satellite offices all over the state.

You know, I would -- I think assessors can agree that they'd like to have those fleet vehicles that are located in their community paying taxes in that community.

REP. BERGER: And just one last question on the amount of revenue that is gained in the city -- just like in the city of Waterbury, and you can speak on your expertise on this. What is the amount of assessed value of vehicles that are currently fiscal year

2003-04 for the city of Waterbury, what is the assessed value and what is the income from taxation of those vehicles in the city of Waterbury?

DAVID DIETCH: You know, we have a motor vehicle grand list this year of about \$306 million. That's about 61,000 vehicles registered in the city of Waterbury, which has a population of 108,000. At 55 mils, I don't have the exact number, but you can figure that out there pretty quickly, if you have a calculator.

REP. BERGER: And this figure is based on you talked on roughly in the 80th percentile collection range?

DAVID DIETCH: That's correct. There's about 83, 84, I think for our regular list.

REP. BERGER: And the regular taxation of property is collected at what rate in the city of Waterbury? Ninety two percent, do you think?

DAVID DIETCH: Yeah, we're up in the low nineties.

REP. BERGER: You're up in the low nineties. Okay. Yes.

REP. STILLMAN: Thank you, Representative Berger. Yes, Senator Nickerson.

SEN. NICKERSON: Thank you. I want to get your idea -- your raw reaction to a proposal. You've testified, and many others have testified today and on other days, that the whole concept of the motor vehicle assessment and collection processes is fraught with problems. You mentioned your delinquency rate is -- what did you say, about 20 percent or --

DAVID DIETCH: Yeah.

SEN. NICKERSON: And then you had -- 20 percent of those vehicles listed on the grand list, and then you have the issue of fraud, that is issues of cars that should be on the grand list that are not. You have issues of valuation. You have the uniform mil rate issue, which has been kicked around, and you have a situs issue.

What would you think of this idea? We simply, in one sentence, abolish the car tax. It doesn't exist, and the towns obviously collect the car tax from their existing real property grand list. Wouldn't that be an enormously simpler system, and save your office, and many office like you, from spending 50 percent of their time on 10 percent of the tax roles?

DAVID DIETCH: It would be a very simple solution for that particular problem. I mean, it may cause other problems. Jobs, for instance. Right now, a good portion of my office and tax collectors' offices, that's what they're doing. So that's a job issue. Personally, I'd love to see it eliminated, because it causes me headaches and it causes me to stay awake at night.

SEN. NICKERSON: Okay, so you're saying it's a big headache personally, but it's also costing the taxpayers money to raise the tax, by having people in your office go chase the fraudulent cars, and look for people in other towns, and do all the things they have to do to run around and look for cars.

DAVID DIETCH: Yes, that's a fair assessment, yes.

SEN. NICKERSON: Thank you very much.

DAVID DIETCH: You're welcome.

REP. STILLMAN: Thank you, Senator. Anyone else? Thank you very much.

DAVID DIETCH: Thank you.

REP. STILLMAN: And next is Bart Russell? Is Russell here? Paul Philson? I'm going to go back to CJ. Anyone else wish to testify? Is Frank Johnson here? Okay. That concludes the public hearing. I'll entertain a motion to adjourn.

ALL: Move.

REP. STILLMAN: All those in favor?

HB 5475 - THE SITUS OF MOTOR VEHICLES FOR PROPERTY TAX PURPOSES

Testimony given by: Kathryn J. Ingram, Controller for CAMRAC Inc., DBA Enterprise Rent A Car, representing CATRALLA.

