Act Number: 09-236

Bill Number: 379

Senate Pages: 3622-3633 **11**

House Pages: 9978-9991 **14**

Committee: Planning and Development:236-275, 278-279, 281-282, 304, 307-309, 314-318, 321-323. 325-360, 366-383 **111**

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SENATOR FASANO:

Thank you, Mr. President.

THE CHAIR:

Thank you, sir.

Will you remark further on the bill, as amended? Remark further on the bill, as amended? Senator Colapietro.

SENATOR COLAPIETRO:

Thank you, Mr. President. If there's no further discussion, I would move this bill to the Consent Calendar.

THE CHAIR:

There's a motion on the floor to place this item on the Consent Calendar. Is there objection? Seeing none, the item will be placed on the Consent Calendar.

Mr. Clerk.

THE CLERK:

Calendar Page 25, Calendar Number 228, File Number 240, substitute for Senate Bill 379, AN ACT ESTABLISHING A LAND VALUE TAXATION PILOT PROGRAM, favorable report of the Committees on Planning and Development, and Finance, Revenue, and Bonding.

THE CHAIR:

Senator Coleman.

SENATOR COLEMAN:

Thank you, Mr. President. Mr. President, I move acceptance of the joint committees' favorable report and passage of the bill.

THE CHAIR:

Acting on approval and acceptance of the bill, sir, would you like to remark further?

SENATOR COLEMAN:

I would, indeed, Mr. President.

THE CHAIR:

Please proceed.

SENATOR COLEMAN:

The Clerk should have LCO 8154. I'd ask that the Clerk please call that amendment.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO -- LCO 8154, which will be designated Senate Amendment Schedule A. It is offered by Senator Stillman and -- correction -- by Senator Stillman of the 20th District and Senator Coleman of the 2nd District, et al.

THE CHAIR:

Senator Coleman.

SENATOR COLEMAN:

I move adoption of the amendment, Mr. President.

THE CHAIR:

There is a motion on the floor for adoption. Seeing no objection, please proceed, sir.

SENATOR COLEMAN:

I also request a leave to summarize the amendment.

THE CHAIR:

A motion to summarize; seeing no objection, please proceed, sir.

SENATOR COLEMAN:

Mr. President, this is a strike-all amendment, so if it is adopted by the Senate, it would become the bill, and it has to do with land value taxation. And for a few years, a number of people have expressed interest in the concept of land value taxation, and many believe that if we did proceed with a process of land value taxation, that it would accomplish a few things in terms of helping to preserve open space and prevent blight. Many believe it would also create an incentive for development as well as to discourage real estate speculation. So the amendment which will become the bill if adopted provides for a pilot program for land value taxation, and it would permit a single municipality, in this case the Town of New London, to implement or to prepare and implement a

plan of land value taxation.

Land value taxation simply provides for a split rate of taxation; in other words, providing a different mill rate for land or land exclusive of buildings and a separate rate for improvements on property.

The bill would provide that an application would have to be approved by the legislative body and then approved -- also submitted and approved by the Office of Policy and Management. The bill also provides that if certain criteria are met with the application, then OPM would authorize the preparation and the submission of an implementation plan, and that plan would have to be submitted to OPM, the joint committee for Planning and Development, as well as the joint committee for Finance. In the event that the land value taxation approach is demonstrated to be unpopular or onerous, it can be rescinded. This is a purpose of the pilot program.

In short, land value taxation is a concept that is intriguing to many people. It is thought by many, including the members of the committee, that it is a concept worth exploring. Consequently, I would urge adoption of this amendment, Mr. President.

THE CHAIR:

Thank you, sir.

Senator Stillman.

SENATOR STILLMAN:

Thank you, Mr. President. I rise in support of this amendment, and I thank Senator Coleman, Representative Sharkey, and Representatives Hewett and Moukawsher for their support of this bill as well.

The City Councils of New London has talked about this idea for some time. There's been a lot of interest within our city as we all struggle to sort of reinvent our tax policies, and we know we're struggling to do that here in the state as well, that municipalities are looking for some other options.

Land value taxation has been successful in other parts of the country, and in others, quite frankly, it has not been. But it is the feeling of the City Council in New London, who already passed a resolution to adopt this procedure if it is approved by the Legislature, it is their feeling that this is an opportunity that they should take advantage of. And I, again, I thank the Planning and Development Committee for their open-mindedness, for understanding that the City of New London is really the perfect city to use as a pilot for this particular concept.

New London is struggling, as are many cities, and

it's a small city with big-city problems. It's my hope that this will work out. I believe that this amendment is well crafted in the sense that it gives the city an opportunity to put all those pieces in place that will hopefully make for a successful pilot program and yet come back to the Legislature, the Committees, to bless the project, so to speak. So, with that, I urge support of this amendment and ultimately the bill. Thank you, sir.

THE CHAIR:

Thank you, ma'am.

Senator Meyer.

SENATOR MEYER:

Thank you, Mr. President. I'd like to associate myself with Senator Stillman's remarks. I'm a strong supporter of this measure. The City of New London is a perfect pilot case for this. We have a downtown that is making great strides to revitalize a beautiful city on the shore of the Sound and on the Thames River.

While I don't technically represent New London, it is the city of my childhood. It's the place where most of my brothers and sisters attended high school and parochial school over the years, and it's a place very near and dear to my heart. So while Senator Stillman certainly has more at stake in the outcome, I

want to add my support to this and urge colleagues, also, to support this measure. Thank you.

THE CHAIR:

Thank you, sir.

Will you remark further? Senator McDonald.

SENATOR MCDONALD:

Thank you, Mr. President. Mr. President, just briefly, I wanted to ask a question to the Chairman of the Planning of Development Committee.

THE CHAIR:

Senator Coleman.

SENATOR MCDONALD:

Senator Coleman, in reviewing the amendment, it's not entirely clear to me about how long this pilot program would run. So I'd like to know if there's any indication about how the Office of Policy and Management would administer the pilot program and when we might benefit from the results of the pilot program. Through you, Mr. President.

THE CHAIR:

Senator Coleman.

SENATOR COLEMAN:

Thank you, Mr. President. Through you to Senator McDonald, a previous iteration of this concept, this bill, had put the expiration of the pilot program at

five years; the program would terminate after the expiration of five years. This bill leaves the duration of the pilot program to OPM. It charges OPM with establishing criteria for the implementation of any land value taxation pilot program and would -- among that criteria would be the authority for OPM to establish the termination date of the pilot program. If the pilot program is adjudged to have been successful, then it'd be my expectation, I believe the expectation of many others, that the opportunity would be afforded to other municipalities in the state.

THE CHAIR:

Senator McDonald.

SENATOR MCDONALD:

Thank you, Mr. President. And I just wanted to perhaps emphasize that last point. There are many municipalities in the state that are very interested in the possibility of at least exploring the applicability of a program such as this. In urban areas, mine in particular has expressed an interest and certainly look forward to the results of the pilot program in New London and hopefully some very positive comments coming back from that municipality so that we can all benefit, perhaps, from this legislation in the future. Thank you, Mr. President.

THE CHAIR:

Thank you, sir.

Will you remark further on Senate A? Will you remark further? If not, let me try your minds. All those in favor, please signify by saying aye.

SENATORS:

Aye.

THE CHAIR:

Opposed, nays.

The ayes have it. Senate A is adopted.

Will you remark further on the bill, as amended by Senate A? Senator McKinney.

SENATOR McKINNEY:

Thank you. Mr. President, just very briefly, I understand that is a pilot program. It is a pilot program which the City of New London wants. I think it is a dangerous precedent for us to go down, would not support it if it were done through all 169 towns in fear that this is just the first step in that direction. So with all due respect to the good people of New London, I'm going to vote no. Thank you.

THE CHAIR:

Thank you, sir. Will you remark further? Senator Coleman.

SENATOR COLEMAN:

Thank you, Mr. President. Perhaps in part in response to Senator McKinney but definitely in response to Senator McDonald, I represent at least one municipality that was also interested in the land value taxation concept. It is probably an accurate statement that New London was most enthusiastic and most vocal about being the Guinea pig, so to speak, for this particular approach. And it was determined with the consent of the delegation from New London that we should go forward with a pilot program for New London. Hopefully, it will be successful, notwithstanding the respected concerns expressed by Senator McKinney. And if it is successful, then Stamford and Hartford and any other municipality may have as enthusiastic an interest in proceeding with the land value taxation approach. Thank you, Mr. President.

THE CHAIR:

Thank you, sir.

Will you remark further on the bill, as amended by Senate A?

SENATOR COLEMAN:

Mr. President?

THE CHAIR:

Yes, sir.

SENATOR COLEMAN:

If there are no further comments and no objection, I could --

THE CHAIR:

There was one --

SENATOR COLEMAN:

There was?

THE CHAIR:

-- by Senator McKinney. Yes, sir.

SENATOR COLEMAN:

That's right. Thank you.

THE CHAIR:

Yes. Thank you, sir.

Anyone, in general, like to remark further? If not, Mr. Clerk, please call for a roll call vote. The machine will be open.

MR. CLERK:

Immediate roll call has been ordered in the Senate. Will all senators please return to the chamber. Immediate roll call has been ordered in the Senate. Will all senators please return to the chamber.

THE CHAIR:

Have all senators voted? If all senators have voted, please check the board. The machine will be

locked. The Clerk will call the tally.

THE CLERK:

Motion is on passage of Senate Bill 379, as amended by Senate Amendment Schedule A:

Total Number Voting	36
Those voting Yea	30
Those voting Nay	6
Those absent and not voting	0

THE CHAIR:

The bill, as amended, passes.

Mr. Clerk.

THE CLERK:

Calendar Page 27, Calendar Number 263, File Number 294, Senate Bill 961, AN ACT CONCERNING MEDICAL MALPRACTICE DATA REPORTING, favorable report of the Committees on Insurance and Appropriations.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President. Mr. President, I move for acceptance of the joint committees' favorable report and passage of the bill.

THE CHAIR:

Acting on acceptance and approval of the bill, sir, would you like to remark further?

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Have all Members voted? Have all Members voted? Please check the board to make sure your vote is properly cast.

If all Members have voted, the machine will be locked. The Clerk please take and announce the tally.

THE CLERK:

House Bill Number 6467 as amended by House "A" and

Senate "A" in concurrence with the Senate.

Total Number Voting	145
Necessary for Passage	73
Those voting Yea	143
Those voting Nay	2
Those absent and not voting	6

DEPUTY SPEAKER ALTOBELLO:

The Bill passes in concurrence with the Senate.

DEPUTY SPEAKER ALTOBELLO:

Representative Sharkey, please prepare yourself. Will the Clerk please call Calendar Number 670.

THE CLERK:

On Page 20, Calendar Number 670, Substitute for Senate Bill Number 379 AN ACT ESTABLISHING A LAND

VALUE TAXATION PILOT PROGRAM. Favorable Report of the Committee on Finance, Revenue and Bonding.

DEPUTY SPEAKER ALTOBELLO:

Representative Sharkey, you have the floor, sir. Please proceed.

REP. SHARKEY (88th):

Thank you, Mr. Speaker. Mr. Speaker, I move acceptance of the Joint Committee's Favorable Report and passage of the Bill in concurrence with the Senate.

DEPUTY SPEAKER ALTOBELLO:

The question is acceptance of the Joint Committee's Favorable Report and passage of the Bill in concurrence with the Senate. Please proceed, sir.

REP. SHARKEY (88th):

Thank you, Mr. Speaker. Mr. Speaker, this is a Bill that was brought to us by the City of New London, and advocates there who were interested in the idea of a concept known as land value taxation.

The idea, put simply, is that a municipality puts a different mil rate on underlying land than it does on the improvements on the land, and the intent of this is to try to avoid blighted properties, to encourage those who own blighted properties to move

them or develop them, and not leave them in a blighted condition.

We heard extensive testimony in the Planning and Development Committee about this concept and while it has had some success apparently in other parts of the country, there, it is untested here in Connecticut and would be a new initiative that we're not quite sure if it would work.

So, Mr. Speaker, in the Senate, the Senate introduced an Amendment, which changes the underlying Bill from an actual authorization to the City of New London to a study, and to that effect, Mr. Speaker, the Clerk has an Amendment, LCO Number 8154. I ask that it be called and I be given leave of the Chamber to summarize.

DEPUTY SPEAKER ALTOBELLO:

Will the Clerk please call LCO Number 8154, previously designated Senate "A".

THE CLERK:

LCO Number 8145, Senate "A", offered by Senators Stillman, Coleman, Maynard, et al.

DEPUTY SPEAKER ALTOBELLO:

Representative Sharkey.

REP. SHARKEY (88th):

Through you, Mr. Speaker, if I may. Just one correction of the Clerk. I believe he may have said LCO Number 8145. It's LCO Number 8154 is the LCO that I have. I just want to make sure that we're on the same legislative page.

DEPUTY SPEAKER ALTOBELLO:

Before the Chamber we have Senate "A"--

REP. SHARKEY (88th)

And on the board it is the correct number.

DEPUTY SPEAKER ALTOBELLO:

--LCO Number 8154. Please proceed, Sir.

REP. SHARKEY (88th):

Thank you, Mr. Speaker. Mr. Speaker, this is a strike-all Amendment that was drafted in concurrence with the entire New Haven, New London delegation.

What it does is, it establishes the notion of the possibility of considering land value taxation for just the City of New London at this point. But it called for it to be a study instead.

What we're asking for is the council and the mayor to come together to develop a plan, come back to the Legislature with that plan for implementation so that it can then be approved and authorized subsequently.

So, Mr. Speaker, I move adoption.

DEPUTY SPEAKER ALTOBELLO:

Further on Senate "A"? Further on Senate "A"?

If not, I'll try your minds. All those in favor please signify by saying Aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER ALTOBELLO:

Opposed? Senate "A" is adopted. Further on the Bill as amended? Representative Aman of the 14th.

REP. AMAN (14th):

Yes, looking at Senate "A", which is now the Bill, so I'll be making any references off to the original Senate "A" copy that we had.

The Bill talks about a single municipality, and yet all the time we're talking about a particular municipality. Under this Bill, could another municipality come in and compete with New London for the right to do this?

Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Sharkey.

REP. SHARKEY (88th):

Through you, Mr. Speaker, yes, in theory that's possible if it meets all the other definitional requirements that are contained in Section 1(b) of the Bill. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Aman.

REP. AMAN (14th):

The concept of taxing land and buildings at two different rates, the proponent talked about that it's had, I don't know if the term we used was mixed results, but I will use that term because I think it may sum up what his feelings have been on it.

In the last couple of years we've had several cities come forward and then they backed out. Could the Chairman explain a little bit of the advantages or disadvantages that the public hearing has said on this particular concept? Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Sharkey.

REP. SHARKEY (88th):

Through you, Mr. Speaker, the good Ranking Member of the Planning and Development Committee doesn't mind giving me an opportunity to talk and expand, I'd be happy to.

The concept of land value taxation as I mentioned, is the idea that towns and cities could actually value land at a different rate, mill rate than they would for improvements on that land.

It is a concept that has been tried, in particular, the poster child of a successful implementation of this is Harrisburg, Pennsylvania, which apparently had vast tracts of blighted properties unused, where they adopted a land value concept with a split mil rate, one for land, one for improvements, and it apparently resulted in a revival of Harrisburg's downtown areas.

Now, we have to keep in mind at the same time that Pennsylvania is a different state than Connecticut. There are other different characteristics to Pennsylvania than to Connecticut.

We heard a lot of great testimony from the advocates for this concept in Committee, but there were other questions that were left unanswered.

For example, we want to be sure that this is not something that gets adopted all over the State of Connecticut. We certainly don't want that because in more rural areas the increase in the value of land

would have a perverse, reverse impact in more rural communities.

We really want to make sure that it's targeted to blighted areas, targeted to specific locations within a particular city, not granted, applied across all of the State of Connecticut.

A second example is that if it's adopted in areas where there is state-owned land, for example, state parks and other types of non-taxable properties, in the concept of say a pilot program, our pilot program for state-owned properties, that would result in a, increasing the value of the land for state-owned properties, would actually have, would give the host community a windfall under our pilot program, but would take money away from other towns.

So we want to be very careful, if we were to implement this, we want to very slowly. We want to really look at this. We want to have a fully thought out plan developed by the city and enable us to look at this to see if it actually works. Through you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative Aman.

REP. AMAN (14th):

Yes. I thank the Chairman for his answers on this. This concept of taxing land as a separate value than the building, indicating that the land has a much higher intrinsic value in our urban centers, is probably a very good one to look at.

I think the pilot program is a good idea because of the possibilities of unintended consequences. One of the desires of most communities when they're doing this, is to have the large surface parking lots that fill up our urban areas replaced with buildings that are paying taxes and this is a way of encouraging it for happening.

However, as was mentioned, in a rural or suburban area, it could be the death of open space as individuals say, I have to put a building on here. I can't afford the land taxes.

So I encourage my colleagues to vote for this. I'll be very interested to see the results of the study. I'm not at this point sure that when the study comes out that I will be endorsing it as a taxation method that the state should use, but I do think it's a concept that's very worthy of being looked at. Thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Representative, thank you very much. Representative Hewett, from the Whaling City, New London, 39th District, you have the floor, sir.

REP. HEWETT (39th):

Thank you, Mr. Speaker. Mr. Speaker, I rise in strong support of this Bill. As all of you know in the Chamber, New London has a set of unique problems with its 58 percent of its taxable property off the tax roll. We have hospitals, colleges, like a lot of people in the State of Connecticut.

What I like about this Bill is that you know, with a lot of buildings that we have downtown are dilapidated, it gives property owners an incentive to, you know, fix up his building because now the abundance of the taxes is on the land instead of the buildings.

So I strongly urge my colleagues to support this Bill. And remember, this is not an approval. This is just a study and we have to come back to this Chamber with a plan for approval. Thank you, Mr. Speaker.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative Hewett. Representative Miner of the 66th, you have the floor, sir.

REP. MINER (66th):

Thank you, Mr. Speaker, if I might just propose one question to the proponent of the Amendment, please.

DEPUTY SPEAKER ALTOBELLO:

Please proceed for one, sir.

REP. MINER (66th):

Thank you, Mr. Speaker. Just a statement first. I understood the gentleman to say before the Amendment was passed, that this is a pilot program and a study. But as I read Lines 36, 37, 38 and 39, it appears to me that the plan need only go back to the committees of cognizance and it seems to me that we have legislatively authorized the implementation of this sort of thing in the past.

So through you, would the town, would any town in the State of Connecticut upon approval of that legislative committee, be able to implement this taxation form without the General Assembly's approval? Through you.

DEPUTY SPEAKER ALTOBELLO:

Representative Sharkey.

REP. SHARKEY (88th):

Through you, Mr. Speaker, no.

DEPUTY SPEAKER ALTOBELLO:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker, and I thank the gentleman.

DEPUTY SPEAKER ALTOBELLO:

Thank you, sir. Representative Moukawsher of the 40th District, you have the floor, sir.

REP. MOUKAWSHER (40th):

Thank you, Mr. Speaker. I just wanted to express my appreciation to the Chair of Planning and Development for giving New London an opportunity to pursue a plan and to investigate this. They have been very interested in it, and so on behalf of New London, I'd like to thank him, and we'll be back next year if we can come up with a plan.

Thank you.

DEPUTY SPEAKER ALTOBELLO:

Thank you, Representative Moukawsher. Further on the Bill as amended? Further on the Bill as amended?

If not, staff and guests please retire to the Well of the House. Members take your seats. 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.

DEPUTY SPEAKER ALTOBELLO:

Have all Members voted? Have all Members voted? Please check the board to make sure your vote is properly cast.

The Speaker just checked the board and his vote was not cast at all.

Have all Members voted? Please check the board to make sure your vote is properly cast. If all Members have voted, the machine will be locked and the Clerk please take and announce the tally.

THE CLERK:

Senate Bill Number 379 as amended by Senate "A" in

concurrence with the Senate.

Total Number Voting	148
Necessary for Passage	75
Those voting Yea	148
Those voting Nay	0
Those absent and not voting	3

DEPUTY SPEAKER ALTOBELLO:

The Bill as amended is passed in concurrence.

Would the Clerk please call Calendar Number 678.

THE CLERK:

On Page 21, Calendar Number 678, Substitute for Senate Bill Number 850 AN ACT CONCERNING SCHOOL INSPECTION REPORTS. Favorable Report of the Committee on Planning and Development.

DEPUTY SPEAKER ALTOBELLO:

Representative Jutila of the 37th District, you have the floor, sir.

REP. JUTILA (37th):

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

DEPUTY SPEAKER ALTOBELLO:

The question before the Chamber is acceptance of the Joint Committee's Favorable Report and passage of the Bill. Please proceed.

REP. JUTILA (37th):

Thank you, Mr. Speaker. This is a simple but important Bill that requires local fire marshals to submit written reports of every school inspection they conduct to the local or regional board of education.

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if they chose to, to reestablish that cycle and that's exactly what we would do with it in Stamford, it wouldn't go into our general fund, we would use it to provide arts funding that was previously provided out of the state hotel tax and no longer is provided to try to create that reinforcing cycle once again.

So I'll stop there. If you have any questions, I'd be happy to answer them.

SENATOR COLEMAN: Are there questions for Mr. Bergstrom.

Seeing none, thank you for your testimony.

KIP BERGSTROM: Thanks a lot.

SENATOR COLEMAN: Joshua Vincent. And it appears as if the next four or five individuals may be speaking from the same municipality on the same issue. If you would care to come together, that would certainly be appreciated, Joshua Vincent, Al Hartheimer, Art Costa, David Fairman and Wyn Achenbaum.