1. As a graduate of The University of Connecticut with a major in Finance, minor in Real Estate 1988, I have sixteen years of experience with property taxes in Connecticut and Massachusetts. This includes vehicle taxes as well as filing annual declarations of tangible personal property for multiple types of businesses. For the last 13 years, 11 as the Controller for CAMRAC Inc., I have been responsible for the annual filing of personal property tax declarations and vehicle property tax payment of over 5000 daily rental vehicles and 50 branch locations in 35 Connecticut and 10 Massachusetts towns. I have worked closely with multiple other Enterprise subsidiaries, which have long-term leases for individuals and businesses in Connecticut towns. I am a member of the Connecticut DMV task force, which includes representatives from the Assessors, Collectors, DMV, dealer's and repairs & CATRALLA. These task force meetings over the past 3 years have allowed all of the representatives to work closely together in working out tax and registration issues as they affect DMV, the CT towns, leasing companies, dealers and daily rental companies.
2. We have been working very closely with John Yacavone and Lee Telke at DMV in reviewing the Connecticut Supreme Court Case 16870, ("Paul Dinto Electrical Contractors, Inc. v. City of Waterbury"), the raised bill 5475 and other proposed changes to the motor vehicle tax laws. All parties agree legislation that clarifies "tax town" for all and minimizes expenses incurred by DMV is needed. Additionally, the members of the DMV task force have agreed that the Connecticut vehicle property tax statutes are especially difficult for non-residents to interpret as they apply to lease or company owned vehicles.
3. Language used in Bill 5475 would create and/or reinforce ambiguity as to the appropriate tax town. Additionally, DMV would not be able to change their records immediately. DMV has already furnished the tax assessors in each town, lists containing the motor vehicles for their respective towns. The towns to budget and prepare the July 2004 bills are currently using these lists.
4. It is apparent that DMV is struggling to meet the current needs of processing paperwork and staffing operations given their budgetary constraints. This is evident by title delays, emphasis on on-line registrations for dealers and technical inability to change reporting to better serve the Assessors and lessors. There would be a considerable amount of additional work for DMV created by tax town location changes required, if Section 2, f, (2, 3 & 4) are approved. There are numerous other issues that would need to be addressed.
 - a. Commercial, corporate, construction and daily rental vehicle owners or lessors would have to predict where these cars will be months in advance of the assessment day when they are registered. At the point of registration, the location on assessment day may not be known. DMV would not be able to administer correcting every vehicle that moved since registration, before sending the data to each town annually.
 - b. For corporation, Limited Liability Company, partnership, firm or any other type of public or private organization, association or society how would an "established" site for conducting the purposes for which it was created" be defined? This term allows for continued problems of taxpayers registering motor vehicles in towns other than their towns of "residence" to take advantage of the difference among mill rates. We would see continued disputes and litigation in this matter.
 - c. For many company vehicles and daily rental vehicles, they are not located in any one town for three or more months preceding assessment day. Rental customers want the ability to get a vehicle in one town and return to another town. As a result, per this bill, they would need to be reported to the towns were located on such assessment day. There is no current mechanism to report this information, nor could many companies accurately report it in a timely manner.
 - d. Many companies have vehicles assigned to an employee of the owner for their exclusive use. Why should this be taxed where the employee resides? It is probably on that town's roads less than any other, as it is needed for travel on the job. Employees change and registrations must be updated through DMV regularly.
 - e. Currently, taxes paid in July would be credited against new vehicles purchased later in the year. If there are multiple location changes or transfers that occur between towns, this credit is not automatic and tax refunds will need to be processed by the towns.

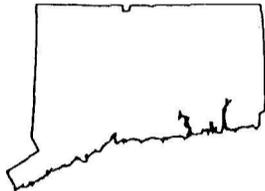
In summary, this is an extremely complicated issue, which should be thoroughly researched by a committee before any changes are made to the law. The property tax law is already very vague, difficult for the towns, DMV & taxpayers to understand and implement. Out of state companies who lease to Connecticut residents and or have company vehicles registered in Connecticut with no physical address here, have an incredibly difficult time understanding our property tax laws.

The Connecticut Supreme Court concluded "based on the language of the relevant statutes, that it is the obligation of the commissioner of motor vehicles to furnish lists of all Connecticut registered motor vehicles and their owners ... in the case of a corporation, where the corporation has its principal place of business. The October 1, 2003 Grand List, which is being billed in July, was generated months ago. Given this, DMV would have a very difficult time, if not impossible time changing the tax town reporting to match the court ruling. If bill 5475 were passed, it would be very difficult if not impossible to make the necessary corrections before the July 2004 billings and the October 2004 Grand List issuance. Given such, a "patch" bill needs to be submitted to allow DMV to report data as is until the committee is able to present a bill that addresses definitively company vehicles, daily rental vehicles and out of state owners of Connecticut registered vehicles.

Motor vehicles make up approximately 7.5% of the grand list by town for Connecticut. These taxes make up approximately 3% of a rental companies expenses. There must be a solution that ensures this relatively small tax does not continue to take such an excessive amount of time and cost for DMV to report, assessor's to correct, collectors to pursue and taxpayers to understand!

Massachusetts would be a great point of reference. In Massachusetts, vehicles which are not for residents are reported based on the business primary location if in state, or to the Massachusetts DOR if out of state. They have a statewide tax rate, which removes all incentive to evade paying the correct town. Rhode Island is in the process of phasing back vehicle property taxes. In order for towns to collect assessed taxes, this process must be simplified. There may be other alternatives; this bill certainly is not a good one.

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Connecticut Association of Assessing Officers, Inc.

James W. Clynes, President
Town of Hamden

Marsha L. Standish, 1st Vice President
Patricia G. Hedwall, 2nd Vice President
Lawrence G. LaBarbera, Treasurer
Carolyn B. Nadeau, Secretary

Written Testimony Submitted

By

Anthony Homicki, Newington Assessor

And

Steve Kosofsky, Windsor Assessor

Co-Chairs of the CAAO Legislative Committee

To the

Finance Revenue and Bonding Committee

March 1, 2004

Regarding Raised Bill # 5475: An act concerning the situs of Motor Vehicles for Property Tax Purposes.

Good Morning Senator Dailey, Representative Stillman and Members of the Finance Revenue and Bonding Committee,

We come before you today in support of Raised Bill #5475 An Act concerning the Situs of Motor Vehicles for Property Tax Purposes.

The passage of this proposal is imperative to maintain continuity and stability within each of Connecticut's 169 towns and cities. Its passage is needed to react to the Supreme Court decision in the matter of Dinto v. City of Waterbury where in essence, the court ruled that the corporate headquarters and not the physical location of the vehicle is the proper location to assess and tax Motor Vehicles.

The overriding premise of the property tax is to discover, list and assess specific assets **where they are located.** This premise applies to real estate, personal property in the form of furniture fixtures and equipment and historically the location where vehicles are garaged. The Supreme Court's decision was based on sections of the statutes that were written prior to the large volume of leased vehicles that exist today as well as the existence of the large corporate fleet of vehicle ownership.

For the Connecticut Association of Assessing Officers we advocate the passage of RB #5475 as a compliment to the existing process and procedures for us to maintain excellence in our administration of the property tax in Connecticut.

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STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

TESTIMONY OF W. DAVID LeVASSEUR
UNDERSECRETARY OF INTERGOVERNMENTAL POLICY
OFFICE OF POLICY AND MANAGEMENT
AT A PUBLIC HEARING BEFORE THE
FINANCE, REVENUE AND BONDING COMMITTEE
MONDAY, MARCH 1, 2004

Good day Senator Dailey, Representative Stillman and distinguished members of the committee: my name is W. David LeVasseur and I am the Undersecretary of the Intergovernmental Policy Division of the Office of Policy and Management (OPM). Although I am unable to appear before you today due to a scheduling conflict, I appreciate the opportunity to submit this written testimony in support of HB 5475 (ACC The Situs Of Motor Vehicles For Property Tax Purposes).

HB 5475 is intended to clarify various provisions related to the location of motor vehicles and snowmobiles for property tax purposes. The bill specifies that vehicles are presumed to be subject to taxation by the town in which the vehicle owner resides and sets forth several exceptions to this general rule.

The first exception allows vehicles that a business assigns to an employee to be taxed by the town in which the employee resides, if that town is the one from which the vehicle most frequently leaves and returns.

The second exception allows leased vehicles to be taxed by the town in which the lessee resides, rather than by the town in which the leasing company is located.

The third and fourth exceptions address the taxation of recreational vehicles and those used in conjunction with a construction project. Under the bill, these vehicles are to be listed for property tax purposes in accordance with the "three-month" rule – a situs rule that already exists in the Connecticut General Statutes with respect to other types of personal property. Under this rule, property is subject to taxation by the town in which the property is located for the three or more months closest to the annual October first assessment date.

HB 5475 allows these vehicles to be registered in the town in which they are subject to taxation. It also allows personal property declarations and lessee reports to include information regarding registered vehicles and makes other technical corrections.

Additionally, the bill amends §14-163, the statute governing the information that the Department of Motor Vehicles (DMV) provides to assessors each year, with respect to vehicles registered on the October first assessment date and those registered after that date but before the following August first. These changes are clarifying in nature and impose no additional burdens on the DMV. Additionally, the current statute's requirement regarding DMV to annually file a report with the Department of Revenue

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Services is being repealed. This report requirement is moot, given last year's repeal of §14-121.

OPM believes that clarification of motor vehicle property taxation statutes has long been needed, and most of the changes in the bill before you are consistent with the manner by which assessors now list motor vehicles for property tax purposes.

I respectfully urge this committee to provide a favorable report with respect to HB 5475. I can be reached at 418-6484 if there are any questions concerning this bill.

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PAPER DELIVERY, INCORPORATED