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JOSHUA VINCENT: Okay, I think we're all here. I will condense my written comments. I'd like to say good afternoon to you, Senator, and to the members of the committee. I'm Joshua Vincent. We're based in Philadelphia, Pennsylvania. I run a nonprofit called the Henry George Foundation of America, and we work with Pennsylvania and commonwealth cities that use land value taxation, so some folks thought it might be appropriate that I be here today.

We're based in Philadelphia, as I said, and that's germane because we get as a city 18 percent of our revenue from the property tax

and unlike the Connecticut cities that are considering alternatives, so we're facing a 1.1 billion dollar deficit in the City of Philadelphia over the course of five years, so I wouldn't blame the property tax necessarily for issues.

Again, we believe that the land value tax in the State of Connecticut would be appropriate for urban service centers. Quite briefly, I do have under italics you can see a map or a chart that I prepared of Hartford County and various jurisdictions in Hartford County and their millage rates, and that's on page 3 of my testimony, and the whole issue behind the land value tax is that the tax rate structures in the City of Hartford are so far above the real property tax rates of surrounding communities that everything that Hartford does to attract development becomes that much harder.

This situation is played out throughout the rest of the state. We have people from other cities in Connecticut, and I'll let them address that, but the essential problem of the property tax is that it is two taxes, a tax on land values and a tax on buildings. And a tax on buildings is what is killing and hurting the urban areas of Connecticut.

In New London 30 percent of property tax comes from land values, in New Haven 27 percent. In the City of Hartford only 18 percent of your property tax revenue comes from land values, and in a city with so much vacant land that's a no-win situation. Undoing the building tax is our idea. It compliments other incentive programs, it's in accord with ability to pay, it has been proven to attack blight, as my attached letter from Mayor Steven Reed of

Harrisburg is very clear in saying that in a town that has over 50 percent tax-exempt land Harrisburg has found the land value tax to be a fair, rationale and just way to tax property in replacement of the building tax or indeed other taxes such as sales or income.

And there is a crowd here, and so I would like to thank you very much for your attention today and I'd be happy to answer any questions, and my colleagues will step on up.

ALBERT HARTHEIMER: My name is Albert Hartheimer, I'm vice president of the Center for the Study Of economics of which Mr. Vincent is the president, and I live at 42 Greylock Estates Road in Lanesboro, Mass. First I would like to thank not only Senator Coleman but the other people who have sat here for three hours to listen to this testimony, the other thing that was refreshing today is that although we are dedicated to this idea, three other people, Mayor DeStefano and two others, have endorsed the idea of land value taxation. The gentleman who spoke just before me give it a great endorsement.

This is not the first time I've been in Hartford. I worked on a study for the City of Hartford in 1994. That study was endorsed by the blue ribbon panel on tax reform and recommended the adoption of land value taxation but nothing was done. In 2003 I testified before this committee in favor of bill 5903, another act similar to the one you're considering today. Nothing was done. And in 2004 at the request of the Mayor we reviewed the tax situation in Hartford and again recommended the adoption of land value taxation and this recommendation was endorsed by the Interfaith Coalition for Equity and

Justice and again nothing was done. So here we are again.

These are hard times. Municipalities need all the tools they can get to maintain their communities and to lower homeowner taxes. Land value taxation is such a tool. The bill is permissive. It mandates nothing. Municipalities that want to consider using it will debate its use thoroughly before they adopt it. The legislation provides for two rates, a lower rate on buildings and a higher rate on land instead of the same rate on both. We recommend a gradual shift. When you try to do it all at once it doesn't work. But it took us 200 years to get into the situation we're in now.

If it took another five years to get out of it, that wouldn't be the worse thing in the world. Twenty taxing jurisdictions in Pennsylvania use this system. It works. Most homeowners pay less, in a shift vacant landowners and underused landowners pay more. There are many advantages. Although most homeowners pay less, the money they save will be spent or saved. Either way it will help the economy. Just taking a stab at this, if over time you eliminated the tax on buildings on homes particularly, if you have 500,000 homes in the State of Connecticut and each homeowner saved $2,000 a year, that's 100 million dollars every year that would be pumped into the economy without any expenditure. And the vacant landowners and underused landowners will pay more, but most valuable land, valuable land, is owned by wealthy people or corporations, they are better able to pay the tax than the homeowner, so there is a shift off the middle class onto the upper class.

In some municipalities there is now no market for land. With land value taxation the demand for land will increase, and since the supply of land is fixed, the increased demand will raise the value of the land. Even though landowners pay more they are better off with land value taxation. Land value taxation is the only tax which with use increases its own base.

It costs nothing to adopt this idea. All that is required to put it in effect is a computer software change. All taxable land is already assessed. Many homeowners don't improve their property because they get penalized. Home additions and remodelings are the first things that occur after the adoption of land value taxation. Most municipalities have many vacant building lots.

We looked at Pittsfield, Mass. There were over 350 vacant lots in Pittsfield, Mass., not a big city. In many cases there is presently no market for these. With land value taxation over time houses and other buildings will be built on these lots. That's usually the next thing that occurs. With land value taxation the clean and green countryside will remain clean and green. That's the record in Pennsylvania. In many cases the increase in taxes are very modest and are simply absorbed by the landowner. Land value taxation attracts people to cities. This helps to reduce urban sprawl, lowers the incentive to build in the clean and green countryside. With increased population, businesses are more likely to remain and new businesses are likely to open. As population increases, the tax base will increase. That will make cities more sustainable. Now improvements are often

made inside buildings to try to fool the assessor. When there is no tax on buildings, that will not be necessary. Land cannot be hidden. A land tax cannot be avoided.

Today if you decide to build a building first you buy land with money that has already been taxed. Then you buy the materials with more tax paid money and pay a second tax, a sales tax. Finally when the building is complete the assessor will visit and tell you the penalty you must pay every year for improving the community. That's really regressive. But if you let your building go to rack and ruin, you can go to the same assessor and plead my building isn't worth what it's assessed for, please reduce my assessment. In many cases he will.

Presently we penalize people who improve our communities and reward those who ruin them. That's exactly backwards. Land value taxation will reverse that. If you presently pay a 3 percent tax on your home and are lucky enough to own it for 30 years, you pay for it twice, once to the bank and once to the community.

Please pass these bills and give the people of Connecticut a tool to help maintain and improve their communities.

Now I heard a lot of stuff this morning on other bills. I keep hearing on the hotel tax where is the tipping point. Suppose you limit it, the hotel tax, and that made all of the hotel rooms 14 percent more attractive. Didn't I hear that the present tax is 14 percent, present hotel tax?

SENATOR COLEMAN: I know we heard some testimony about increasing the hotel tax.

ALBERT HARTHEIMER: Twelve percent presently? Suppose you took the amount of revenue that that presently generates and add to it the amount of revenue that would be generated by an increase in taxes and eliminated those taxes and put it on the land. The land can take it. Then you would have a very positive attraction for groups and individuals to come and stay in Connecticut. That's a point of view you should really consider. The speaker before us said this is appropriate in the cities but not in the countryside.

I live in Lanesboro which is a rural community of 3,500 people, and the Center for the Study of Economics is doing a study there. There is so much vacant land in our communities and so few houses that you can eliminate the tax on houses and have it hardly felt by the other taxpayers.

So don't think it only works in the cities. The question is usually asked what about the poor farmer. Well, the poor farmer has nothing to worry about. He probably has more in buildings than he has in land and probably would get a reduction. The farmer who's on the edge of the city and is awaiting to have his land, the final harvest having a developer take it over, he's going to pay more and he should pay more.

Now totally unrelated to this, I noticed out in the hall --

SENATOR COLEMAN: Mr. Hartheimer, can you wrap up for us?

ALBERT HARTHEIMER: I'll almost done -- that the light bulbs have been replaced with compact

fluorescents, but in this room all of these light bulbs are incandescents. You could save a lot of money, reduce the impact on global warming, if you change the light bulbs to fluorescents. Thank you.

SENATOR COLEMAN: Thank you.

ART COSTA: Well, good afternoon to the committee members and to Chair, Senator Coleman, and Representative Sharkey, I appreciate this time so much. It's taken us a while to get here, but we're here. And I want to speak to the land value tax very specifically. I'm a resident of New London. My name is Arthur Costa. I am here to speak very specifically about bills 379 and 392, two bills that we strongly support and are here to endorse in any way we possibly can.

Today improvements, as it's been said before me, are discouraged through our current property tax. We all know the property tax, as it exists, is a real issue and it hurts homeowners and people in general in the state here. The two bills before you are amendments to our local property tax structure allowing cities to shift property tax proportionately from improvement to land site. It's just that simple and it's done over time.

I'm here representing not only the City of New London to some extent but an organization, nonprofit organization called Re-New London Council, and our mission is to deal with -- is to really champion sustainable economics in our city area within Greater New London. We have a Farm to City program, so we're very concerned and very interested in open space, our local food producers, and really reigniting our local food system.

But along with that I'm here representing a number of people who have testimony to you all in writing, and they are not able to be here today, and I'd like to just quickly mention them. Southeastern Connecticut group, Sierra Club, Rivers Alliance, the City of New London, New London Main Street, New London Landmarks Preservation, Connecticut Home Builders Association, who is here and testifying, Farmington River Water Shed Association, Hartford Preservation Alliance, and we also just got last night our city's economic development commission has endorsed this as well. These folks weren't able to be here. You have their testimony.

There is a ground swell certainly in Southeastern Connecticut to have this option available. We're talking from a very practical perspective. It's an option, it's not mandated, and would be put into place via an ordinance and would be under the scrutiny of our local residents where a referendum could come forth and it could be voted down or whatever is determined. We also have in that packet former mayors of New London as well as city councilors of New London that are currently in place.

The land value tax has a long history. It's got over a 100 year history in this country and throughout the world so this is not a new idea. It's got a very very strong track record with supported empirical studies demonstrating just how shifting your incentive to development where currently there's blight and empty brownfields and vacant buildings and cities of all sizes can actually make a real difference in terms of rejuvenating that local economy, creating local jobs and producing

local revenues, and all of this is done without asking for more money either from the state or from local citizens. Realizing this, New London City Council unanimously passed a resolution to request passage of a bill to provide New London and other Connecticut cities with this option. Getting a unanimous resolution from our city council is not an easy challenge and it was accomplished very quickly once they understood what this meant.

I want to stress this is an option. This is not -- again, this is enabling legislation. It would simply allow municipalities, specifically cities, to use this, and some of the benefits that we know would happen through our experience in other cities and towns throughout the world and particularly in Pennsylvania is that it stabilizes the local property tax base. It provides local revenues which are currently escaping the city through site speculation. New London has a 33 percent empty downtown area. All of that is wealth just escaping. We never capture it. This would stop that.

LBT keeps total revenue requirements neutral to ensure sufficient revenues to pay for social services, infrastructure and school. We're not robbing from Peter to pay Paul with this, it's all basically neutral working to the requirements of the city, what the city currently has to pay for its infrastructure and social services and education. It significantly improves municipal land use and management so vital from Smart Growth which we are all very interested in seeing happen here in the State of Connecticut.

In fact LBT supports the goals of Smart Growth by creating city density in areas which where

such density is essential to provide an economically viable city district. It provides a fair and what has been described by most tax experts a most progressive form of taxation. It is easier to administer and therefore reduces the complexity of current property tax assessments.

I'll just summarize this. We know that Harrisburg is a great example of what's happened. Harrisburg, Pennsylvania was the second most distressed city in the country two decades ago, just two decades ago. It's now a model city. It's no longer distressed. It implemented land value tax. It has the longest running mayor in the history of Pennsylvania to kind of attest to that.

And they do say that this was their primary reason when they've done comparative studies throughout that area to see exactly what this meant if you were a city getting subsidies from the state or some other sorts of income how did you fair relative to Harrisburg who didn't get those same kinds of subsidies and Harrisburg came out extremely well in that comparison. And this is all very well documented, and so I won't get into that in any more detail, but I'll just summarize by saying that a tax shift from building improvements to land has demonstrated consistently that cities are energized as taxes are lifted off improvement and development.

The two bills before you do not require appropriation. There's no cost here. In other words, LBT does not shift tax dollars from the state to the municipalities. It is enabling legislation simply allowing cities to use it as an option through an ordinance and

scrutiny of the local taxpayers. We think that SB 379 provides the necessary language to speak to open space and farmland here in Connecticut which, as I say, Re-New London Council is very interested in assuring that we have not only the open space but farmland for our local food system. As attested by the range of open space advocates and builders, this is a tax that applies the right incentives in the right places.

We have the written testimony that I mentioned that you are all more than welcome to take a look at, and I'll leave it at that knowing that our time is probably rather short. Thank you very much. I appreciate this time, and I do encourage you to move these two bills forward out of committee here. Thank you.

WYN ACHENBAUM: I'll try to be brief. I'm also in support of bills 379 and 392. I'm Wyn Achenbaum. I've been a resident of Stamford since 1975. For the entire time I've lived there there's been a 4.3 acre hole in the ground not too far from our 100 percent location. Even the assessors database calls it the hole in the ground. And right across the street is the Marriott that you see as you drive through on 95. It's a comparable sized piece of land. It provides jobs, it provides hotel rooms, meals, parking, a whole variety of things that the market wants and yet we tax it more than we tax this hole in the ground. And the incentives that we've got have just not moved the owner of this hole in the ground to put it to good use.

Under the current property tax we have no choice but to tax land and buildings at the same millage rates. The Marriott is penalized for doing what benefits themselves and the

community. Our current millage rate is 16.96. That works out to a real tax rate of 1.2 percent. When we need anymore revenue we have to raise both those rates, the rate on the land and the rate on the buildings. Tax on land value has one set of effects, tax on buildings has a very different set of effects. The former tends to be desirable, including the reduction of blight, discouraging premature development out at the fringe, which I think most of us would be in favor of discouraging. The effects of taxing buildings are mostly undesirable, yet we've yoked these things together to our detriment. I think we ought to be able to divorce these and let our towns at their own option increase the millage rate on the land value. These local services boost local land value and so this is a local recycling of that value.

All taxes are not created equal, and this is a good one. Even Milton Freedman who didn't like very many taxes at all said that this was -- he called it the least bad. I think it's better than that. No cost to the state. It could help make our cities magnets for economic activity and redevelopment by the private sector, especially in this recession. This week I came across something from 1870 that a landowner down in Tennessee said never tax anything that could be of value to your state, that could and would run away or that could and would come to you. I think land is here, buildings, hotels, all these other things could leave if we tax them.

Thank you.

CATHERINE ORLOFF: I'm Catherine Orloff. I was number 27, but they said to come up with this group. Is that okay?

SENATOR COLEMAN: Yes, if you're part of this group, please.

CATHERINE ORLOFF: Thank you, Senator Coleman, Representative Sharkey, members of the committee, my name is Catherine Orloff. I've come from Providence, Rhode Island to testify in favor of these bills on land value taxation today, SB 379 and 392.

I'm a public school teacher on vacation this week, but I'm also a former Rhode Island state certified real estate appraiser who dealt in both residential and commercial properties for 11 years. I realize I'm a foreigner here, so I'll be brief, but I want to congratulate all of you who are considering this tax idea for Hartford. It is, in my opinion, a brilliant idea, a marvelous concept, and one that is sadly so little known today, even as we struggle with severe economic difficulties here in your state, in my state and throughout the country. So it seems to me that you have a wonderful opportunity here today to allow some important thinking to happen.

Since I learned of the land value tax more than 30 years ago, I've always thought that one of its best features is its proportionality. Everyone knows that a piece of land costs more in a city than in a small town. If you want to start almost any business, a city is the ideal place to locate because there are more people coming and going and these people are your potential customers.

There are also other businesses already present that may support yours. And if you locate on a Main Street you get high visibility and better yet close to a highway

exit with easy access to interstates, you almost can't lose. So it's just these features of a city site that make urban land valuable. And what is wonderful about the land value tax and seldom pointed out is that it is in these high land value cities where we need the most public services, more roads, more police, more fire, more schools, more city planning, et cetera, so there is an automatic tax base provided for us.

Conversely, small towns have low land values and they also need fewer public services. It's a beautiful system. Well, yes, but cities have actually not been so beautiful as the years have gone by. Why have large sections of virtually every American city become so ugly if we have this beautiful tax base in place? The problem arises and has arisen in Hartford, in Providence and elsewhere from not taxing the land values enough, from skimping on this naturally provided tax base, and instead taxing other things like dwellings and commercial buildings in the property tax but also business inventories, wages, income, sales, sometimes restaurant meals, car rentals and hotel rooms that we've heard so much about today, and the myriad of other taxes that exist also today.

Besides dampening incentive and discouraging productive people, the real harm comes in leaving the valuable land parcels undertaxed. Why is this? Because landowners being usually prudent people like the rest of us have seen their values skyrocket over the past few decades and have naturally held on for even greater increases in the future.

If five years ago you knew that your little city parcel was worth $100,000 but you

realized that in just a few years it would probably be worth closer to 150,000 or more, you would likely be careful to not let it go too cheaply because that's a much greater return than you've could have gotten for the money invested in almost any other way. Before I worked in real estate I would see "for sale" signs on well located properties right on main streets and I would wonder now why has that sign been up for months, no one wants that location, it looks good to me.

But once I was a broker I learned that actually many many people do want that location and all good urban locations. There are all sorts of people who have good and creative ideas of businesses to start there. They've done their homework, they've been to the bank, they've crunched the numbers and they've come in with an offer that will make it work for them, start a business that will allow them to hire people, get development going, but time and time again the number is too low, even after negotiations, the deal falls apart, the landowner is under no pressure to sell, and is waiting for that higher price next year.

The property tax on his land value is not high enough of an incentive to cause him to sell. If the land value tax shift that you're considering occurs, owners will not be able to hold out in this nonproductive way. In America we believe in the right to own land. That is true. But we must ask ourselves today do we want to keep giving away the right to own vacant valuable land and do virtually nothing with it and prevent others from using it also, or would a use-it-or-lose-it philosophy be better for valuable land since we all know that it is only on land that

economic activity can take place? As you might have noticed, businesses do not float around in thin air except perhaps hot air balloon businesses.

Do we want to continue to allow this land speculation poison that causes vacant trashy lots in virtually every city and far worse causes our unemployment, our poverty, our need for social services because business start-ups are blocked by high land costs? What you have before you today are some really important and fundamental questions. I realize that this connection between unused valuable land and unemployment and poverty has seldom if ever been made explicit even among economists for reasons that we can't go into today.

But talk to any business owner, small business or huge corporation, land costs are a huge reason that New England lost manufacturing to the south, the U.S. loses jobs to Mexico and what are called low wage countries but are really cheap land countries because U.S. land is locked up in the expensive grip of land speculation which has once again threatened the very heart of our economy.

Finally, although I criticize today's property tax for not taxing land values enough and taxing buildings too much, that does not at all mean that I favor lowering or getting rid of the property tax. Imperfect though it has been, the property tax has collected significant amounts of land value for the public over the years and it has been responsible for the stability and the many still good aspects of our public life today. It only needs to be tweaked, to be improved, and to so bring about great and exciting benefits for our cities hopefully with

Hartford in the lead.

In conclusion, I congratulate you on studying the issue, keeping an open mind. Thank you for your attention. I'd be happy to answer any questions.

SENATOR COLEMAN: Are there anymore as part of the group?

DAVID FAIRMAN: Good afternoon, I'm Dave Fairman from Waterford speaking from the perspective of former Waterford selectman concerned about sprawl and the quality of life in Connecticut and also supporting regional cooperation which we try to do the bid of. SB392 SB379

For the last decade New London has been gradually coming back due to many bootstrap and state funded initiatives, but driving into the city in the morning one sees the many homeless people walking from one site to the other, even in the worst of weather, we know that some are sleeping and dying in the woods. One I know has a doctorate in mathematics, others are engineers and veterans.

One can also see far too many empty buildings where people could be living. New London sprawl began after World War II and passed Norwich's sprawl heading in the other direction. Sixty years of unintended consequences leaves our wealth geographically dispersed with a weak liable core. We waste a large part of our income commuting back and forth and also importing our produce long distances. Here in Connecticut we have the motivation and resources to protect our environment, restore our cities, improve our quality of life with a tool that has been effective in many other areas and around the

world. That's the land value tax. The proper planning and land value tax option, Connecticut, where environmental regulation began, and we can develop in a manner that effectively utilizes resources and improves the quality of life for us all. I urge your support for bills 379 and 392.

Thank you.

SENATOR COLEMAN: Thank you.

Are there any others as part of this group?

DAVID FAIRMAN: No, that's it. We'll take questions, if you like.

SENATOR COLEMAN: Well, let's see, perhaps somebody from the group can assist my understanding of this concept. Correct me, my understanding at this point is that you're advocating a separate mill rate for vacant land and a mill rate for land with a structure on it, improvement on it?

JOSHUA VINCENT: Actually, Senator, how it works in Pennsylvania and the cities that we do this in it's all taxable land. It might have a building on it, it might not have a building on it, the effect is that the higher percentage increase of tax burden would fall naturally upon vacant land. But if you have a house and land underneath it, you're still going to be paying an increased millage rate on that land value.

SENATOR COLEMAN: Okay, let me ask another question. If I have two identical lots, one of those lots has an improvement on it, the other is vacant, on which property would I be likely to pay more in taxes?

JOSHUA VINCENT: The vacant property certainly.

SENATOR COLEMAN: Okay. So does that mean that --

JOSHUA VINCENT: Oh, if there were no tax on buildings at all they would -- I'm sorry, I misunderstood. Both lots, if they were the same value, would pay the same tax.

SENATOR COLEMAN: So there is no tax on the structure at all, is that what you are saying?

JOSHUA VINCENT: Ultimately. Most cities in Pennsylvania either get between 50 percent or 90 percent of their tax revenue from land. They make their own choices as to the millage rate proportions.