456 MEADOW STREET
WATERBURY, CONN. 06702

Good afternoon, my name is Brad Erickson and I am President of Paper Delivery, Inc. which is located in Waterbury, CT. I testify before you today, to voice my support for HB 5475 "An Act Concerning the Situs of Motor Vehicle For Property Tax Purposes". Paper Delivery, Inc. is a small business that employs 10 full time and 45 part-time people. The business description listed in our annual report reads "the Company provides newspaper delivery and newsprint handling services, is a licensed used car dealer and repairer, a licensed leasing company and operates a public car wash". As you can see we do a little of everthing, with each department contributing revenue, some more than others, enabling us to meet payroll and pay our taxes. I'm here today representing the vehicle leasing department which we operate under the trade name Waterbury Motor Lease. We're a small independent full service leasing concern that's been in business since the 1950's, back when no one even knew what a car lease was. Now a days the leasing industry is dominated by manufacturers and large financial companies, leaving companies like mine a very small piece of the market to operate in. Our niche is leasing vans and light trucks to small businesses looking for service at a reasonable price. One of the components of that price is personal property taxes, which are included in the cost of the lease. I became an "expert" on the issue of the assessment of motor vehicles in the State of CT when the Waterbury Tax Collector billed us for 3 years back taxes on a vehicle that was registered in our name, but leased to a company in Wethersfield, where we had paid taxes in accordance with past practices. I immediately call the agent listed on the tax bill, and said there must be some mistake, we've already paid taxes on this vehicle to the town of Wethersfield. He said that we we're liable for taxes in Waterbury, because the CT Statutes state that personal property should be taxed where the owner resides. I told them that it was a leased vehicle, registered properly with the DMV, that the vehicle was "garaged" in the Town of Wethersfield. I was told that none of that made any difference, and that the way the we have paid taxes for the past 40 years was invalid and contrary to the Statutes. He said pay the taxes to Waterbury and apply for a refund from Wethersfield. I sought a legal opinion, and spoke to an attorney that had researched the issue for another Waterbury based company, with multiple locations throughout the State. It was his opinion that the definition of "residence" in Section 12-71 CGS, had been changed by some "housekeeping" amendments several years ago, and that the only way to change it would be through legislation, in other words pay the taxes. I paid the Waterbury taxes plus penalties and interest, and fortunately the Wethersfield assessor was very cooperative and the town refunded the monies paid to them. The tax rate in Wethersfield at the time was 23 mills, and that's what I charged the lessee, the tax rate in Waterbury was 98 mills, we ended up paying an additional \$2,800.in taxes. We we're fortunate there was only one vehicle involved, otherwise I wouldn't be here today testifying, it wouldn't be necessary, we wouldn't be in the leasing business any longer. But that will soon all change, unless HB 5475 is passed. Under the current statute, and by order of a recent ruling by the CT Supreme Court, the DMV will have to report the owner's "resident" address to the Assessors in the State. All the vehicles I register with the DMV, whether used in my business, or leased to others in other towns, will be taxed in Waterbury. How can I compete with a lease company located in a town with a 20 mill rate, when I will have to pay the current Waterbury tax rate of 55 mills? Our service is great, but the bottom line still sells the lease. My little niche market will quickly disappear, and we will no longer be listing motor vehicle leasing as one of the things we do. Will this force me out of business? No, but I'll probably have to lay someone off, and it will be one less option available to small businesses who want to lease a vehicle. And, last but not least, I'm not trying to shirk my responsibility as a taxpayer in the City of Waterbury, in the year in question, we paid \$18,500. in motor vehicle taxes to Waterbury and \$8,000 to other towns.

I would like to thank you for opportunity to testify before you today, and ask you to support HB 5475 and insure its passage, so that personal property in the State of Connecticut can be continued to be taxed in a fair and logical manner.

Bradford P Erickson, President

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CONNECTICUT CONFERENCE OF MUNICIPALITIES

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TESTIMONY

of the

CONNECTICUT CONFERENCE OF MUNICIPALITIES

to the

COMMITTEE ON FINANCE, REVENUE AND BONDING

March 1, 2004

CCM supports HB 5475, "AAC The Situs of Motor Vehicles for Property Tax Purposes."

This bill would clarify that property taxes be paid to the municipality in which the motor vehicles most frequently leave from and return to -- regardless of where the owner of the vehicle resides. This clarification, particularly concerning leased or fleet-owned vehicles, is important to avoid a potentially disruptive change that could otherwise occur in response to a 2003 court decision.

Background

In the case of *Dinto v. Waterbury*, the Connecticut Supreme Court held that vehicles owned by an electrical company but driven home each day by employees were properly assessed in the municipality where the taxpayer maintained its principle place of business, not the towns where the vehicles were regularly parked or garaged.

Implications for Municipalities

The ruling changes the fundamental principle of assessing motor vehicles in Connecticut from assessing them where they are located to where they are owned. It has wide-ranging implications for how vehicles are assessed and taxed in the state. For instance, companies with vehicles all over the state could change the registration of their entire fleet to one municipality.

While some municipalities that are home to a large number of business headquarters may benefit in the short-term, the potential effect could be detrimental in the long run as businesses establish headquarters in municipalities with low mill rates. It also encourages companies to engage in tax avoidance techniques by establishing "principle places of business in municipalities with lower tax rates.

Summary

HB 5475 would avoid that type of disruption, and maintain present and long-standing tax assessment practice.

We urge you to favorably report HB 5475.

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For more information, please contact Gian-Carl Casa or Jim Finley at (203) 498-3000.

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