SENATOR COLEMAN: I was following -- I'm not sure what you mean with the word "ultimately" stuck in there.

JOSHUA VINCENT: Well, for example, the City of Altoona in 2001 enacted the land value tax and they reduced the building tax rate 10 percent every year so that in 2011 there will be no tax on buildings at all, but some cities tax, for example, Harrisburg taxes land at six times the rate of buildings, they still maintain some tax on buildings.

SENATOR COLEMAN: Okay. I'm glad that I'm getting these responses and I'm glad I'm asking these questions because I was thinking that what the proposal was contemplating was a mill rate on land and a mill rate on buildings in order to arrive at a tax on land and a tax on buildings. And I was thinking in my example that if I had a lot with a building on it, I'd actually be facing two mill rates, one mill

rate applied to the land itself, and another mill rate applied to the building. And in comparison to a property with just land, the same mill rate for land would apply to that property but there would be, because there's no building, there would be no application of a mill rate for the building?

JOSHUA VINCENT: Yes, if there is no building, that mill rate would not apply, of course, but the idea is that you're raising the tax on all land values in the city, and so that proportionally the vacant lot is going to pay more than the lot that has a building on it. When we did research for Mayor Perez in 2004, for example, if we enacted a typical Pennsylvania style land value tax, a three-family house on Albany Avenue would have its tax go down about $2,000 a year and the vacant lot right next to it would go up about, if I recall, about $1,300 a year. So even though the three-family building's building tax, land tax would go up, there is so much more value in the building that that's why they would have a net savings because there's a full construction on that lot. I hope that clears it up.

SENATOR COLEMAN: I think I'm following but -- this will be my final question, and then if other members of the committee have questions they can ask their questions -- if I'm a property owner that's interested in paying the least amount of taxes, where is the incentive to build on my plowed land or my lot?

JOSHUA VINCENT: Well, a lot of people do not build -- in Hartford, I'll use as an example, because I know the city -- they won't build because they know that if they put up a building, they are going to pay over 60 mills

in real property tax on that building which takes labor, it takes materials, it takes investment. And if you can say -- and this is what's happened in Harrisburg -- if you say to that builder you'll put up this building and we can promise you we'll never tax you on that building, then the increase in the land value tax is more than offset by the benefit gained by building on that vacant lot.

In other words, it ends up being cheaper -- again, I'm going to refer to Harrisburg -- it becomes cheaper to build in the city than outside the city, and that's essentially what the land value tax is meant to do.

SENATOR COLEMAN: Okay, let me ask my original question one more time. Just in terms of the pure tax, if I have two identical lots, one vacant, one with an improvement on it, on which property am I likely to pay more in taxes?

JOSHUA VINCENT: They will be equal. If they are valued equally by the assessor and you're not taxing buildings at all, then both lots of land will pay the same. However, if you have a building, you have the benefit of having a building that's not being taxed.

SENATOR COLEMAN: Okay.

Chairman Sharkey.

REP. SHARKEY: Thank you, Mr. Chairman.

And just to clarify that line of questioning, what you're really saying is that cities may actually do it a number of different ways. Now what you just described is no tax at all on an improvement, zero?

JOSHUA VINCENT: Repeat your question.

REP. SHARKEY: Well, I don't understand when you say "ultimately." I mean, you're talking about phasing out?

ALBERT HARTHEIMER: We talk about doing it gradually. The city of Lanesboro collects 60 percent of its yield from buildings and 40 percent of its yield from land today. So if you were to enact this, we would recommend the initial shift of 10 percent, so that you've got 50 percent from buildings and 50 percent from land. And six years down the line, if you do that every year, you end up with no tax on buildings and all of the tax on land.

REP. SHARKEY: Okay. So you're talking about a phase-in of the --

ALBERT HARTHEIMER: Yes, sir.

REP. SHARKEY: And that's I think where Senator Coleman's question was because I think there's an obvious question if you have -- there's another model which is to have a mill rate at let's say 10 on land and by a separate mill rate for improvements, let's say 5, and that if you had the two lots side by side that Senator Coleman was referring to, you would be paying more for the lot with the building?

ALBERT HARTHEIMER: Until you got rid of the tax.

REP. SHARKEY: Well, is it your position that ultimately, to use your term, that the land value tax would always move toward no tax at all on improvements or are there other models that show --

ALBERT HARTHEIMER: It's a constant yield --

JOSHUA VINCENT: If I can explain how it's done on the ground in Pennsylvania and this might help us. As I said, Altoona wants to get rid of the tax on buildings. They have nothing except land frankly. A town like Harrisburg still wants to grab some revenue from buildings. They've stopped right now at a certain point. The City of Allentown reduced its revenue take from buildings from about 85 percent to 50 percent equally from land and buildings. Those options are all there. We have seen though in a place like Clareton, a very poor city, or Washington, Pennsylvania, again a very poor city, that they have almost eliminated the tax on buildings to do two things: To break up the vacant lot pattern that you see in our urban areas and also to reward more permanently whoever does come in to build. As long as the city, which has been at a disadvantage since the end of World War II, becomes as cheap or cheaper than a suburban jurisdiction to build, then you've stopped that repellent effect that the current property tax has.

REP. SHARKEY: I'm familiar with the concept already, but I think the question that Senator Coleman asked is a cogent one because if you do maintain a tax at all on an improvement, there is -- I mean even though it's at a lower rate than the underlying land, you know, I guess depending upon how low it is, you're going to be paying more to improve the property, so it's kind of not having the effect that you're looking for if you have --

JOSHUA VINCENT: You'd be paying slightly more. Let me give you a good example. In Clareton, as I said, 90 percent of city revenue and

school revenue comes from land values. And what that means in reality to the average homeowner is that their property tax has gone down about 65 percent annually. That's an annual permanent reduction on their property tax because when you have the land, say it's worth $10,000, the building could be worth 50,000, 60,000, 70,000, $80,000, and so when you see that reduction in the millage rate on the building, and yes a little bit jog up on the land value, you're still going to see an overall net savings for that productive property owner.

REP. SHARKEY: Okay. The other thing that I think some skeptics of the land value concept argue is that this is not a one-size-fits-all scenario, I mean, this does not fit in every single town, urban and rural, for example, I mean, because if you're increasing the value of open space in a more rural community where there is ample farmland or open space, you're essentially having kind of a -- you're encouraging that to be developed by if you bifurcate your mill rate between land and -- so I think it's important to understand that this is more catered toward an urban context as opposed to a more rural context, let's say.

JOSHUA VINCENT: I would agree. And of course Senator Looney's bill makes careful mention of farmland and other open land, land to be preserved. Our problem in Pennsylvania, as in Connecticut, is that because of the emptying out of the urban areas is really what's driving sprawl, and my first step would be the first step that's being considered elsewhere in Rochester, New York and Buffalo, New York, which is, yes, have it in the dying urban areas first because that's where most of the land values, even today, most of the land

values are. And by saving the cities, then we can save the countryside. I believe that's why Re-New London Council got behind this in the --

REP. SHARKEY: The last question I just wanted to ask. We heard earlier from Mayor DeStefano of New Haven who commented more as an aside but on this concept that not every concept, not every tax concept works in every individual opportunity, and he mentioned that a land value tax really would not work in New Haven.

So my question is if we were to pass a bill that would authorize this and the General Assembly saw fit to do this, would it make more sense perhaps to do it on an experimental basis basically? New London has clearly gotten behind this, their city council has gotten behind it, and everybody has been advocating for it, and the legislators from New London who are here in the General Assembly have spoken to me about it.

So would it make sense to perhaps try it, if you will, with one particular city and see how it works? And the question then is how long, you know, would it take for you to start to see the improvements that you're hoping to achieve by adopting this policy?

ART COSTA: There has been discussion with city councilors to address that idea, Representative Sharkey, which is yes, New London would be willing. It would be ideal if there were a couple of other urban centers to kind of as a coalition go forward with this, but I think, you know, over time whether or not you -- this could be some years down the road before we'd see this -- what would be a timeline --

JOSHUA VINCENT: My timeline is, first of all, city council -- and many of you have moved up from the selectman level, and the same in Pennsylvania, no town is going to enact this if it hurts in the short-term increases taxes on most of the citizens.

Now I can go -- we do research parcel by parcel for communities and cities all over the country. I can go into a town like Philadelphia and say, your Honor, 85 percent of your homeowners will see a dramatic tax reduction with a land value tax. I've also gone into communities whether they have bad assessments or for whatever reason where more taxpayers would end up paying, including homeowners, and what we would count on is the good judgment, of course, of the city council.

In the case of New London it makes a lot of sense because we've looked at the numbers. In the case of Hartford it's very clear that a land value tax would benefit the middle class and the other class residential areas of the city dramatically. With New Haven we did a study for Mayor DeStefano and the numbers are sort of iffy, and the reason is that so many buildings are blighted that untaxing them would not have that great an impact on the absentee property owners, in other words, it would be more of a wash.

Every city, as you've said, is different, every city has different characteristics, even in the urban areas, but we know that with the presence of the vacant land, especially in New London or Hartford or indeed in Bridgeport, there's still tons of vacant land in New Haven, it makes sense --

REP. SHARKEY: And I'm wondering if maybe the other approach we should be taking is more in the context of, you know, I realize this sounds like the heavy handed state imposing its will on towns and cities but, you know, what I fear is that this could be perceived by some towns as sort of a panacea or silver bullet and be grasping at it and then finding that maybe it's really not working ten years down the road and the situation that they find themselves in is even worse as a result.

JOSHUA VINCENT: That's a good point.

REP. SHARKEY: And so I don't know if there's some measure that we could establish where, you know, there's a deliberative evaluation that's been done that objectively demonstrates that this will in fact before those cities and towns come to us for the authorization to do it.

JOSHUA VINCENT: You bring up a really fascinating and good point is -- well, first of all, it takes about three years to find an effect, in other words, to have the market take the time to react to start building and renovating. But to address your other point, there are so many bright ideas that have come down the pike to help our cities in the past 50 years, and a lot of those bright ideas you can't get rid of them. And this is a chance in the annual property tax ordinance of the town.

It's a one-year shot. Each year it's a one-year shot. And if the world comes to an end, if a city adopts a land value tax and their world comes to an end, they rescind it, unlike a tax increment financing district, unlike a five or ten-year tax abatement, unlike a lot of things that you're stuck with

as either a city or a state, this is an annual property tax ordinance change. It's as easily withdrawn as it is introduced.

DAVID FAIRMAN: Speaking in my point of view, I grew up at Suffield and spent most of that time in Hartford, and I just started to see Hartford as involved in this as New England (inaudible).

ALBERT HARTHEIMER: (Inaudible) You know, no community that we have worked in has adopted this without doing a study and thoroughly discussing it and seeing what the effect would be on property (inaudible) -- and you can see how it will work. If it doesn't work, the selectman won't --

SENATOR COLEMAN: Just out of curiosity, has that kind of study been done in New London?

JOSHUA VINCENT: Yes.

SENATOR COLEMAN: Okay. Any other members have questions?

Representative Reed.

REP. REED: Thank you, Mr. Chairman. For those who might be concerned that this feels a little "kiloesque," the end game is either develop your property or sell it to someone who will?

JOSHUA VINCENT: You've got it. Yes, I was about to say it's actually this came of interest in New London because of Kilo frankly, you know, the hand of government taking private property. If land is valuable, that means zoning and planning and the community have agreed that it is valuable.

So if you have a downtown commercial lot, of which Hartford has hundreds at this point, downtown vacant lot, and the holding cost under our current tax system is solo, it will never be developed, and we all agree it should be developed, we the people.

So if somebody has say a historic house on an acre on the edge of town, the community has given it historic preservation status, low density status, and so you will not be taking land that the community does not want to be developed.

What we're trying to do is let the market work where the market wants to go rather than have in the Kilo sense, "Kiloesque," I like that word, rather than in the Kilo sense just have the market say yes, that's where we want to be. That's how our cities used to work. Everybody wanted to be in downtown New Haven and the market rushed into it and now the market -- why is the market so leery to go where it really ought to be, and that includes residential as well as commercial, so if land is truly not of value, people can go to their assessor just like with a building now and say it's not worth that much and go through the process that we have in place now.

It certainly hasn't acted as a taking in the cities in Pennsylvania where we use it. What it has resulted in is more rehabilitated downtowns and more rehabilitated dense, affordable housing, the row homes, which is what we have tons of in Pennsylvania, so it hasn't acted in that way.

REP. REED: Has it been implemented in Philadelphia?

JOSHUA VINCENT: No, it's under consideration because they are trying to get out from under their sales wage direct business and hotel and amusement taxes which is kind of ironic from what I heard today.

REP. REED: And what is your poster boy city for this? I mean, I haven't been to Harrisburg since Three Mile Island, so I'm not quite sure what it looks like these days but, I mean, has it transformed Harrisburg?

JOSHUA VINCENT: It really has, and Mayor Reed, in my attached testimony you see a letter from Mayor Reed to the mayor of Pittsfield, Massachusetts. He's been mayor since 1982. He was U.S. mayor of the year in 2006, and he is very clear that none of the rehabilitation of Harrisburg, especially the downtown, that none of the rehabilitation of Harrisburg could have taken place without the land value tax. It was not a panacea or a silver bullet, it was used in conjunction with standard urban development projects and good creative public private financing and partnerships, but he couldn't have done it without the land tax, and he's very clear on that subject.

I would say also as far as a poster child, and I don't think you have cities as poor as that in Connecticut, maybe you do, but Clareton, which was an old steel town and essentially a dead steel town, where they had to turn off the streetlights, they didn't have money to pay their electric bill. They now get almost all their revenue from the land value tax because most of the valuable land is owned by absentee owners and if there is a town suffering from absenteeism, and I know that New London to a great degree does, this is a way of getting that share of revenue back from

people who don't even live there. Waterford, for example, nothing against Waterford, but a lot of people in Waterford own much of New London, and that's what this has had the effect of doing.

REP. REED: Thank you.

Thank you, Mr. Chairman.

JOSHUA VINCENT: Thank you.

SENATOR COLEMAN: Thank you.

Any further questions?

Seeing none, thank you all for your testimony.

JOSHUA VINCENT: Thank you so much.

SENATOR COLEMAN: Much appreciated.

David Bingham.

DAVID BINGHAM: Thank you, Mr. Chairman and members of the committee, it's unusual for me to come here on behalf of cities, but I am here speaking on behalf of the land value tax which is Bill 379. And I'm here because I've since my retirement have spent my whole life, my avocation is natural resource protection, anti sprawl, rural protection. I live on a farm. We just got the Eight Mile River protected as a wild and scenic river partly after 15 years of work. Our natural resources are really important, but what's happening is that the pressure for investment tends to -- the way our tax system works tends to favor sprawl.

If we want to protect rural areas throughout the state, we need our cities to be wonderful

places to live. We want your cities to be places where people don't want to leave, don't want to cause sprawl, where they can walk to work, where they have buses, where energy is safe because investment has gone and people go to live. But in downtown New London, if you have your apartment building and you decide to renovate it and put three or four more apartments on and spruce up your building, your taxes double forever. The only relief you get is to just let it go to waste, just let it go downhill, and the next reval you pay fewer taxes. And what's happened in downtown New London and in Norwich, where our family help found in the 1650s, we just see no investment going into downtown areas and yet they were once wonderful, exquisite cities, but the tax structure has made it very unkind to anybody who wants to invest down there. They might be able to get a waiver for a first few years of investment.

So one of the questions that was asked by Representative Sharkey was if you were to put in a tax that would make it so that a downtown business owner owns a restaurant and wants to put in another 200,000 or $300,000, if his business is going bad, he's got a couple of choices, either to leave and sell out or to try and reinvent himself. But if he does it by investing and making a much better business, he's got a very high mill rate and he gets hammered by it.

And having been a businessman, I ran a dairy farm and had an ice cream store, I didn't really think when I was doing all that and dreaming that every one of my ice cream machines and everything else goes on the property tax, and that I just kept paying that year after year until finally I just go under,

and that there isn't much -- you know, put up a bottling plant, did our own local things, you really don't think about that fact until -- but if you're a businessman and you're making a proper business plan, taxes very much affect what you're able to do in the future.

So I would strongly recommend it. I have -- googling those cities that have had this kind of a tax, I know of none so far that have rescinded it. They all seem to have increased investment and seem to be doing better. I see no reason to say New London could be the only one to do it. I would allow anybody to experiment with this. If they decide they don't like it, they can undo it again, but it seems to me there is very little to lose by empowering cities to be centers of investment, and there is a lot to lose by continuing to deny them because our legislation is such that they can't tax without your permission.

So I'd urge you to support the land value tax and to see it as a truly environmental benefit for those of us who live in the countryside and would like to see our cities to be wonderful places to visit and to live for others. Thank you.

SENATOR COLEMAN: Thank you, Mr. Bingham.

Questions for Mr. Bingham?

Seeing none, thank you for your appearance and your testimony here today.

John Filchak is next. I don't see John. Bonnie Stewart. Don't see Bonnie.

Martin Mador.

SB 392 SB 379

MARTIN MADOR: Good afternoon members of the committee, I'm Martin Mador. I'm the legislative political chair for the Connecticut Sierra Club. I'm here representing our 10,000 members in the state.

Land use and preservation of open space is one of our most important legislative priorities so we do pay a lot of attention to this. I'm here just to say a brief word about the land value tax. I have not submitted any written testimony. The Sierra executive committee has voted to endorse the principle of the land value tax. We believe it does have the potential to solve the problems of urban infill and reuse of our Brownfield sites, so we would like to see you go ahead with some legislation that would -- enabling legislation for the towns to let them experiment with this. However, we are exceptionally concerned about the impact of a land value tax if applied to greenfields that this could have tremendously destructive impact encouraging people to develop Greenfields which is the opposite of what we would like to see.

So I'm primarily here to ask you if you do go ahead with this experiment to make sure the language of the legislation restricts the application of land value tax to the cities and to already built-out areas and that it excludes pristine or Greenfield areas from the application of this, and if you do that we will have an experiment which could yield some very positive results.

Thank you.

SENATOR COLEMAN: Questions for Mr. Mador?

Chairman Sharkey.

REP. SHARKEY: Thank you, Mr. Chairman.

Good to see you, Marty. You're addressing the issue that I was raising with the previous group which was that this is not a one-size-fits-all scenario and that in rural communities this would have, as you've said, just exactly the opposite effect. And Sierra thought -- maybe you haven't gotten down into the weeds of this, per se, but do you -- pardon the -- you guys got in the weeds in other ways but not necessarily on this. Are there some kinds of standards that we might want to consider for who we may want to grant the authority to do this to? Because of the concerns -- I think there are some inherent concerns and I've heard them mostly from the environmental community, that this is not necessarily a one-size-fits-all solution.

MARTIN MADOR: I think it's the most important question you could ask. I wish I was sitting here with the answers to your question. I'm not really an expert at this, so I'm well aware of the principles and the potential here. I'm not quite sure how you implement this in such a way that you do make sure it has the results we're intending, so I would advise you to tread carefully. I will do some more research and see if I can possibly suggest some language which would address this. At this point I can't, but I appreciate you're being concerned about this.

REP. SHARKEY: Yes, because --

MARTIN MADOR: The potential for doing harm is as substantial as it is for doing good.

REP. SHARKEY: Right, right. Thanks very much.

SENATOR COLEMAN: Are there other questions?

Representative Reed.

REP. REED: Thank you, Mr. Chairman.

It just occurred to me because it feels a little subjective the way it's stated obviously as most of these bills do without all the details but community gardens, which I know when I've lived in urban environments, they are actually pieces of property that people have not developed yet but sometimes they invite the community to create a garden. And it's always heartbreaking when suddenly the owner decides to develop it. And I'm just wondering if that might be something that you could have a little proviso in to kind of not drive the owner to sell before he's ready if it's being used in a community garden kind of way.

MARTIN MADOR: I think that's an excellent point. Community gardens substantially contribute to the quality of life in an urban area because they provide some green space and actually some agriculture in an urban setting, and absolutely I would say they are worth protecting.

So perhaps, well, I'm not sure how you might address this. I don't know whether the Legislature should put a restriction here saying that a land value tax could not be applied to a parcel of land which is used as a community garden. And of course the question is what are you doing to the property rights of the owner of the parcel if it's a parcel which the city has taken over, say, for lack

of payment of property taxes then it -- in the control of the city then maybe we're well protected, but if it's a piece of private property that is just sitting there because the owner hasn't had a development opportunity for it yet, then we have a problem here, and I'm not sure what the solution is. But I agree with you that the community gardens are a very important part of urban community life, and they really should be promoted if there is a way to do this.

REP. REED: Thank you. As Representative Sharkey says, one size certainly doesn't fit all.

Thanks, Mr. Chairman.

MARTIN MADOR: And I agree and perhaps that's why the enabling legislation sends this to each individual town to decide how to implement this within the guidelines set by the Legislature. Perhaps that's the way to do this.

SENATOR COLEMAN: Any other questions?

Seeing none, thank you, Marty.

MARTIN MADOR: Thank you.

SENATOR COLEMAN: Bonnie Stewart to be followed by Chief Salvatore.

BONNIE STEWART: Good afternoon, my name is Bonnie Stewart and I'm vice president of government affairs with the Connecticut Business and Industry Association. I'd like to comment on a couple of bills before you today. I've submitted written testimony on 13, but I'd like to focus my attention on a couple of topics and a couple specific bills.

SB 369
SB 379
SB 392
HB 5553
HB 6041
HB 5868

I'll start off with Senate Bill 369. This is the homestead exemption. CBIA strongly opposes this measure. When you're talking about property taxes, I think it's very very important that you look at the total property tax burden of employers. Unlike residential homeowners, businesses pay property taxes not only on their land, the structure on that land and their motor vehicles, but they pay it on the personal property as well, so they pay it on their furniture, their fixtures, machinery and equipment, so their tax burden is usually significantly higher. When you implement a homestead exemption, what you end up doing is placing more of the property tax burden that already exists on the businesses in the community, and that's a real problem because we've got a lot of surrounding states that do not tax the personal property of employers at all, and that makes us really very uncompetitive.

We've done some things in recent years to try to reverse that trend such as trying to phase out some of the property tax on manufacturing machinery and equipment, but it's not fully phased out and in some towns will never be phased out.

So a measure such as this really places a significant burden by cost shifting the property taxes from -- by shifting the property tax burden in large part, not completely obviously, from the homeowners to the employer community. So we would strongly urge you to reject the homestead exemption.

A lot of talk today about land value tax, and I would just tell you that we -- I submitted comments on this, and we're not taking a

SB 379
SB 392

position in favor of it or against it at this time. We've got concerns regarding it, but we've just never been shown that it really works in, as you pointed out, all communities. It's definitely not a one-size-fits-all approach. And some of the communities in Pennsylvania that adopted it have since repealed it, we understand. Our biggest concern with it at this point really is we're not even in a credit crunch, we're in a credit draught. So implementing something like this when we don't know what's going to happen with the economy over the next several years and especially with credit over the next several years could really be problematic simply because people may not have access to the monies they need to develop those properties.

So I would just ask that you look at that carefully before you move forward with that measure. Keep in mind the economic situation we're in right now and particularly the credit because very often or I should say very rarely businesses have the money to fully fund a project without borrowing some of those funds. So that's an issue too we'd like to bring to your attention.

I've submitted comments on all of the local option taxes. We've got concerns there as well that we'd like you to keep in mind before you move forward on that. We'd actually like to understand fully the impact of implementing local sales tax, local income taxes, et cetera, before we move forward with that. And we haven't seen anything in Connecticut that's shown its actual impact.

I'd like to talk about a couple of positive bills that you have on the agenda as well. One of them concerns the assessment appeals

HB 5553
HB 6041

adopted. So those are the measures that I wanted to highlight but, again, I've submitted measures -- comments on a slew of measures before you today.

Can I answer any questions for you?

SENATOR COLEMAN: Members of the committee have questions?

Apparently not.

BONNIE STEWART. Great. Thank you.

SENATOR COLEMAN: Thank you.

Chief Salvatore. He's not in the room.

Justin Fisher.

JUSTIN FISHER: Mr. Chairman and members of the committee, my name is Justin Fisher, and I'm a Connecticut resident from Orange here to speak on behalf of Proposed Bills 379 and 392. I believe that land value taxation will significantly help the citizens and environment of our state. By taxing land and reducing other taxes, we can provide landowners with a greater incentive for development.

Here in Hartford one can find dilapidated buildings and empty lots that push urban sprawl and heavy traffic into smaller communities. Rather than steering the state towards a uniform level of commercialization and urban decay, we can build our cities high while keeping our small towns beautiful. I also believe that land value taxes can help reduce the future occurrence of real estate bubbles like the one that contributed to the

current economic recession. By taxing land we can prevent property values from inflating to dangerously higher levels and can make it easier for people to obtain reasonable loans and pay them back. Now is the ideal time to introduce a land value tax. While property values are low it can be introduced with a lower asset loss to landowners.

Currently the owners of unused land are discouraged from selling until property values bounce back, and this speculation is preventing others from making better use of those locations. The land value tax is just what Connecticut needs to revitalize its economy. If nothing else, it is an alternative to harmful taxes on production and improvement and will reduce the excess burden of taxation in our state.

Thank you.

SENATOR COLEMAN: Thank you.

Are there questions for Mr. Fisher?

Seeing none, thank you, Justin.

Dennis O'Neill.

SB 375
SB 42
SB 379
SB 392

DENNIS O'NEILL: Good afternoon, my name is Dennis O'Neill. I am the legislative director for the American Federation of State County and Municipal Employees Council 4 here in Connecticut. We represent approximately 35,000 public employees across the state about evenly divided amongst between state employees and municipal employees. We also represent a handful of private nonprofits or nonprofits throughout the state. I was originally here to testify briefly on two pieces of

their property tax values? We wonder if a senior is hurt mowing the lawn on the green, are there Worker's Compensation ramifications? We also wonder that if a senior is earning even minimum wage, if you will, for the number of hours that they work to mitigate their tax obligations of the municipalities, are there tax obligations for that senior? And we've seen Mr. Daschle have his problems thinking that having a car and driver has no tax ramifications. Indeed it did. I believe that this might also have tax ramifications for our senior folks. So there are an awful lot of -- as they said, the devil's in the details. We provide circuit breakers for our seniors, we provide a lot of different kinds of tax breaks. I'm not sure this is a place we want to go, but I would certainly urge you to ask some of the questions, try to answer some of the questions that I've raised here this afternoon.

SB 379
SB 392

I'd like to speak to two briefly, two other things. One is the proposal that you've been hearing a lot about lately from the Henry George Foundation on the land value tax. Speaking for myself and not right for the moment for AFSCME, over the course of the past several years I annually attended the National Conference of State Legislators, and these folks have a booth there every year. I talk to them every year. And this seems to me like a really good idea. And because I'm not a tax guy, it is not what I do, I haven't pursued it as much as I'd like to, but I've read some of Mr. George's work, it seems like a really good idea. And just as an example, Representative Reed raised the question about community gardens, and my kind of guess is that the private landowner who has that undeveloped land isn't going to let somebody go out there

with a rototiller and cut their foot off and be subject to a massive lawsuit, so my kind of guess is that if you've got to look at that, most of the community gardens are probably public land. I don't think that that's really a problem. I think this is a great idea, and I would commend you to look at this, in all seriousness I think this is a great idea.

And just lastly I'd like to comment that much earlier this afternoon a representative from the real estate association made a couple of comments in his testimony regarding the need -- that this committee was not considering binding arbitration today, this committee is not considering prevailing rate laws today. He determined that it was a good time to discuss tanking binding arbitration and prevailing rate. And I would just like to commend this committee to look at a report that was done by the Program Review and Investigations Committee chaired by Representative Sharkey some years back that determined that the binding arbitration laws in the State of Connecticut worked quite well for the employers and for the organized workers, although Representative Sharkey had some and still, I believe, does have some idea of tweaking binding arbitration a bit. The study basically concluded that binding arbitration works for everyone and certainly certainly does not hang like the Sword of Damocles over the necks of public officials. So I just wanted to get that on the record today in response to this little bit that came out earlier.

I thank the committee for your attention and for being here at this hour, and if there are any questions, I'd be delighted to respond, if I can.

CBIA

Connecticut Business & Industry Association

TESTIMONY
BONNIE STEWART
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION
BEFORE THE
PLANNING & DEVELOPMENT COMMITTEE
WEDNESDAY, FEBRUARY 19, 2009

Good afternoon. My name is Bonnie Stewart. I am vice president for the Connecticut Business and Industry Association (CBIA). CBIA represents over 10,000 companies in the state ranging from large industrial corporations to small businesses with one or two employees. The vast majority of our members, about 90 percent, are employers with fewer than 50 employees.

I am here today to comment on a number of proposals. They include:

- SB-369 AAC A Homestead Exemption For Real Property Taxes.
- SB-376 AA Authorizing Differentiated Mill Rates In Municipalities.
- SB-379 AAC Land Value Taxation.
- SB-385 AAC Municipal Alternatives To The Property Tax.
- SB-392, AA Authorizing Municipalities To Adopt Land Value Taxation.
- SB-393, AAC Municipal Revenue Diversification.
- SB-397, AAC Municipal Revenue Diversification.
- HB-5540, AAC Municipal Revenue Diversification.
- HB-5542, AA Authorizing Towns To Levy Certain Taxes.
- HB-5553, AAC Appeals To The Local Board Of Assessment Appeals.
- HB-5868, AAC Economic Development Teams (Support)
- HB-6041, AAC Hearings In Certain Assessment Appeals
- HB-6042, AA Authorizing The Voluntary Merger Of Adjacent Towns

These measures cover a wide range of issues. I have grouped them into five categories: homestead exemption; local option taxes; land value taxation; assessment appeal hearings; and economic development opportunity and regional efficiency.

that would be better off developed. But is this the only, or best, way to accomplish that goal?

We believe it would be better policy for the legislature to make it easier and more cost-effective to clean up contaminated property. In addition, we could likely have a situation where an innocent landowner of contaminated property is unable to develop the land due to the cost of cleanup, but would then be hit with a higher tax. That should not be the policy of the state of Connecticut.

We have suggested in testimony in the past that if the legislature wants to seriously consider this proposal; it should first conduct a comprehensive study of the pros and cons of this particular tax system to determine if it is right for Connecticut. We have asked for but not received any real evidence that this is a positive policy move for the state. A thorough analysis should precede any consideration of this proposal.

We respectfully ask the committee to **reject** the bills, or components of bills, that would permit imposition of a land value tax, including: **SB-379, SB-392, SB-393, SB-397, HB-5540, and HB-5542**.

Testimony-Bonnie Stewart, CBIA **SB-376, 379, 392, 393, 397, and HB-5540, 5542**

Differentiated Mill Rates

CBIA **opposes** SB-376, AA Authorizing Differentiated Mill Rates. This measure is intended to permit municipalities to tax "blighted, depleted or underutilized" commercial property differently than other property. Our concern with this measure is not the desire of municipalities to increase utilization of these facilities, nor their desire to improve commercial areas; our concern is the ambiguity of the measure, the lack of flexibility surrounding a property owner's ability to occupy or modernize facilities, and similar justifiable concerns.

While we understand the desire for all properties to be their best, we ask, is this the only, or best, way to accomplish that goal? We think not, especially in today's economy where many employers are struggling to survive and maintain their employees. Their choices are limited. The cost of cleanup is substantial and beyond the resources of many people. The cost of rehabilitating and modernizing facilities is also great, and prohibitive in the current credit drought.

We believe it would be better policy for the legislature to make it easier and more cost-effective to clean up contaminated property. In addition, we could likely have a situation where an innocent landowner of contaminated property is unable to develop the land due to the cost of cleanup, but would then be hit with a higher tax. That should not be the policy of the state of Connecticut.

Please **reject** SB-376.

Testimony of Bonnie Stewart, CBIA SB-376, 379, 392, 393, 397, and HB-5540, 5542

Differentiated Mill Rates - Land Value Taxation

Before the Committee today are a number of measures that concern, in whole or in part, land value taxation. These include:

- SB-379, AAC Land Value Taxation
- SB-392, AA Authorizing Municipalities To Adopt Land Value Taxation
- SB-393, AAC Municipal Revenue Diversification
- SB-397, AAC Municipal Revenue Diversification
- HB-5540, AAC Municipal Revenue Diversification
- HB-5542, AA Authorizing Towns To Levy Certain Taxes

CBIA has expressed reservations about the land value taxation proposal many times over the years. Historically, we have opposed various classification schemes that would have allowed municipalities to tax different classes of properties at different rates. Our concerns have been based on the fact that once classification is in place; it may be politically expedient for local officials to increase taxes on one group of property owners as a way to appease another class of property owners. Because we represent manufacturers and other businesses that rely on personal property to run their operations, we are concerned about any initiative that may increase the tax on their equipment.

Although, on its face, this proposal would not do that, it may well lead to that result.

We have heard anecdotally from proponents that land value taxation has worked in Pennsylvania. But we have also heard anecdotally that some Pennsylvania municipalities that initially adopted the system ultimately moved away from it. What we have not heard is any compelling evidence that it is either needed in Connecticut or that it would work here. Certainly there are vacant properties in some urban communities

STATEMENT REGARDING
Senate Bill 369: AAC A Homestead Exemption for Real Property Taxes
Senate Bill 376: AAA Differentiated Mill Rates in Municipalities
Senate Bill 379: AAC Land Value Taxation
Senate Bill 392: AAA Municipalities to Adopt Land Value Taxation
Senate Bill 393: AAC Municipal Revenue Diversification
Senate Bill 397: AAC Municipal Revenue Diversification
House Bill 5540: AAC Municipal Revenue Diversification

Planning & Development Committee
February 18th, 2009

The MetroHartford Alliance is Hartford's Chamber of Commerce and the region's economic development leader. Our investors include businesses of all sizes, health care providers, institutions of higher education, and 34 municipalities. The Alliance's mission is to ensure that the Hartford Region competes aggressively and successfully for jobs, talent and capital so that it thrives as one of the country's premier places for all people to live, work, play, and raise a family.

Statewide, our dependence on the property tax as a primary source of municipal revenue is a symptom of a much larger problem. Per capita property taxes in Connecticut are over 77% higher than the national average, while the national trend over the past 15 years is to actually reduce reliance on the property tax as a source of state and local revenue. We see the reverse trend happening in Connecticut, which is discouraging to both homeownership and economic development.

While the state itself has the ability to impose over 40 different taxes on its citizens to fund its programs and services, municipalities have only two options—the property tax and the real estate conveyance tax. Meanwhile, the state places mandates on our cities and towns that are not attached to any dedicated revenue stream and already under funds existing state programs, forcing towns to turn to local sources of revenue to meet the cost of compliance and maintain local

services that constituents have come to expect. This perfect storm leaves towns with one option – to increase property taxes.

By making adjustments to the current system with differentiated mill rates or exempting a portion of one class of property from taxation, we are only working around the edges of the problem to treat the symptoms. Instead, we ask you to consider the effect of unfunded federal and state mandates on our towns, and review the impact of under funded state grants. For example, the Payment in Lieu of Taxes formula grant (PILOT) is currently not funded at the statutory level. The loss of tax revenue from these properties has a detrimental impact on a municipality's overall budget and, therefore, the delivery of basic services.

Recently, Connecticut received unfortunate notoriety in both *Forbes* and *Expansion Management.* Consistently, our state is ranked at or near the bottom of the list with regard to the cost of doing business, the cost of living in general and transportation infrastructure statewide. Given the current economic climate, states across the nation are endorsing aggressive policies to encourage investment and job growth, policies we need to pursue in order to reverse our reputation as one of the least business friendly states in the nation. We should view the current economic crisis as an opportunity for Connecticut to stand out as a business friendly state and to take steps that make us more competitive. The bills before the committee today simply transfer the tax burden from one class of property to other classes of property, namely Connecticut's employers. At this time of fiscal crisis, we cannot risk enhancing our reputation as one of the most expensive places to do business in the entire nation.

We thank you for your consideration and ask you to reject the proposals before you today.

HB 5287
HB 5189
HB 5524
HB 5027
SB 377
SB 385
SB 383
SB 393
SB 369

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SB 397
HB 5540
HB 5542
SB 379
SB 392
SB 376
SB 89
HB 5287

TESTIMONY OF

THE CONNECTICUT MESSENGER COURIER ASSOCIATION
THE CONNECTICUT COALITION OF PROPERTY OWNERS
THE GREATER DANBURY CHAMBER OF COMMERCE
THE MILFORD CHAMBER OF COMMERCE
THE NORTHWEST CONNECTICUT CHAMBER OF COMMERCE

BEFORE THE LEGISLATURE'S
PLANNING & DEVELOPMENT COMMITTEE
11:00 AM, WEDNESDAY, FEBRUARY 18, 2009
ROOM 2A, LEGISLATIVE OFFICE BUILDING
HARTFORD, CONNECTICUT

Good morning. My name is Marshall R. Collins. I am appearing in my capacity as Counsel for Government Relations for the aforementioned five organizations (the "Organizations"). Collectively they represent nearly than 4,000 employers of approximately 130,000 men and women in Connecticut.

The subject matter before you today is the abandonment of a uniform mill rate for all properties in a municipality. Property tax classification is not a new concept. Municipalities have long sought to tax certain properties at higher rates to protect preferred classes of taxpayers. Prudently, for nearly 30 years, property tax classification schemes, and proposals such as are being heard today, have been rejected.

The Organizations collectively oppose the following bills:

SB 369 AAC A Homestead Exemption For Real Property Taxes. This proposal would reduce the assessment for single family owner-occupied dwellings. To pay for the revenue reduction, other classes of taxpayers would have their tax bills increased.

SB 383 AA Exempting Regional Planning Organizations From Payment of Local Property Taxes. Similarly, by making the regional planning organizations property tax exempt, the revenue decrease would be made up by other taxpayers.

SB 379 AAC Land Value Taxation and **SB 392 AA Authorizing Municipalities To Adopt Land Value Taxation** and **SB 376 AA Authorizing Differentiated Mill Rates In Municipalities**. These bills would allow the establishment of a different mill rate for each property class and a higher tax rate for land or land exclusive of buildings. In reality this can function as a disincentive to development. In fact some of the proponents are strong anti-development advocates.

If these bills pass, why would they encourage someone to develop their property if there isn't enough of an economic return from the development project? If the objective is to force a sale from speculators, adding more cost to the project through higher property taxes does not bring the project closer to completion. A sale still would be required and the same economic analysis would have to be made by any prospective or new developer. If a sufficient profit can be made, economic theory and practice demonstrate that the rational economic decision will be made and the property will be developed.

The concept contradicts sound economic theory and practice. Positive economic development rarely occurs during difficult economic times from additional taxation. If implementation of this concept fails to encourage development of such properties, the proposal actually could lead to increased abandonment of undesirable and uneconomic properties.

The following bills all would allow municipalities to levy a local tax on hotels and lodging: **SB 89, and HBs 5287, 5189, 5524 and 5027**. Does anyone think that the lodging industry is booming? Would the additional tax make it easier for hotels and motels to attract customers? Now is not the time to increase the costs for a struggling industry and to further reduce revenues to Connecticut.

SB 377 AA Local Property Tax Relief. This would permit municipalities to impose a local sales tax on big box retailers. Inasmuch as this would increase cost to the customers who utilize such stores, it would burden residents who are not necessarily from that community. Furthermore,

the concept of a different mill rate for certain classes of property has proven to be a disincentive to economic development. If the intent is to keep new such operations from locating in cities and towns, they already have the necessary zoning tools. As a revenue raiser, this concept merely adds to the already high cost of living in Connecticut and disproportionately falls on lower income individuals who tend to frequent the big box retailers.

SBs 385, 393, 397, and HBs 5540 and 5542 allow municipal alternatives to property taxes. The alternatives include taxation of parking spaces, expanded personal property taxes (which targets businesses of all sizes) hotel occupancy, land use taxation, local sales taxes and local income taxes. Once again, higher taxes are not the way to come out of a recession.

Whenever possible, higher costs of doing business (especially taxes) are passed through to consumers, who are also struggling. Where employers cannot pass these costs through their options are to cut expenses, which include payroll and benefits, to reduce operations or close altogether.

This is not the time for Connecticut to increase the costs of living and of doing business. The adverse consequences clearly outweigh any short term benefits.

These concepts all would increase the cost of doing business in Connecticut. Some of the bills would increase those costs more than others. Admittedly, during these difficult times no one wants to increase taxes on individuals, however, it makes no sense to increase costs upon nonresidential taxpayers either, especially when those costs either will be passed through or will result in the loss of jobs. This is not the time to experiment with tax policy.

For these reasons the Organizations oppose the following bills and respectively request that they not be favorably reported:
SB 369, SB 383, SB 379, SB 392, SB 376, SB 89, HB 5287, HB 5189, HB 5524, HB 5027, SB 377, SB 385, SB 393, SB 397, HB 5540 and HB 5542.

This completes my testimony. Thank you for your consideration.

HOME BUILDERS ASSOCIATION OF CONNECTICUT, INC.
1245 FARMINGTON AVENUE, 2nd Floor, WEST HARTFORD, CT 06107
Tel: 860-521-1905 Fax: 860-521-3107 Web: www.hbact.org

Your Home Is Our Business

February 18, 2009

To: Senator Eric Coleman, Co-Chairman
Representative Brendan Sharkey, Co-Chairman
Members of the Planning & Development Committee

From: Bill Ethier, CAE, Chief Executive Officer

Re: Proposed Bill 376, An Act Authorizing Differentiated Mill Rates in Municipalities
Proposed Bill 379, AAC Land Value Taxation
Proposed Bill 392, An Act Authorizing Municipalities to Adopt Land Value Taxation
Proposed Bill 393, AAC Municipal Revenue Diversification
Proposed Bill 397, AAC Municipal Revenue Diversification
Proposed Bill 5540, AAC Municipal Revenue Diversification
Proposed Bill 5542, An Act Authorizing Towns to Levy Certain Taxes

The HBA of Connecticut is a professional trade association with almost one thousand, three hundred (1,300) member firms statewide, employing tens of thousands of Connecticut citizens. Our members are residential and commercial builders, land developers, remodelers, general contractors, subcontractors, suppliers and those businesses and professionals that provide services to this diverse industry. We also created and administer the Connecticut Developers Council, a professional forum for the land development industry in the state.

We support adopting land value taxation (LVT) authority for municipalities. This new property tax tool is contained in each of the above-referenced bills. LVT, which essentially authorizes a different mill rate on undeveloped land from developed land (e.g., land versus buildings on land), is a property tax system that can be used by a municipality to promote development of areas or parcels the municipality wants to be developed or redeveloped. It has been used successfully to reinvigorate and encourage economic development in other jurisdictions.

However, most of the proposed bills above would limit LVT to certain municipalities. Proposed Bill 392 is written to be most inclusive. We believe LVT is a tool that could be used by any municipality and, therefore, the authority should extend statewide. Smaller municipalities, even rural towns, may want to encourage the development of a village center or redevelopment of an old, abandoned mill or other buildings. This new authority should also be made clear that it can be applied to specific areas or parcels of a municipality so a municipality can fully target its beneficial incentives to those particular properties or areas it would like to see developed. Every community has some places it would like to see better utilized (developed or redeveloped). Limiting this new tool to only cities places smaller suburban or rural towns at a disadvantage and without a proven tool to help them relieve property tax burdens.

Thank you for the opportunity to comment and your consideration of our views on this issue.

TESTIMONY

Planning and Development Committee Public Hearing
March 18, 2009

RE: SB376, SB379, SB392, SB393, SB397, HB5542, HB5553

Good afternoon Senator Coleman, Representative Sharkey and distinguished members of the Planning and Development Committee. My name is Christopher Bergstrom. I am the Executive Director of the Stamford Urban Redevelopment Commission. Thank you for this opportunity to appear before you today to speak in support of two sets of bills:

- Differentiated Mill Rates/Land Value Tax (SB376, SB379, SB392, SB393, SB397, HB5542, HB5553)
- Hotel Tax (SB89, HB5027, HB5187, HB5189, HB5524)

Differentiated Mill Rate/Land Value Tax
These bills remove the disincentive that causes many property owners in city districts to leave lots vacant and buildings abandoned. Under the current property tax system, the more improvements an owner makes the higher taxes he or she pays. This leads many owners to land bank, fearful they will not be able to attract the necessary tenants to pay for higher taxes and development costs. Often properties continue to sit idle until signs of redevelopment around them provide owners with the confidence to move forward. But with everyone waiting for the next guy to begin renovations, nothing happens.

SB376 "An Act Authorizing Differentiated Mill Rates in Municipalities" allows cities the option of assessing a higher mill rate on blighted, depleted or underutilized property, as a way of inducing redevelopment.

SB379, SB392, SB393, SB397, HB5542, HB5553 all would grant municipalities the option of adopting a "Land Value Tax" that allows municipalities to assess taxes either entirely or predominately on the land, rather than the building improvements on the land. Using such a system, the owner who makes improvements to his buildings or builds on his vacant lot pays no more taxes than the guy who leaves the property rundown.

Both of these two approaches provide an incentive to redevelop and improve properties or, at the very least, sell the land to someone who will. SB376 would apply only to specific blighted commercial properties, while the LVT bills would apply to all commercial properties in a district, if a municipality chooses to adopt the LVT. The incremental tax impact on a blighted property would be greater in most cases with the LVT, because the current mill rate is applied to the fully developed value of the property, rather than just increasing the mill rate on the current value.

Typically LVT ordinances phase in the new taxing system over a number of years, gradually shifting the assessment from buildings and the land to the land only. Owners

with vacant lots and empty storefronts see their taxes increasing as the assessment shifts, driving them to improve the property and generate revenue.

The legislature should be careful to limit Differentiated Mill Rates and LVT to urban centers in its current form. If used in rural and suburban towns, it could penalize farms and those holding large tracts of open space, encouraging development and sprawl, unless the legislation was carefully crafted to limit it to vacant lots and deteriorated property in existing village and town commercial centers.

Utilized where it makes sense, these bills could be powerful tools in encouraging development of empty lots and unused buildings in urban commercial districts. An important point is that the use of the differential mill rate or LVT would be optional, giving cities the option to use it only in those districts where it makes sense.

Hotel Tax
Currently, all of the hotel room tax collected in Connecticut goes to the state. These bills create a local option for a 1.5% room tax on top of the current room tax. This 1.5% room tax would go to the municipality in which the hotel is located.

Part of the original logic of the hotel tax was to provide a revenue stream to invest in arts and tourism development and promotion, which in turn, would increase hotel stays, hotel revenues and hotel taxes, some of which could then be reinvested in additional arts and tourism development and promotion in a reinforcing cycle. Over time, the hotel tax has become just another revenue source for the General Fund.

These bills establish a small, new revenue stream to enable municipalities to make the hotel revenue-inducing investments in arts and tourism development and promotion that the hotel room tax was originally intended to create.

Thank you for this opportunity to speak with you. I am available to answer questions you may have on any of my testimony.

I urge you to support SB376, SB379, SB392, SB393, SB397, HB5542, HB5553, SB89, HB5027, HB5187, HB5189, and HB5524.

Respectfully submitted,

Christopher Bergstrom
Executive Director

Lloyd Beachy
539 Alewife Parkway
New London, CT 06320

(860) 443-8161

Committee on Planning and Development
Co-Chair: Senator Eric D. Coleman
Co-Chair: Representative J. Brendan Sharkey
Connecticut General Assembly
Legislative Office Building, Room 2100
Hartford, CT 06106-1591

Subject: Proposed Bill No. 379, An Act Concerning Land Value Taxation

Dear Senator Coleman, Representative Sharkey and Committee Members,

I am writing to you to ask your support for the subject legislation to give municipalities the option of enacting land value taxation to encourage economic development. This proposal has been adopted by many states and communities always with a significant positive impact on development and growth.

During my eight years serving as a City Council member and two years as Mayor of New London, I was consistently frustrated by the inability of the City to generate economic development due to the constraints of our sole source of revenue, property taxation, and the limited amount of property available in our small city to generate revenue.

Almost one-half of our community is occupied by colleges, hospitals, public access recreation facilities, and other tax exempt properties. Land available for development, especially in our downtown business district, is virtually covered with old buildings generating very little tax revenue and property owners are not motivated to improve their buildings because of the increase tax costs involved in improving their buildings.

If the main tax could be traced back to the value of the land rather than the buildings on that land the property owner would naturally see value in improving his or her property because there would be no impact on the tax costs associated with those improvements.

The impact of local ordinance based on the proposed legislation would have an immediate, significant and dynamic impact on the desire of property owners to improve their investment in order to improve their return on that investment with little or no added tax burden.

I implore you to support this legislation in order to help us rebuild our city business community.

Very respectfully,

Lloyd Beachy
Mayor of the City of New London (1998 and 2002)
City Councilor of the City of New London (1995 to 2003)

In Support of Bills 379 and 392 – Land Value Taxation

I'm Wyn Achenbaum, a resident of Stamford since 1975. For the entire time I've lived here, there has been a 4.3 acre hole in the ground near Stamford's 100% location. It sits close to an exit of I-95, within a short walk of an Amtrak and Metro North express station. It has been this for so long that even the Assessor's database calls it the "Hole in the Ground."

Across Tresser Boulevard on a comparably-sized lot is the 18-story Marriott Hotel. It provides jobs, hotel rooms, meals, parking, meeting spaces.

Under the current property tax, we have no choice but to tax land and buildings at equal millage rates. The Marriott is penalized for doing what benefits themselves and the community.

Stamford's current downtown millage rate is 16.96. Applied to Connecticut's mandated 70% assessments, this means that our tax rate is 1.2%. But when we need more revenue, we are currently forced to raise the millage rate both on land value and on manmade improvements. So when we need revenue to meet some local need, the tax falls lightly on the Hole in the Ground and more heavily on the Marriott, and the other buildings which provide jobs, and other things we want.

A tax on land value has one set of effects, and a tax on buildings has a very different set of effects. The former tend to be desirable, and the latter are mostly undesirable. Yet we have permitted these two to be yoked together, to our detriment.

We ought to have the option to divorce these two taxes, and use them separately. If Stamford needs more revenue, it ought to have the option to increase the millage rate on land without also uptaxing buildings. This is entirely a local option.

Bills 379 and 392 provide the enabling legislation which would permit Connecticut's cities to use this tool, and I hope you will support this.

For more information, you might look at some of Bill Batt's articles at
http://www.wealthandwant.com/docs/index.htm

> "Never tax anything
> That would be of value to your State,
> That could and would run away, or
> That could and would come to you."

I'd be happy to answer questions, now or via email or phone later.

Wyn Achenbaum
25 Wildwood Road
Stamford, CT 06903-2111
203-322-6145
wyn@achenbaum.com
http://www.wealthandwant.com/
http://lvtfan.typepad.com/

	acres	value	improvements	total	
0 Tresser / 107 Elm = 4 Stamford Plaza [office]	2.32	18,577,550	62,152,800	80,730,330	
0 Tresser "Hole in the Ground"	4.32	33,500,040		33,500,040	
230 Tresser - part of Town Center	3.08	20,167,640	12,955,660	33,123,300	
0 Tresser - Marriott	3.57	29,464,760	21,891,690	51,356,450	
201 Tresser - Purdue Pharma [office]	5.18	43,656,510	144,814,790	188,071,300	
263 Tresser - 1 Stamford Forum [office]	4.13	37,840,310	142,934,880	180,775,190	
301 Tresser = 3 Stamford Plaza [office]	2.20	17,529,080	71,029,220	88,558,300	
101 Broad = 1 Landmark [office]	5.18	43,672,780	114,407,960	158,080,740	
151 Broad - Macy's (Town Center)	2.04	16,143,060	14,201,430	30,344,490	
0 and 100 Greyrock - Town Center	5.47	46,239,490	67,982,680	114,222,170	
200 Broad = Town Grove [apartments]	5.09	27,456,740	61,301,220	88,757,960	
201 Broad = Canterbury Green [offices]	2.00	15,773,210	72,421,620	88,194,830	
300 Atlantic [office]	2.49	20,080,310	81,119,420	101,199,730	
400 Atlantic [office]	4.24	35,340,240	129,528,460	164,868,700	
		406,000,000	996,000,000	1,402,000,000	

February 17, 2009

Members of the Connecticut State Legislature Planning & Development Committee

Good Afternoon. I'm Dave Fairman from Waterford speaking from the perspective of a former Waterford Selectman concerned with supporting regional cooperation and also the toll that Sprawl has taken on our quality of life in Connecticut.

For the last decade New London has been gradually coming back due to many bootstrap and state funded initiatives.

But driving into the city in the morning one sees the many homeless people walking from one site to another, even in the worst of weather. We know that some are sleeping and dying in the woods. One I know has a doctorate in mathematics. Others are engineers and veterans.

One can also see far too many empty buildings, where people could be living.

New London's sprawl began after World War II and passed Norwich's sprawl heading in the other direction all the while covering viable farmland and eventually polluting Long Island Sound.

Sixty years of Unintended Consequences leaves our wealth geographically disbursed with a weak viable core. We waste a large part of our income commuting and depend on food imported long distances significantly adding to air, noise and water pollution.

Here in Connecticut we have the motivation and resources to protect our environment, restore our cities and improve our quality of life with a tool that has been effective in other areas in the US and around the world. That's a Land Value Tax option that focuses development on appropriate infrastructure.

With proper planning and the Land Value Tax option, Connecticut, where environmental regulation began, can develop in a manner that efficiently uses resources and improves the quality of life for all.

I urge your support of Land Value Tax Proposed Bills 379 and 392.

Thank You,

Dave Fairman
Waterford, CT

TESTIMONY IN FAVOR OF S.B. 379 and S.B. 392 - LAND VALUE TAXATION

by: Catherine Orloff, 64 Crescent Street, Providence, RI 02907 401-941-4764
cathorloff@cox.net

Mr./Madame Chairman:

My name is Catherine Orloff, and I have come from Providence, Rhode Island in order to testify in favor of these bills on land-value taxation. I am a public school teacher on vacation this week, but I am also a former state-certified real-estate appraiser who dealt in both residential and commercial properties.. I realize that I am a foreigner here, and so will be brief, but want to congratulate all of you who are considering this tax idea for Hartford. It is in my opinion a brilliant idea, a marvelous concept, and one that is sadly so little known today, even as we struggle with severe economic difficulties here in your state, in my state, and throughout the country. So it seems to me that you have a wonderful opportunity here today to allow some important thinking to happen.

Since I learned of the land-value tax, more than 30 years ago, I have always thought that one of its best features is its proportionality. Everyone knows that a piece of land costs more in a city than in a small town. If you want to start almost any business, a city is the ideal place to locate because there are more people coming and going, and these people are your potential customers. There are also other businesses already present that may support yours. And if you locate on a main street, you get high visibility -- and better yet close to a highway exit with easy access to interstates -- you almost can't lose. So it is just these features of a city site that make urban land valuable. And what is wonderful about the land-value tax, and seldom pointed out, is that it is in these high-land-value cities where we need the most public services: more roads, more police, more fire, more schools, more city planning, etc. So there is an automatic tax base

provided for us! Conversely, small towns have low land values, and they also need fewer public services. It's a beautiful system!

Well yes, but cities have actually not been so beautiful as the years have gone by. Why have large sections of virtually every American city become so ugly, if we have this beautiful tax base in place?

The problem arises and has arisen, in Hartford, in Providence, and elsewhere, from not taxing land values enough, from skimping on this naturally-provided tax base, and instead taxing other things, like dwellings and commercial buildings in the property tax, but also business inventories, wages, incomes, sales, sometimes restaurant meals, car rentals, and the myriad of other taxes that exist today. Besides dampening incentive and discouraging productive people, the real harm comes in leaving the valuable land parcels under-taxed. Why is this?

Because land owners, being usually prudent people like the rest of us, have seen their values skyrocket over the past few decades, and have naturally held on for even greater increases in the future. If 5 years ago you knew that your little city parcel was worth $100,00, but you realized that in just a few years it would probably be worth closer to $150,000 or more, you would likely be careful to not let it go too cheaply, because that's a greater return than you could have gotten for money invested in almost any other way. Before I worked in real estate, I would see For Sale signs on well-located properties, right on main streets, and wonder, "Now why has that sign been up for months? No-one wants that location? It looks good to me." But once I was a broker I learned that actually, many, many people want that location. There are all sorts of people who have good and creative ideas of businesses to start there. They have done their homework, been to the bank, crunched the numbers and they come in with the offer that will make it work for them, start a business that will allow them to hire people and get development

going. But time and time again, the number is too low, even after negotiations, the deal falls apart, the landowner is under no pressure to sell and is waiting for that higher price next year. The property tax on his land value is not high enough of an incentive to cause him to sell. If the land-value tax shift that you are considering occurs, owners will not be able to hold out in this non-productive way. In America we believe in the right to own land, this is true. ***But we must ask ourselves, do we want to keep giving the right to own vacant valuable land and do virtually nothing with it AND prevent others from using it too?*** Or would a "use it or lose it" philosophy be better for valuable land, since we all know that it is only on land that economic activity can take place? (Businesses do not float around in thin air, except perhaps the hot-air balloon business!) Do we want to continue to allow this land-speculation poison that causes vacant, trashy lots in virtually every city, and, far worse, causes our unemployment, our poverty, our need for social services, because business start-ups are blocked by high land costs? What you have before you today are some really important and fundamental questions.

I realize that this connection between under-used valuable land and unemployment and poverty has seldom if ever been made explicit, even among economists, for reasons we can't go into today. But talk to any business owner, small business or huge corporations. Ask how important land costs are. Very important, always. Land costs are a huge reason New England lost manufacturing to the South, and the U.S. loses jobs to Mexico and what are called "low wage" countries. They are really "cheap land" countries, because U.S. land is locked up in the expensive grip of land speculation, which has once again threatened the very heart of our economy.

Finally, although I criticize today's property tax for not taxing land values enough and taxing buildings too much, that does not at all mean that I favor lowering or getting rid of the

property tax! Imperfect though it has been, the property tax ***has*** collected significant amounts of land value for the public over the years, and has been responsible for the stability and the many still-good aspects of our public life today. It only needs to be tweaked, to be improved, and so to bring about great and exciting benefits to our cities, hopefully with Hartford in the lead. In conclusion, I congratulate you on studying this issue, keeping an open mind, and I thank you for your attention today. ##

SB 379 SB 392

City of New London

181 State Street • New London, CT 06320 • Phone (860) 447-5201 • Fax (860) 447-7971

November 3, 2008

Senator Andrea Stillman
5 Coolidge Court
Waterford, CT 06385

Representative Ernest Hewett
29 Colman Street
New London, CT 06320

Representative Ted Moukawsher
48 West Elderkin Avenue
Groton, CT 06340

Subject: Land Value Tax

Dear Legislators:

The City Council of New London unanimously approved on October 9, 2008 a resolution requesting your support for enabling legislation which would allow cities and towns the use, at their discretion, of a land value tax process. Such a tax would provide municipalities a means to shift revenues over time from the present building structure evaluation to a land valuation based taxation system. Support for this methodology and structural change exists in New Haven and Hartford, and additional cities and towns are evaluating the land value tax.

Arthur Costa of the New London Land Value Tax Work Group is the prime contact for both information and development of proposed legislation. He may be reached at (860) 439-0016 or by email at artebova@sbcglobal net. The attached document was prepared by the Work group to illustrate conclusions of several studies concerning the proposed process.

Please consider supporting and co-sponsoring legislation involving the land value tax.

Sincerely,

Kevin J. Cavanagh
Mayor

cc: Jim Butler, SCCOG

ATTACHMENT

Here are just some of the results that over 260 empirical studies have consistently demonstrated the following outcomes:

- City economic development increases substantially over time due to the reduction in penalizing such activity while obtaining land-based revenues for the operation of the city, schools and social services.
- As a result of the above benefit, taxable properties begin to prove a stronger city-wide tax base, thus stabilizing the current struggle with a smaller and smaller tax base to pay for more of the City's needs.
- Cities require less State supplied funding. This has the value of helping to create a self-sufficient local economy which is not a burden to the State as a whole and provides local citizens with solutions which meet local needs rather than generic state-funded solutions.
- LVT meets the criteria set by tax experts (which no other form of taxation meets). It is easy to administer, it is progressive and fair, neutral in its impact on the local real economy, provides a sufficient revenue source to support annual budgets. In a word, LVT support the development of a working economy, by reducing speculation, freeing up vital property for economic activity, and rewarding "good" economic activity over vacant lots and buildings.
- LVT, over time, reduces sprawl and the associated environmental and total cost that is the result of inefficient use of land. In turn, LVT helps to protect farm and outlying forests and country-sides.
- LVT has the effect, over time, of re-invigorating Cities as vitally important places to live and work. Dense cities reduces the use of precious resources, particularly those requiring the direct use of energy.
- LVT has been endorsed by hundreds of national organizations and renowned individuals (Albert Einstein, John Dewey, Winston Churchill, among others). LVT endorsements include national Sierra Club, Smart Group, State legislators throughout the USA.
- Overtime, housing stock increases, thus promoting affordable homeownership and rental rates. LVT has been shown to reduce blight while increasing its opposite: development.
- Land use is better managed and efficiently utilized for the common wealth of the economic vitality of the City reversing the penalties on such activities we see today.

Art Costa, LVT

City of New London
Economic Development Commission

Be it, hereby, known that the Economic Development Commission of the City of New London resolves and enthusiastically supports enabling legislation by the Connecticut General Assembly that would allow cities and towns the use, at their discretion, of a land value tax (LVT) process. Such a tax would provide municipalities like New London with a means to shift tax revenues over time from the present building and improvements evaluation to a land valuation based system, thereby removing impediments to development and rehabilitation, stimulating occupancy of downtown buildings, and generating economic activity and density. LVT has demonstrated through numerous studies to provide urban centers such as New London with just such results.

The Commission encourages New London's delegation to the General Assembly to exercise leadership and support for this important economic stimulus tool. LTV offers the means by which the City of New London can achieve density and increase tax revenues while mitigating undue risk to taxpayers.

Barry Runyan
Commission Chairman

Marie Friess-McSparran
Commission Secretary

new london main street

In The Atrium, 165 State St.
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Phone 860 444 CITY (2489)
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January 12, 2009

Senator Andrea Stillman
5 Coolidge Court
Waterford, CT 06385

Representative Ernest Hewett
29 Colman Street
New London, CT 06320

Representative Ted Moukawsher
48 West Elderkin Avenue
Groton, CT 06340

Subject: Land Value Tax

Dear Legislators:

The Board of Directors of New London Main Street requests your support for enabling legislation, which would allow cities and towns the use, at their discretion, of a Land Value Tax (LVT) process. Such a tax would provide municipalities like New London with a means to shift revenues over time from the present building structure evaluation to a land valuation based taxation system. Main Street believes that the availability of such an option would provide New London's central commercial district with a means to reinvigorate and turnaround our over 33% vacancies, thereby stimulating economic activity. LVT has demonstrated through numerous studies that it provides urban centers such as New London with just such results.

We are requesting that our delegation to the state provide some leadership and support on this very important tool. Such a tool offers the means by which the city can obtain much needed revenues and density, when implemented in such a way as to mitigate any risk to tax payers.

Please consider co-sponsoring legislation involving the Land Value Tax.

Sincerely,

Frank McLaughlin
President of the Board

Penny Parsekian
CEO

cc: Jim Butler, SCCOG

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Philadelphia, PA 1947
Phone: (215) 545-6004
Fax: (215) 545-4929

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manager@urbantools.org

HENRY GEORGE FOUNDATION OF AMERICA
ESTABLISHED AS A 501 (C) 4 IN 1926

Testimony in favor of Bills 379 and 392

February 18, 2009- Joint Planning and Development Committee

Good morning Committee members, Chairs, Senator Coleman, and Representative Sharkey, my name is Joshua Vincent. I am the executive director of the Henry George Foundation of America, a non-profit educational foundation that has been working with cities here and abroad since 1926. Our headquarters are in Philadelphia, Pennsylvania.

Speaking as the executive director of HGFA, we support the passage of Bills 379 and 392, which will give cities in Connecticut the local option of enacting land value taxation (LVT).

Our organization has worked extensively with regard to research and implementation issues of the land value tax. Twenty jurisdictions within Pennsylvania employ this program today. I bring you a message from these cities and their officials: shifting taxes from buildings to land works, is practical, and should be done.

LVT would allow Connecticut cities and municipalities to adopt a flexible form of the property tax that would permit the city to free existing buildings, future construction and renovation from the destructive grip of taxation, and make up the revenue by taxing land value instead. *We illustrate the danger that high mill rates on buildings pose, with this to the attached graph* of tax rates in Hartford County. The stark reality of the city's dilemma is illustrated.*

It is understood: land cannot "flee" as capital does.

By permitting separate tax rates for land and buildings, cities such as New Haven, Hartford or New London can accomplish this goal, if they so wish. Along with other proposals of real and meaningful tax reform, LVT can provide a framework for markets to once again, function effectively in ALL areas of Connecticut. Everyone agrees that taxes on workers, buildings, homeowners and business must be reduced, especially in the face of a recession. Nevertheless, where do we get the revenue that our cities and schools need?

Land value is a responsible and proven answer. Unlike jobs, houses, businesses and whole neighborhoods, land cannot flee the city. Economists agree that taxes on improvements are a drag on the economy; they likewise agree that land is a far better source for municipal revenue needs.

If Connecticut is going to reduce taxes on wages and business – and it must – then the time has arrived to deal with this inherent flaw in the traditional property tax.

Connecticut's Property Tax

In Connecticut, land and building assessments are determined separately. That means we have an opportunity to see how much tax currently falls on each component of someone's home or business. In New London, for example 30% of real property tax revenue comes from land. In New Haven, it's about 27%, in Hartford it's about 18%. Why is this important?

That means that 70% and up of most municipal or city revenue comes from buildings. In other words, if someone fixes up their house, their assessment goes up accordingly and their tax bill goes up accordingly. That's a disincentive to go ahead with such a project. If buildings are taxed less, the city will have more and better buildings. If the program is used and promoted by a city, individuals take the plunge and maintain their properties. This has been the case, all over Pennsylvania and across the world.

This is permanent universal tax abatement on buildings.

LVT complements other incentive programs

LVT works within existing frameworks of planning, zoning and abatement/exemption programs. Programs to exempt improvements to houses are a good one, even in the face of lost revenue from such abatement.

Yet, what about the building owners who have already fixed up their homes before the program takes effect? This program rewards everyone in a city that owns or uses buildings. That's most of us. In addition, when the period of exemption is over, split-rate will cushion the financial blow from a sudden increase in taxable building/improvement value.

LVT is in accord with ability-to-pay

LVT is far more preferable to senior citizens than the standard property tax. Since senior citizens keep up their homes, and since, most of their tax bill comes from the structure itself, they would assuredly see a decrease in their taxes with LVT. For families just starting out, a lowered tax bill means lower monthly mortgage payments.

Any cushion from a collapsed real estate market should be considered.

LVT attacks blight

Harrisburg, Pa., has employed and marketed this program to great success (see attached letters from U.S. Mayor of the Year 2006, Steven Reed, of Harrisburg). They have pushed the idea hard, especially to homeowners and homesteaders. In 1982, Harrisburg had thousands of vacant structures. Today, there are less than 500. In Connecticut urban

centers and neighborhoods, it is reasonable to expect that this process would be repeated. The effective property tax rate in Harrisburg has dropped since the 1980s, because of tax base increases in land value.

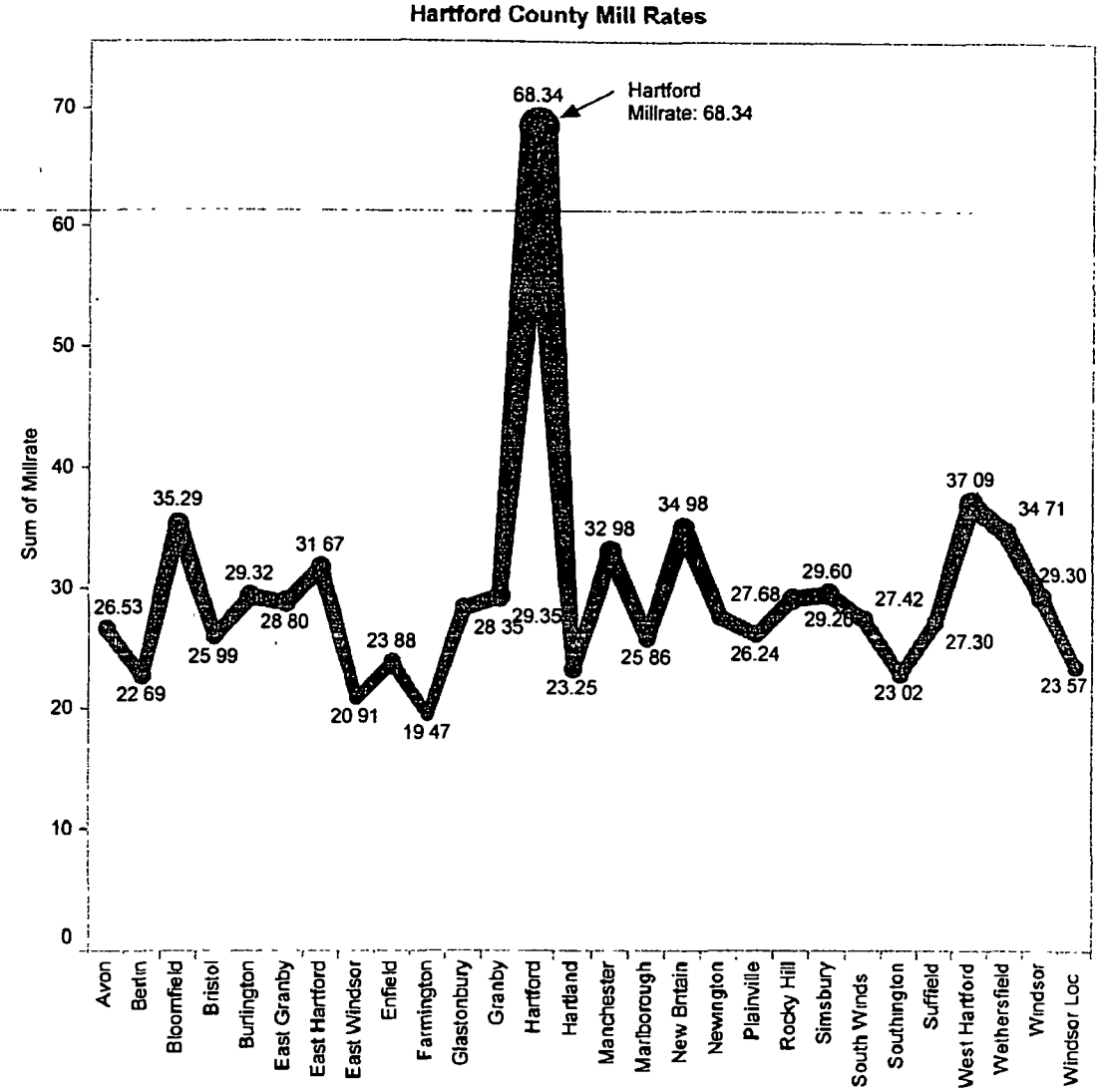
Studies of LVT by Drs. Oates and Schwab (U. of Maryland) and Tideman (Virginia Tech) in Pennsylvania and Dr. Kenneth Lusht (Penn State) in Australia made a strong connection between lower taxes on buildings and increased construction and rehabilitation of existing buildings.

Unlike other bright ideas and taxes that have sapped city strength over the years, land taxation is an "annual event:" in the unlikely event that LVT is perceived as unpopular or onerous, it can be rescinded. This cannot be said of other options offered to help urban areas and economic development. With the benefit to hard-pressed and unfairly taxed homeowners, the chances are remote.

In closing, I would like to reiterate that LVT has been used to great success all over the world and the US and it can and should be utilized by a municipality if appropriate. In our region, such seemingly disparate groups have supported LVT institutionally: 10,000 Friends of Pennsylvania, the Greater Philadelphia Association of Realtors and the National Association of Homebuilders' amongst many others.

I respectfully ask that the Joint Committee on Planning and Development help make Bills 379 and 392 law. Thank you.

*Attached Graph



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SB 379 SB 392

Office of the Mayor
The City of Harrisburg
M.L.K. City Government Center
10 North Second Street
Harrisburg, PA 17101-1678

Stephen R. Reed
Mayor

(717) 255-3040

October 26, 2006

Honorable James Ruberto, Mayor
City of Pittsfield
70 Allen Street
Pittsfield, Massachusetts 01201

Dear Mayor Ruberto:

It is our understanding that the City of Pittsfield is considering the prospect of establishing a split-rate property policy, such that the tax rate on land would be higher than the millage rate applied to improvements. The City of Harrisburg, Pennsylvania has had such a policy in place for over two decades and with great success.

In Pennsylvania, cities are not permitted to annex surrounding areas. Our borders are therefore inelastic. This requires that we assure the highest and best use of land, which is in finite quantity here. Further, we want to discourage the practice of real estate speculation which has, in many cities, served to deter economic development and has further served to be a means of supporting and rewarding irresponsible absentee owners.

By having a higher tax on land, we are specifically rewarding those who invest in the productive use of land through development and improvement. With the notable exception of the relatively few property owners who own large expanses of undeveloped land, the split-rate property tax policy has served to actually reduce the overall tax burden on taxable property owners than what would have existed if there was a single millage rate applied to land and improvements equally.

The City of Harrisburg, Pennsylvania was listed as the second most distressed city in the nation under the federal government distress criteria at the beginning of the 1980's. Since then, three decades of previous decline have been dramatically reversed. We have now registered over four billion dollars in new investment here. The number of businesses has increased from one thousand nine hundred eight to over eight thousand nine hundred. The crime, fire, unemployment and vacant property rates have dropped considerably during the same timeframe.

While there is not a single policy that is the "magic wand" to assure urban revitalization, I can unhesitantly report that the split-rate property tax policy is a very significant economic development incentive and that, without such, we could not have achieved the economic development success of this era. We regard the split-rate property tax policy as a critical and strategic incentive that both induces and rewards investment in projects great and small.

We wish you well in all of your good work with your city.

With warmest personal regards, I am

Yours sincerely,

Stephen R. Reed
Mayor

SRR/klk

cc: Joshua R. Vincent

Testimony Submitted To the Connecticut Senate and General Assembly on
2009 Bills SB 392 and SB 379
H. William Batt, Ph.D., Robert Schalkenbach Foundation, New York City
February 18, 2009, Hartford

I am submitting this brief on the two proposals authorizing localities to levy separate tax rates on land values than on improvement values. This measure is sound and defensible from the standpoint of both tax policy and environmental policy. I will speak to these concerns in turn.

Since the writing of Adam Smith, students of economics and tax policy have been in general agreement that "Ground rents and the ordinary rent of land . . . are the species of revenue that can best bear to have a peculiar tax imposed upon them." Although he expressed it in the language of classical economics, he was talking essentially about land value tax. John Stuart Mill further ratified this a century later by observing that "Landlords grow richer in their sleep without working, risking or economizing. The increase in the value of land, arising as it does from the efforts of an entire community, should belong to the community and not to the individual who might hold title."

What students of economic theory have long accepted is that there are general principles of taxation that should guide the design and implementation of revenue collection. To be sure, political deliberations don't always follow the wisdom of scholarship, but they are there for those who wish to be advised of them. They are listed as few as three or as many as eight such principles but little disagreement exists as to their substance, regardless of ideology or government. Most commonly enumerated are neutrality, efficiency, equity, administrability, simplicity, stability, sufficiency. Tax theorists typically measure revenue structures according to any or all of these criteria:

* Tax neutrality refers to the influence (or absence of such) that any particular design has on economic behavior. Typically taxes are perceived as a damp on economic activity — taxing income reduces the incentive to work, taxing sales discourages retail transactions, and taxing savings reduces the propensity to save. The more a tax is perceived to be neutral the less the identifiable distortions it imposes on the economy. The common assumption of most tax theorists is that all taxes impose

distortions; it's simply a matter of which ones are least burdensome to economic health. A tax which imposes no distortions is ideally best.

* Tax efficiency is much like tax neutrality, and is the measure of how much shifting of behavior it imposes, resulting in what is called "excess burden," or "deadweight loss" on the economy. Tax economists usually hold that the best taxes are those that are shifted little if at all. Because the elasticities (a technical word for the slope of supply and demand curves) of each are very different, a tax on land values and a tax on improvement values have very contrastive effects on economic choices. Using a tax base that has little or zero elasticity is the best way of assuring that taxes are not shifted. Zero elasticity is another way of saying fixed supply.

* The principle of equity is central to any discussion of tax design. Tax design requires concern with both what is fair and the extent to which it must sometimes be compromised to satisfy the other principal criteria. Fairness can be evaluated according to what is termed "horizontal equity" -- the extent to which those in similar circumstances will pay similar tax burdens, and "vertical equity" -- how well those in different classes bear different burdens in the tax structure. It is this latter perspective that leads to the use of terms like "proportional," "progressive," and "regressive" in referring to tax structures. A tax is progressive with respect to income if the ratio of tax revenue to income rises when moving up the income scale, proportional if the ratio is constant, and regressive if the ratio declines. There is an ancillary question of whether taxing to reach greater equity should employ measures of income or of wealth, difficult as this is to measure. Such questions of equity are a matter particularly central when discussing the property tax.

* Administrability refers to the ease with which a tax can be administered and collected. Taxes which distort the economy are inefficient but so are taxes that cost lots to administer. This is measured not only in the direct costs of tax avoidance and accounting expenses, but in the level of evasion and cheating, and by the cost of government auditing and policing. When the taxpaying public perceives that a tax is easily evaded, cumbersome, and unfair, it loses its legitimacy and calls government itself into question.

* This is why the principle of simplicity is important: the more complex the tax design, the more lawyers and accountants will find loopholes, encourage the appearance of unfairness, and drive up the cost of its administration. People know that with simple taxes other parties are also paying their fair share, and all this enhances the legitimacy and therefore the compliance of the tax system.

* Stability refers to the ability of a tax to produce revenue in the face of changing economic circumstances. Income and sales taxes, for example, vary greatly according to phases in the economic cycle; the property tax, in contrast, is highly stable regardless of the state of the economy. This is one reason why school administrators have typically been supportive of using the property tax base rather than some other tax to support school services.

* The certainty of a tax's collection ensures that the number and types of tax changes be kept to a minimum. Frequent changes in tax rates and bases interfere with business decisions and the ability to make long-term financial plans. This concept reinforces the need for stability because an unstable revenue system is more likely to require continual adjustments.

* In assessing the value of a tax it is also important, of course, to understand its potential to bring in revenue for the purposes of government, usually deemed revenue sufficiency. Income, sales and property taxes, along with corporation taxes to a lesser extent, have come to be regarded as the workhorses of the American revenue structure. But, as anti-tax politicians are quick to note, the higher these taxes are, the more they impose a drag on the economy. This is why one should ponder whether to consider raising taxes which have demonstrable distorting effects.

Only one tax comports totally with these principles: that is a tax on the inelastic supply of land according to its market value, commonly known as land value taxation (LVT). To amplify further only one of these points, one needs to recognize that a tax on an inelastic base cannot be shifted -- either forward to tenants or backwards to suppliers. This means that only those who hold title to parcels pay any burden at all. Among those who do hold title, the split is typically evenly on residential parcels and non-residential parcels. Parcels owned by households usually comprise far greater spatial area, but are typically in more remote locations than commercial and office sites, which occupy more valuable locations. There is a rough equity in the application of LVT that is not otherwise easily accomplished.

A second important feature of LVT is its leverage in fostering sound land use configurations. The far higher value of locations in urban cores induces investment for a return on carrying costs, thereby reversing the centrifugal forces of sprawl development that obtain with a conventional property tax. The greater the tax burden on sites, the more such sites become market available rather than being land-banked for speculative

gain. LVT thereby discourages the recourse for development of second-best, suboptimal parcels because the most ideal sites are unavailable. LVT works to foster sound and efficient land use in a natural and organic pattern as the values of such sites invite.

For decades, LVT was regarded as technically and administratively difficult to administer, even though it has been widely implemented. Today, computer power and available data make it easily and quickly feasible, the most attractive choice of any tax alternative.

JOINT
STANDING
COMMITTEE
HEARINGS

PLANNING AND
DEVELOPMENT
PART 2
347 - 695

2009

Date: February 18, 2009
Subject: PSB 379 and 395 Land Value Tax option
Testimony: Art Costa, President Re-New London Council

Good morning to the Committee members and good morning to Chairs Senator Coleman and Representative Sharkey.

I want to thank you for this time today. My name is Art Costa, and I'm a New London resident. I am here to speak in strong support of two bills on Land Value Tax: PSB 379 and PSB 392. Today improvements are discouraged through the property tax on improvement. The two bills before you are amendments to our local property tax structure, allowing cities to shift property tax proportionately from improvement to land site.

I am, here, representing Re-New London Council, a non-profit based in New London, Connecticut as well as the testimony provided by: Southeastern CT Sierra Club, Rivers Alliance, City of New London, New London Main Street, New London Landmarks Preservation, CT Home Builders Association, Farmington River Watershed Association, Hartford Preservation Alliance. Additionally, we have provided written testimony including small business owners, developers, architects and former city and current Mayors and City Councilors, and selectmen. And while they will provide their own testimony, we have a coalition from New Haven, Bridgeport, and Hartford as well as the Connecticut Conference of Municipalities who support land value tax.

Land value tax has a long history, over a hundred year track record, with supportive empirical studies demonstrating how such a shift creates an incentive for development where there is blight, empty brown fields and vacant buildings in cities of all sizes.

Realizing this, the New London City Council unanimously passed a resolution to request passage of a bill to provide New London and other Connecticut cities with this option.

I want to stress this is an option which would require a municipal ordinance and open to local public scrutiny.

The LVT option has demonstrated some of the following benefits:

- It stabilizes the local property tax base
- It provides local revenues which are currently escaping the city through site speculation,
- LVT keeps total revenue requirements neutral to ensure sufficient revenues to pay for social services, infrastructure and schools
- It significantly improves municipal land-use and management so vital for smart growth.

In fact, LVT supports the goals of smart growth by creating city density in areas where such density is essential to provide an economically viable city district.
It provides a fair and, what has been described by most tax experts, a most progressive form of taxation.
It is easy to administer and therefore reduces the complexity of current property assessments.

Re-New London Council P.O. Box 1184 New London, CT 06320
860-439-0016 info@re-newlondon.org

Date: February 18, 2009
Subject: PSB 379 and 395 Land Value Tax option
Testimony: Art Costa, President Re-New London Council

A land value tax option costs the State nothing and would be expected, over time, to save the state from increasing City revenue subsidies. These are not simply words, but are verifiably supported as demonstrated in case after case throughout the United States and the world at large.

It is important to note that LVT does not change Connecticut's basic tax structure which is a split rate between building improvement and land. In other words, there is no structural change required in this legislation. Such an option can be readily applied (or rescinded), and would be gradually implemented to assure optimal stable economic adjustments to tax payers while ensuring city revenue needs.

As Harrisburg, Pennsylvania has experienced, the more enterprise is encouraged, the less the tax burden to property owners and businesses. So, while we expect to see city revenues increase, the tax burden to residents and businesses actually moves in the opposite direction.

To summarize:
A tax shift from building improvement to land has demonstrated consistently that cities are re-energized as taxes are lifted off improvement and development.
The two bills before you do not require appropriation. In other words, LVT does not shift tax dollars from State to municipalities.
It is enabling legislation, simply allowing cities to use it as an option through an ordinance and scrutiny of local tax payers (who have the right to petition and bring forth a vote on a referendum to approve).
SB 379 provides the necessary language to speak to open space and farmland. Land Value Tax has been endorsed by numerous environmental organizations, preservationists, home builders, developers, and realtors.
As attested by the range of open space advocates and builders, this is a tax that applies the right incentives in the right places.
We have provided written testimony to support these contentions.

We, in Connecticut, have an opportunity we simply cannot afford to miss with land value tax. Cities in Connecticut have an unbelievable vacancy rate, New London alone has a 33% vacant building rate in our downtown district and hundreds of empty sites. Capturing that 33% is the key. Harrisburg, PA, two decades ago, was the second most distressed in the nation. Today, after the implementation of LVT, it is considered by most to be a model city and no longer "distressed".

Let me emphasize, these bills are not asking for more money from the State in requesting this option. Quite the opposite, this provides cities with the opportunity to generate revenues where today they cannot, and to do so in a way that is sustainable.

Thank you once again for this opportunity to speak on behalf of this very important legislation. Allowing cities this option does as much for the State as it will do for the cities who choose to use the land value tax option.

Re-New London Council P.O. Box 1184 New London, CT 06320
860-439-0016 info@re-newlondon.org

To: The Honorable Members of the Joint Planning and Development Committee

From: Roberta Paro

246A Yantic Street

Norwich, CT 06360

860-889-2948

robertaparo1@hotmail.com

February 18, 2009

Re: Land Value Tax

I am a member of the Sierra Club and someone who would like to see us create a society where the entire web of life flourishes.

The Land Value Tax (Bills 379 and 392) seems to be the fairest and smartest form of taxation that we have at our disposal. Proposed as enabling legislation, the land value tax allows those cities that implement it to shift their municipal property taxes from the buildings that are on the land to taxing the value of the land. Penalties for investing in properties and making improvements to them would decline, as would blight. The Land Value Tax also promotes the use of land where infrastructure already exists, thereby helping to preserve open space and habitat needed for preserving the web of life.

As leaders, part of your job is to find and recognize good ideas and then find ways to put them into action. You have an opportunity with the Land Value Tax to do just that.

Testimony in favor of Bills 379 and 392

Acts Authorizing Municipalities to Adopt Land Value Taxation

The current property tax system in Connecticut imposes that same tax rate on land and improvements. This policy increases the tax burden on homeowners and is a disincentive to improve one's property and an incentive to keep land underutilized or not utilized at all. Typically, the highest land values are in the business centers of cities. By shifting the tax from improvements to land the vast majority of homeowners will benefit from lower property taxes. Businesses and developers also benefit as the taxes on improvements and investments in buildings are taxed less. This policy has worked effectively in numerous cities in Pennsylvania and in other localities around the world. The Center for the Study of Economics (www.urbantools.org) has done studies demonstrating the beneficial effects of this tax shift.

Gilbert Herman
52 Wilder Rd
Stamford, CT 06905

Box 1134, New London, Connecticut 06320 (860) 442-0003

February 18, 2009

Dear Planning and Development Committee Chairs and Members:

I am writing on behalf of New London Landmarks, the historical preservationist organization in New London, to provide support for land value taxation.

Specifically we are offering support for bills: PSB 379 & PSB 392. As an organization dedicated to the preservation of our historical landmarks, open space, and dense walkable city landscapes, land value taxation provides the best known approach to assuring our structures do not disappear due to blight and decay.

New London has, like many cities, seen whole neighborhoods disappear due to blight caused by the lack of necessary maintenance which became costly due to the current tax structure on improvements. Land value tax would reverse this situation.

Land value tax creates the kind of incentive that will keep our city whole and vibrant. As the executive director of Landmarks, it is absolutely essential to save the irreplaceable structures left to us by our forbearers.

By simply shifting the property tax away from improvements to land, cities will have a tax that encourages historical preservation.

Please pass this option for local city municipalities. It will not cost the State a cent and will, as it has shown elsewhere, have a powerful positive impact on our local economy and the reuse of priceless structures.

Thank you.

Sincerely yours,

Sandra Kersten Chalk
Executive Director, New London Landmarks

A non-profit corporation to promote the preservation and development of the entire urban environment of New London, Connecticut, including significant individual structures, streetscapes, neighborhoods and open spaces.

City of New London

181 State Street • New London, CT 06320 • Phone (860) 447-5201 • Fax (860) 447-7971

February 18, 2009

To: Planning and Development Committee
From: New London City Councilor
Margaret Mary Curtin

Subject: Testimony in support of Land Value Tax Bills
PSB 379 and PSB 392

Thank you for giving me the opportunity to submit this testimony.
I am a life long resident of New London. Before retiring from State Service, I served as Undersecretary for Intergovernmental Relations within the Office of Policy and Management under the Governorships of Ella Grasso and William O'Neill. I have served on the New London City Council from 1975-1979 and then again from 1997 to the present. I was Mayor of New London in 1977-1978 and 2006-2007. I have, very simply dedicated myself to my community and its citizens well-being.

In my capacity as an elected official and citizen, I am providing testimony to the importance of having the option to use land value taxation. This is not a request to increase the local taxes, nor for additional State spending. On the contrary, this tax would simply allow us the option to shift property tax away from improvements to land. Instead of penalizing people for improving their properties, we would actually be creating an incentive to develop in areas of blight, vacancy and run-down areas. We would provide the incentive to maintain our incredible historical sites throughout the city, and reinvigorate our downtown area.

Such an option does not change the structure of a split tax, and so our ability to manage outcomes and reduce risk is very high with a proven track record of urban turnaround in cities like Harrisburg and Allentown, Pennsylvania where this tax has been in place for decades.

I am not asking for more money from the state in requesting this option. Quite the opposite, this would provide cities like New London with the opportunity to generate revenues where today we cannot. By doing this, and by implementing LVT as a revenue neutral tax, we expect, over time, to become more self-sufficient. Given the current state of our economy and the expectation that this will be a long term process of improving our economic outlook, Land Value Tax can provide help, not just o my city and others, but to the state as a whole by reducing revenue dependency.

It costs the State nothing, and can provide so much for those cities who want to share in contributing to the creation of a prosperous and healthy Connecticut.

Thank you.

Rivers Alliance
of Connecticut

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A tax-exempt organization under 501 (c) (3) of the Internal Revenue Code

February 17, 2009

To: The Honorable Members of the State Planning & Development Committee

From: Margaret Miner, Rivers Alliance, P.O. Box 1797 Litchfield, CT 06759

RE: Proposed legislation for a Land Value Tax, PSB 379 and PSB 392

Testimony in support of Land Value Taxation Proposed Bills 379 and 392.

Rivers Alliance of Connecticut is the only statewide nonprofit dedicated to protecting and enhancing Connecticut's rivers, streams, and watersheds. We promote and support environmentally sound state policies, assist the state's many watershed and river groups, and educate the public about the importance of water conservation and aquatic habitats. We are a membership-based nonprofit corporation founded in 1992. Our 600 members include 100 organizations.

Rivers Alliance supports the rebuilding and restoration of urban areas. We feel that land value taxation can be an important tool is achieving this goal. This approach has succeeded in helping cities around the world, while reducing development pressure on woodlands, farmland, wetlands, and riparian areas. This will improve water quality in our streams, rivers and Long Island Sound.

We strongly encourage the adoption of this legislation.

Sincerely,
Margaret Miner
Executive Director

Margaret Miner

7 West St., Suite 33, P.O. Box 1797, Litchfield, CT 06759 860-361-9349 FAX: 860-361-9341
email: rivers@riversalliance.org website: http://www.riversalliance.org

Testimony of Justin Fischer for Proposed S.B. No. 379 & 392
February 18th, 2009

Madam Chair / Mr. Chairman and members of the committee,

My name is Justin Fischer, and I'm a Connecticut resident from Orange here to speak on behalf of proposed bills 379 and 392. I believe that land value taxation will significantly help the citizens and environment of our state.

By taxing land and reducing other taxes, we can provide landowners with a greater incentive for development. Even here in Hartford, one can find dilapidated buildings and empty lots that push urban sprawl and heavy traffic into smaller communities. Rather than steering the state towards a uniform level of commercialization and urban decay, we can build our cities high while keeping our small towns beautiful.

I also believe that land value taxes can help reduce the future occurrence of real estate bubbles like the one that contributed to the current economic recession. By taxing land, we can prevent property values from inflating to dangerously high levels, which would make it easier for people to obtain reasonable loans and pay them back. Now is the ideal time to introduce the land value tax - while property values are low, it can be introduced with a lower asset loss to landowners. Currently, the owners of unused land are discouraged from selling until property values bounce back, and this speculation is preventing others from making better use of that location.

The land value tax is just what Connecticut needs to revitalize its economy. If nothing else, it is an alternative to harmful taxes on production and improvement, and will reduce the excess burden of taxation in our state.

BARUN BASU ASSOCIATES
architecture, planning, facilities programming
26 Broad Street, New London, Connecticut 06320
Phone: 860.444.0034 Fax: 860.443.4255
info@barunbasu.com

February 17, 2009

The Planning and Development Committee
State of Connecticut
Hartford
Connecticut

Subject: Land Value Tax Bills PSB 379 & PSB 392

Honorable Members:

I am a practicing Architect in the State for more than forty years and my practice has concentrated on the issues of land as the most valuable asset for all the organisms on the 'Earth'. The inequity of valuation for land versus the value associated with its use has been well researched and applied in the mature economies for cities like Melbourne, Australia and many European cities.

During the current wind of 'change' for a better understanding of the resources like 'land' it should be inherent in all our economic planning that you lead the state and local agencies to explore the Land Value Tax as means of reinvigorating the inner cities. The land in our cities are endowed with not only the infrastructure of material amenities but also enormous social, cultural and educational potential which cannot be exploited unless the 'value' is recognized.

I am confident that your support will encourage all Planning agencies to adopt the Land Value Taxation.

Sincerely,

Barun K. Basu, AIA

SIERRA CLUB

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Southeast Group of the Connecticut Chapter

TO: Members of the Appropriations Committee Tuesday, February 17, 2009

FROM: Molly McKay, Chair
Southeast Group of Connecticut Sierra Club

RE: Land Value Tax bills PSB 379 and PSB 392

I strongly urge you to support the Land Value Tax. This measure accomplishes two important goals of sustainable development, that is development that 1) revitalizes city and town centers and makes them attractive, safe, economically viable places to live while at the same time 2) it helps to preserve open space outside of the urban area.

Right now there is no tax incentive for someone who owns blighted property in a town or city center to improve that property. In fact, the owner is "punished" by the burden of higher taxes if he makes improvements. It's cheaper in the short run to acquire green spaces out in the countryside and build there. But in the long run, this method costs more both economically and in quality of life and environmentally. It's a double loss city centers, struggling to recreate themselves, can't make progress, and the countryside is paved over.

The ripple effect of building further and further out puts huge costs on our society: dependence on the automobile, isolation for those who don't drive, the huge waste of building more infrastructure while existing infrastructure is not put to its full use.

This is enabling legislature that offers carrots and reduces penalties. Check out the success of Harrisburg, Pennsylvania, and see how they used this tax system to make their city thrive! We will be happy to supply you with information about this.

Molly McKay

CO/Molly McKay

8 Riverbend Drive, Mystic, CT 06355
mollymckay@nationalcorridors.org
http //connecticut.sierraclub.org

TEL· 860-536-5480

Farmington River Watershed Association, Inc.
749 Hopmeadow Street, Simsbury, Connecticut 06070
(860) 658-4442 Fax (860) 651-7519 www.frwa.org

February 17, 2009

To: The Honorable Members of the State Appropriations Committee

From: Eileen Fielding, Farmington River Watershed Association, 749 Hopmeadow Street, Simsbury, CT 06070

RE: Proposed legislation for a Land Value Tax, PSB 379 and PSB 392

On behalf of the Farmington River Watershed Association, I am testifying in support of land value taxation as described in Proposed Bills 379 and 392.

Our organization's mission is the protection, preservation, and restoration of the Farmington River and its watershed. Cost-effective protection of water quality in our rivers requires land use practices that maintain forested lands and other open space, and that minimize the expansion of sprawl and impervious surfaces. We believe that this legislation could help reduce the rate of development outside city limits, thus reducing impacts on the landscape that affect water quality.

We also have a stake in vibrant, economically healthy cities that can afford the costs of rehabilitating urban rivers and retrofitting urban areas with good stormwater management measures. In our watershed, the benefit of such urban renewal would be felt most in the Pequabuck subwatershed, where the city of Bristol faces challenges that these bills are intended to address.

Because of these priorities, we favor a land value tax system that will provide incentives for re-using developed land in cities rather than expanding development into forested lands or other open space, and that will also promote a more robust tax base to support urban areas.

We strongly encourage the adoption of this legislation.

Sincerely,

Eileen Fielding

Eileen Fielding
Executive Director

JOSHUA VINCENT, President ALBERT HARTHEIMER, Vice-president

Center for the Study of Economics

MAIN OFFICE: 1518 WALNUT STREET, SUITE 604, PHILADELPHIA, PA 19102
P.O. BOX 2080, 42 GREYLOCK ESTATES ROAD, LANESBOROUGH, MA 01237-2080
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Testimony in favor of Bills 379 and 392
Acts Authorizing Municipalities to Adopt Land Value Taxation

I am Albert Hartheimer, Vice-president of the Center for the Study of Economics (CSE). I live at 42 Greylock Estates Road, Lanesborough, MA 01237.

CSE has advocated Land Value Taxation (LVT) in Connecticut for many years. In 1994 a study of LVT in Hartford was done. The then Blue Ribbon Panel on Tax Reform recommended the adoption of LVT in Hartford but nothing was done. In 2003 I testified before this committee in favor of Bill No. 5903 An Act Concerning Land Value Taxation. In 2004, at the request of Mayor Perez, we reviewed the tax situation and again recommended the adoption of LVT for Hartford. This recommendation was endorsed by the Interfaith Coalition for Equity and Justice. Mayor Perez decided against pushing for adoption.

Now, in 2009, CSE is testifying in favor of Bills 379 and 392. These are hard times. Municipalities need all the tools they can get to maintain their communities and to lower homeowner taxes. Land Value Taxation is such a tool. The bill is permissive, it mandates nothing. Municipalities that want to consider using LVT will debate its use thoroughly before adopting it.

The legislation provides for two tax rates, a lower rate on buildings and a higher rate on land instead of the same rate on both. CSE advises a gradual shift of tax off buildings onto land over a period of years until there is no tax on buildings.

Twenty taxing jurisdictions in Pennsylvania use this system. It works. Most homeowners pay less tax in a shift. Vacant land owners and underused land owners pay more tax. It is revenue neutral.

There are many advantages:

Most homeowners pay less. The money they save will be spent or saved. Either way, it will help the economy.

Vacant land owners and underused land owners will pay more. Most valuable land is owned by wealthy people or corporations. They are better able to pay the tax than homeowners, who are usually the poor or middle class. In some municipalities, there is now no market for land. With LVT the demand for land will increase. Since the supply of land is fixed, the increased demand will raise the value. Even though landowners pay more, they will be better off with LVT. LVT is the only tax, which with its use, increases its own base.

It costs nothing to adopt LVT. All that is required to put it into effect is a computer software change. All taxable land is already assessed.

CSE

Presently, many homeowners do not improve their properties because they know that their taxes will go up if they do. When LVT is adopted and homeowners know they will not be penalized with a tax increase, they will improve their homes with remodeling or additions. Home additions and remodeling are the first things to occur after adoption of LVT.

Most municipalities have many vacant buildable lots. In many cases presently there is no market for these lots. With LVT, over time, houses and other buildings will be built on these lots. This is usually the next thing to occur after the adoption of LVT.

With LVT the clean and green countryside will remain clean and green. That is the record in Pennsylvania. In many cases the increase in tax paid by vacant land is modest and is absorbed by the owner.

LVT attracts people to cities. This helps to reduces urban sprawl and lowers the incentive to build in the clean and green countryside. With increased population businesses are more likely to stay in the cities and new businesses are more likely to open in the cities. As population increases the tax base will increase. That will make the cities more sustainable.

Improvements are often made inside buildings to try to avoid a tax increase. When there is no tax on buildings that will be unnecessary. Land cannot be hidden. A land tax cannot be avoided.

If you decide to build a building, first you buy land with money that has already been taxed once. Then you buy the materials with more tax-paid money and pay a second tax, the sales tax. Finally when the building is complete the assessor will visit and tell you the penalty you must pay, every year, for improving the community. That's really regressive! But, if you let your building go to wrack and ruin, you can go to the same assessor and plead "My building isn't worth what it is assessed for. Please reduce my assessment!" In many cases, he will. Presently, we penalize people who improve our communities and reward those who ruin them. That's exactly backwards. LVT will reverse that.

Low land taxes subsidize and encourage land speculation which is the root cause of recession and depression. LVT will discourage land speculation.

If you presently pay a 3% tax on your home and are lucky enough to own it for thirty years, you will pay for it *twice*, once to the bank and once to the municipality. LVT will reverse that.

Please pass these bills and give the people of Connecticut a tool to help maintain and improve their communities. It's time we stopped taxing people's homes.

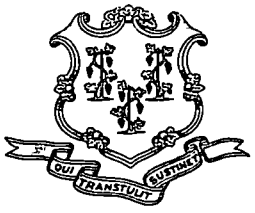
Respectfully submitted,

Albert S. Hartheimer

February 18, 2009

SENATOR MARTIN M. LOONEY
MAJORITY LEADER

Eleventh District
New Haven & Hamden



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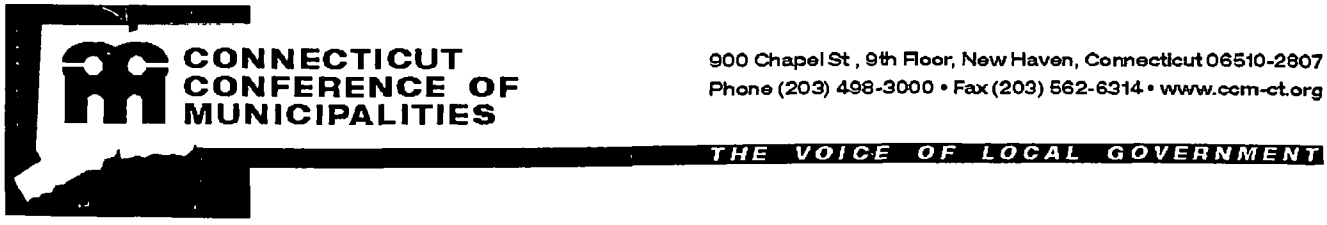
February 18, 2008

Good afternoon Senator Coleman, Representative Sharkey and members of the Planning and Development Committee. I am here to testify in support of SB 379 An Act Concerning Land Value Taxation, SB 389 An Act Revising the Date for Commencement of the Fiscal Year by Municipalities, SB 393 An Act Concerning Municipal Revenue Diversification.

SB 379 An Act Concerning Land-Value Taxation would allow municipalities to institute Land Valuation Taxation, allowing municipalities to tax vacant parcels at a higher rate than structures in order to encourage development and discourage blight. This approach should increase property value in the core cities as well as discourage suburban sprawl; it has been successful in other states. Adoption of this proposal would also assist municipalities in increasing revenue while providing incentives for economic development and disincentives for leaving parcels undeveloped.



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HB 5027
HB 5187
HB 5189
SB 379
SB 392

TESTIMONY

of the

CONNECTICUT CONFERENCE OF MUNICIPALITIES

to the

PLANNING & DEVELOPMENT COMMITTEE

February 18, 2009

CCM is Connecticut's statewide association of towns and cities and the voice of local governments - your partners in governing Connecticut. Our members represent over 93% of Connecticut's population.

We appreciate the opportunity to testify on the important issue of helping municipalities to maintain local services by diversifying their revenue bases.

CCM supports the following bills:

Prop. S. B. 393,	**"An Act Concerning Municipal Revenue Diversification"**
Prop. S. B. 397,	**"An Act concerning Municipal Revenue Diversification"**
Prop. H. B. 5540,	**"An Act Concerning Municipal Revenue Diversification"**
Prop. H. B. 5542,	**"An Act Authorizing Towns to Levy Certain Taxes"**
Prop. S. B. 377,	**"An Act Concerning Local Property Tax Relief"**
Prop. S. B. 385,	**"An Act Concerning Municipal Alternatives to the Property Tax"**
Prop. H. B. 5524,	**"An Act Authorizing Municipalities to Impose A Tax on Hotels and Motels"**
Prop. S. B. 89,	**"An Act Concerning A Local Option for A Hotel Tax"**

Prop. H. B. 5027,	**"An Act Concerning the Institution by Municipalities of A Local Hotel Tax"**
Prop. H. B. 5187,	**"An Act Concerning An Increase in the Sales and Use Tax on Hotels and Lodging Houses"**
Prop. H. B. 5189,	**"An Act Concerning A Local Option to Impose A Lodging Tax"**
Prop. S. B. 379,	**"An Act Concerning Land Value Taxation"**
Prop. S. B. 392,	**"An Act Authorizing Municipalities to Adopt Land Value Taxation"**

Present state statutes dictate that towns and cities are dependent on one tax – the property tax – for the vast majority of their revenue.

But it's been clear for years that the property tax can no longer carry the burden by itself – it is a regressive tax that is not adequate for the task of funding local government services in the 21st Century.

In early America the property tax made sense as a proxy for wealth. The people in town with the most property, the biggest farm, and the most horses paid the most. But that's not necessarily the case anymore. Many people on fixed or slowly growing incomes own homes whose value has risen significantly since they purchased the property (despite the recent slump in the housing market). Their property taxes rose with the values. The property tax is income blind. Your property tax liability has no relation to how much you earn – you just have to pay it.

What worked in 1809 doesn't work in 2009.

A. **Connecticut is one of the most property-tax-dependent states in the nation**

- **Per capita property tax burden** in Connecticut is **almost twice the national average,** and second highest in the nation.
- Connecticut ranks **fourth in the nation in property taxes as a percentage of personal income.**
- The property tax is the **largest single tax on residents and businesses** in Connecticut.
- **69% of all municipal revenue** in Connecticut comes from property taxes.

  --9 towns get at least 90% of their revenue from property taxes
  --48 get at least 80% of their revenue from property taxes

- Inadequate state funding of noneducation municipal aid is pushing some communities, particularly distressed municipalities, to look at local-option taxes because of their desperate need for non-property tax revenues.

B. Most states allow local option taxes

- **Only 15 states allow municipalities just the property tax** (see enclosed). **For all intents and purposes, Connecticut's predominant reliance on property taxes puts it in this group.**

  --**23 states** allow municipalities **both property and sales taxes***

  --**6 states** allow municipalities to levy **both property and income taxes***

  --**5 states** allow municipalities to levy **property, sales and income taxes***

  If they work for 34 other states – including states thought to be our competitors for economic development -- local-option taxes can work in Connecticut.

- **Local-option taxation allows citizens of the municipality to decide what mix of taxes works best for their community.**

  The State should allow towns and cities, particularly distressed municipalities, **to levy certain types of local-option taxes,** including sales and hotel occupancy taxes, as a way to take pressure off of property taxes, even on a pilot or trial basis (to get us through the economic slump). For example, **locally levied hotel occupancy taxes can be considered in municipalities where it will be of benefit.** "Land value" taxes can be allowed for distressed municipalities as both an in-fill tool and a revenue source. New local-option taxes can also be levied on entities that do business in distressed municipalities, but which are not as 'mobile' as other businesses. For example, franchise-fee-type tax on telecommunications and public service companies are common in other states — but although these profit-making businesses utilize municipal rights-of-way, Connecticut municipalities get only property taxes from them.

C. Alternatives to local option taxes

Some opponents of local-option taxation argue that granting each municipality its **own taxing authority might increase intermunicipal competition.** Three **ways to avoid that** are:

1. **Sharing state revenue streams with municipalities or regions** (for example, a portion of the sales tax);

---

* In at least some municipalities

Adding or dedicating ½% of the existing or increased state sales tax to regions would provide an estimated $300 million to facilitate tax sharing and cooperative efforts between municipalities. It would be a powerful step towards making government, overall, more efficient by providing revenues to help finance joint service delivery initiatives and take some of the burden off the property tax.

2. Establishing **new local taxes that are applicable statewide** (i.e. in all towns), such as the hotel/lodging tax. There is precedent for this – for example, the municipal real estate conveyance tax is applied to all towns; and

3. Allowing municipalities to **assess alternative taxes on a regional basis.**

Local option taxes and/or regional taxes are important non-property tax revenue options to consider in order to maintain service continuity. The establishment of a Blue Ribbon Commission -- involving state, regional, and local officials, as well as the private sector – to discuss and develop alternative service-delivery models should also be considered.

CCM urges the Committee to favorably report a proposal that provides meaningful property tax relief by providing municipalities and regions with new tax options. Our struggling communities are in dire need of such relief -- now.

##

CCM urges you to examine the enclosed CCM Candidate Bulletin entitled, *Municipal Revenue Diversification and the Real Estate Conveyance Tax.* The Bulletin examines why it is so crucial to permit towns and cities the ability to levy taxes other than the property tax.

##

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

Enclosures

There is no testimony for page 370. The next page is 371.

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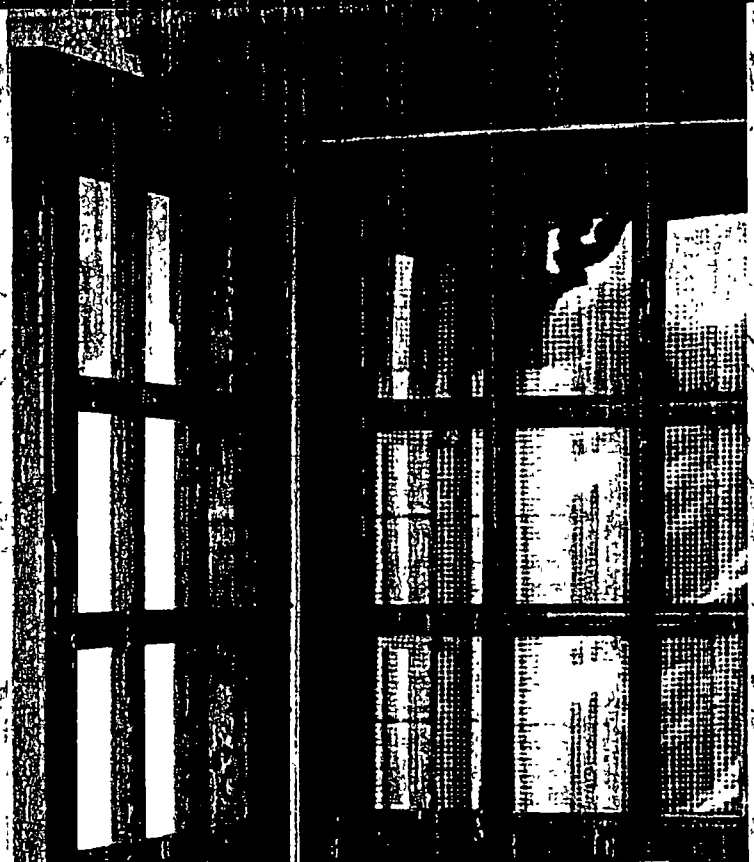
CANDIDATE ★ BULLETIN



MUNICIPAL REVENUE DIVERSIFICATION AND THE REAL ESTATE CONVEYANCE TAX

OCTOBER 9, 2008

CONNECTICUT CONFERENCE OF MUNICIPALITIES

CCM — THE VOICE OF LOCAL GOVERNMENT

CANDIDATE BULLETIN

MUNICIPAL REVENUE DIVERSIFICATION AND THE REAL ESTATE CONVEYANCE TAX

OCTOBER 9, 2008

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OVERVIEW

Connecticut statutes dictate that towns and cities are dependent on one tax — the property tax — for the vast majority of their revenue.

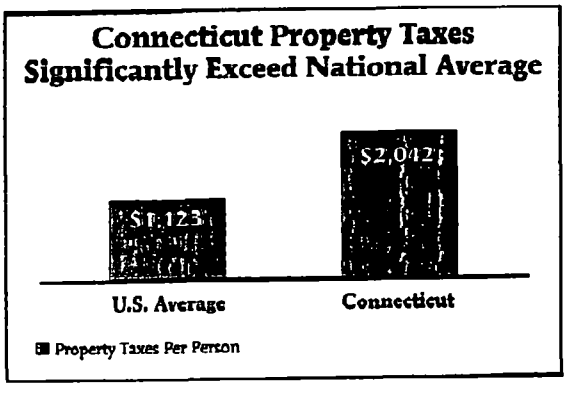
But it's been clear for years that the property tax can no longer carry the burden by itself — it is a regressive tax that is not adequate for the task of funding local government services in the 21st Century.

In early America, the property tax made sense as a proxy for wealth. The people in town with the most property, the biggest farm, and the most horses paid the most. But that's not necessarily the case any more. People on fixed or slowly growing incomes own homes whose value has risen significantly since they purchased the property (despite the recent slump in the housing market). Their property taxes rose with the increased values. The property tax, however, is income blind. Your property tax liability has no relation to how much you earn — you just have to pay it.

What worked in 1808 doesn't work in 2008.

CONNECTICUT IS ONE OF THE MOST PROPERTY-TAX-DEPENDENT STATES IN THE NATION

The per capita property tax burden in Connecticut is $2,042, an amount that is almost twice the national average of $1,123, and 2nd highest in the nation.[1] And it doesn't get much better when Connecticut's wealth is taken into account: Connecticut ranks 4th in property taxes as a percentage of personal income ($6.10 per $100 of income, compared with the national average of $5.10).[2]



Connecticut is more dependent on property taxes to fund local government than any other state in the nation. It also is the 2nd most dependent on property taxes to fund education.[3] That means that the educational opportunity a child has is directly tied to the property tax wealth of the community in which he lives.

The property tax in Connecticut is the largest single tax on residents and businesses in our state. Overall, property taxes account for 37% of all state and local taxes paid in our state.

The Property Tax

- Connecticut's biggest state-local tax
- Connecticut is more dependent on it than any other state
- Biggest tax on Connecticut businesses
- 69% of all municipal revenue

[1] US Census: State and Local Government Finance, 2005; 2006 America Community Survey; 2006 State and County Quick Facts.

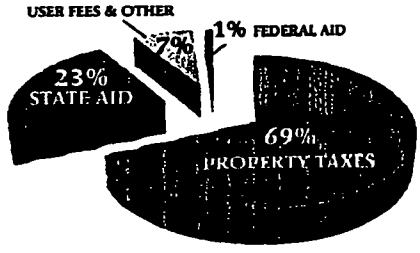
[2] US Census Bureau: States Ranked by Total State Taxes and Per Capita Amount, 2005

[3] US Census Bureau: Public Elementary-Secondary Education Finances, 2005.

Property taxes are the biggest tax on businesses. In FY 06-07, Connecticut businesses paid over $700 million in corporate income taxes — but over $900 million in property taxes.

Statewide, 69% of municipal revenue comes from property taxes. Most of the rest, 23%, comes from state aid. Some Connecticut municipalities are almost totally dependent on property taxes to fund local government. Nine towns depend on property taxes for at least 90% of all their revenue. Another 48 municipalities rely on property taxes for at least 80% of their revenue.[4]

Municipal Revenues in Connecticut



Source: CCM estimate based on OPM Municipal Fiscal Indicators, 2006

THE MUNICIPAL REAL ESTATE CONVEYANCE TAX — THE ONLY OTHER LOCAL TAX

Other than the property tax, the only tax municipalities in Connecticut can levy is the municipal real estate conveyance tax.

The municipal real estate conveyance tax has been in place for decades, as has a state real estate conveyance tax. Only recently has the local portion of the tax become controversial.

Present Rates Set In 2003

In 2003, the General Assembly and the Governor increased the local portion of the real estate conveyance tax from 0.11% to 0.25 % in all towns, with an optional 0.25 % addition for certain communities with particular economic hardships.

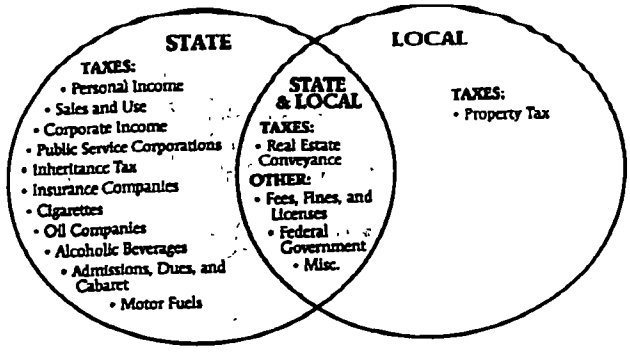
The increased rates of the conveyance tax were established to help buffer the impact on municipalities and their property taxpayers of a series of mid-year state budget cuts enacted during fiscal year 2002-2003. Despite increases in state aid the past few years, funding for several of those municipal aid programs has never been restored to their pre-2003 levels.

The initial legislation provided the increased rates for two years, and the General Assembly has extended them three times since then. The 2008 General Assembly stood up to a well-funded special interest lobbying effort and passed legislation to keep the rates in place until at least 2010 The rates should be made permanent.

The increases in the rates of the real estate conveyance tax were enacted to protect property taxpayers — residents and businesses — from the impact of flat-funding or cutbacks in state aid — and that protection is still needed.

Opponents of the increased rates say that ending them would mean $40 million in the pockets of residents. That is an illusion: if local governments lose this critically needed revenue, property taxes will surely have to rise — and cuts in local services will hurt the quality-of-life that maintains home values in our communities. There will be even more pressure on the General Assembly to provide increased aid to towns and cities.

Revenue Sources for State and Local Governments in Connecticut



Source: CCM, July 2008

[4] Municipal Fiscal Indicators, Office of Policy and Management, December 2007.

MUNICIPAL TAXING AUTHORITY IN OTHER STATES

Only 15 states allow municipalities just the property tax.

➤ **23 states** allow at least some municipalities to levy both **property and sales taxes**

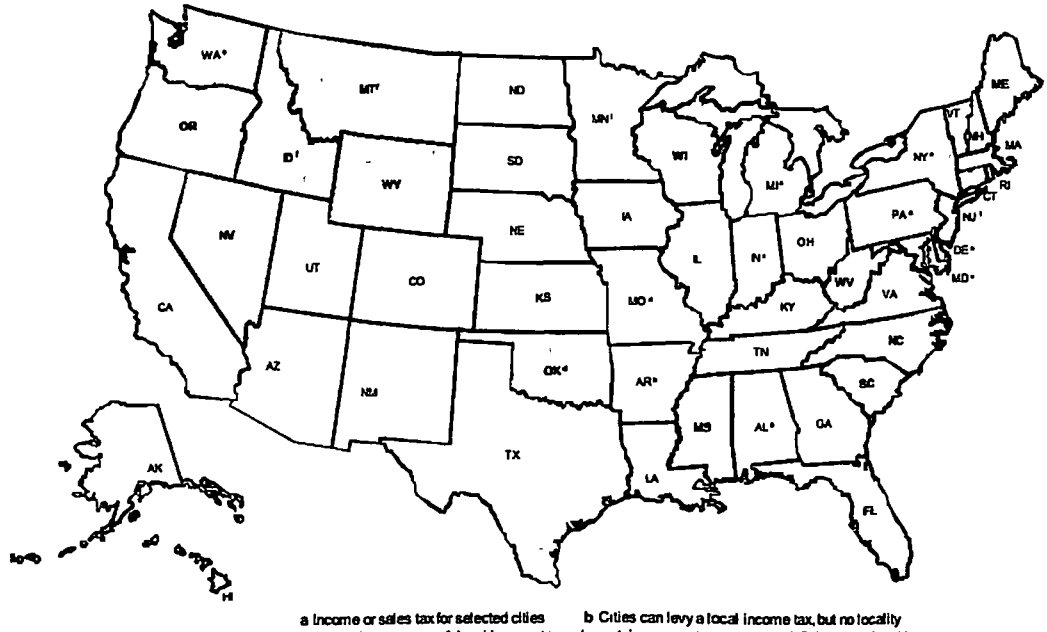
➤ **6 states** allow at least some municipalities to levy both **property and income taxes**, and

➤ **5 states** allow at least some municipalities to levy all three — **property, sales and income taxes.**[5]

Plus, remember that most other states have county governments that levy taxes in addition to state and local taxes, and that provide public services.

When people consider moving to other states they often come back talking about how low the taxes are — but they are often referring to *property* taxes, the need for which is off-set by optional local taxes, county taxes and higher state income tax rates. Of the 43 states with a personal income tax, 29 have income tax rates that reach higher than Connecticut's highest rate of 5%.[6] They include states we typically think of as our economic competitors: North Carolina (7.75%), South Carolina (7%), Georgia (6%) and our neighbors New York (6.85%) and Massachusetts (5.3%). Yet, as we've seen above, Connecticut's property taxes are second highest in the nation.

Municipal Tax Authority By State



a Income or sales tax for selected cities b Cities can levy a local income tax, but no locality currently does so. c A local income tax under certain circumstances d Sales tax only; cities can levy a property tax for debt -retirement purposes only e Cities can impose the equivalent of a business income tax. f Sales taxes for selected cities and/or restricted use only

Property or Sales Only Property + Sales Or Income Property + Sales + Income

[5] *Cities and State Fiscal Structure, National League of Cities, 2008.* Note that in some states sales and income taxes are options open only to certain municipalities. In this total we include them. Also Connecticut is listed as one of the 15 with only the property tax although some revenue is derived from the real estate conveyance tax. For more detail see the Appendix.

[6] Federation of Tax Administrators, 2008 rates. Note that in neighboring Massachusetts, which has a property tax cap, the lowest income tax rate is 5.3% — higher than Connecticut's highest rate.

CAN LOCAL TAXING AUTHORITY WORK IN CONNECTICUT?

What works in other states may not work successfully in Connecticut. We're a small state, divided 169 ways. Other states are geographically larger, have unincorporated areas that get few services, and have county governments.

One concern about granting municipalities the power to levy additional taxes is that municipalities that are poorer and have higher property tax rates will most likely be the ones that choose to levy additional taxes. In a small state like ours that might make the poorer/high tax communities even less competitive over time when it comes to attracting business investment, homeowners, etc. That would be counterproductive.

But inadequate state funding of non-education municipal aid is pushing some of our poorer communities to look at local-option taxes because of their desperate need for non-property tax revenues.

There are four primary ways that this can be dealt with:

❑ Local Option Taxes

Allow distressed municipalities, or all municipalities, **to levy certain types of local-option taxes** as a way to take pressure off of property taxes. For example, locally levied sales taxes and hotel-occupancy taxes can be considered in municipalities where those industries are strong. **New local-option taxes can also be levied on entities that do business in distressed municipalities, but which are not as 'mobile' as other businesses.**

CCM recommends that the State encourage the transition of all regional planning organizations (RPOs) into regional councils of government (COGs).

For example, franchise-fee-type tax on telecommunications and public service companies are common in other states – but although these profit-making businesses utilize municipal rights-of-way, Connecticut municipalities get only property taxes from them.

One positive aspect about local-option taxation is that it allows citizens of the municipality to decide what mix of taxes works best for their community.

❑ Allow municipalities to assess alternative taxes on a regional basis

If alternative sources of local revenue were an option open to *regions* it would allow local elected officials, working with their neighbors, to levy the taxes that would fit best with their particular region. It would combine the advantages of local revenue enhancement while tailoring it to regional needs and avoiding negative competition between urban centers and suburbs.

For example, a local-option sales tax might drive retail activity to the suburbs and away from cities, but an optional sales tax applied on a regional basis would not have the same effect – if the retailers want access to the market of a given region, the tax would apply no matter where they locate.

Of course, regional consensus is often difficult to reach, hence the allure of local-option authority as discussed above.

CCM recommends that the State encourage the transition of all regional planning organizations (RPOs) into regional councils of government (COGs). Presently, there are three kinds of regional

entities, one of which — regional planning agencies — comprise appointees and not elected officials.

COGs are made up of chief elected officials — people who are accountable to the voters of their communities for their decisions. Any other type of regional entity would be inappropriate for greater fiscal authority. The State should enact an expedited process to encourage the transition of all regional organizations to COGs. [7]

Granting local-option taxing authority to COGs would not just diversify the municipal revenue base. It would be a major step towards increasing regional cooperation and thus improve overall governmental efficiency.

❑ Make local taxes applicable statewide

One very straightforward approach would be for the State to add new sources of municipal revenue, but do so on a *statewide* basis. In this way all municipalities would be able to relieve pressures on the property tax, while avoiding any competitive harm that would arise if only certain municipalities applied the tax.

For example, the State could authorize all municipalities to collect a local tax on lodging. The money would be kept by any municipality with a hotel, motel, B&B, etc. One attractive aspect of hotel taxes is that they export most of the tax to out-of-state visitors, rather than place the revenue burden on locals.

Another example would be to raise the state sales tax and share the increase with towns and cities. This piggyback approach makes administrative sense.

There is precedent for applying local taxes on a statewide basis. The State already dictates that property taxes are the primary source of municipal revenue, and it applies the base municipal real estate conveyance tax evenly across all 169 municipalities.

The State could share a portion of the sales tax with the municipalities or region in which the tax is collected. This would avoid the political and administrative travails associated with levying new taxes.

❑ Share state revenues with municipalities or regions

A fourth way to diversify local revenue would be for the State to share portions of state revenue streams with municipalities. For example, the State could share a portion of the sales tax with the municipalities or region in which the tax is collected. This would avoid the political and administrative travails associated with levying new taxes, although it would affect state revenue. However, the State could specify that municipalities receive all, or a portion of, any increases in state sales tax revenue above the levels anticipated in the present state budget. In that way, the State would never lose revenue, but towns and cities would stand to gain.

The State could also use a piggyback approach (as discussed above) and share any increase in state taxes with towns and cities.

[7] In two regions there are "councils of elected officials" (CEOs) that function similarly to councils of governments and would not need to convert. There may need to be minor changes in the CEO statutes, however.

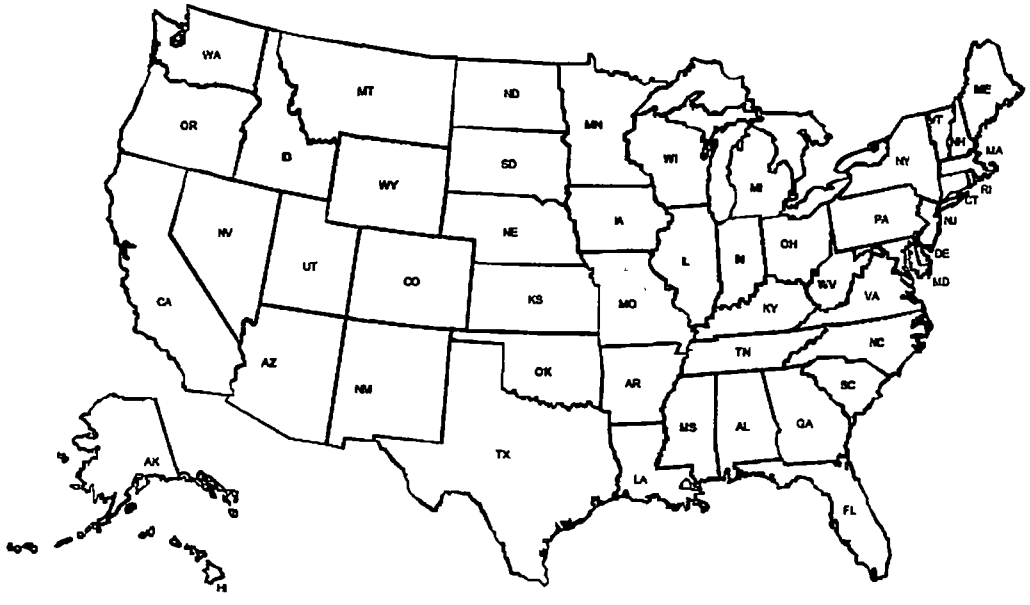
SUMMARY

Overreliance on the property tax coupled with a reluctance among state leaders to adequately increase state aid to towns and cities — particularly non-education aid — has forced a new look at diversifying municipal revenue sources. Most other states have done so — our state is one of the few locked into such an antiquated property-tax dependent system. While there are aspects of municipal revenue diversification that are of particular concern in a small state such as Connecticut, there are at least four possible approaches that should be on the table as we seek a way out of the property tax chokehold.

◇ ◇ ◇

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

Municipal Revenue Reliance By State



One Tax Source | One Source + Low Second Source | Two Tax Sources | Three Tax Sources

[5] Federal Reserve Bank of New York, Historical Exchange Rates

EXECUTIVE SUMMARY: MUNICIPAL REVENUE DIVERSIFICATION AND THE REAL ESTATE CONVEYANCE TAX

➤ **Per capita property tax burden in Connecticut is almost twice the national average, and second highest in the nation.**

➤ **Connecticut ranks fourth in the nation in property taxes as a percentage of personal income.**

➤ **The property tax is the largest single tax on residents and on businesses in Connecticut.**

➤ **69% of all municipal revenue in Connecticut comes from property taxes.**

- 9 towns get at least 90% of their revenue from property taxes.
- 48 get at least 80% of their revenue from property taxes.

➤ **The municipal real estate conveyance tax is the only tax municipalities can levy other than the property tax.**

- The present rates of the tax, slated to sunset in 2010, are a significant source of non-property tax revenue for towns and cities.
- The present rates were established in 2003 due to mid-year cuts in state aid to municipalities — and several grant programs have never returned to pre-2003 levels.
- **The present rates of the real estate conveyance tax should be made permanent.**

➤ **Only 15 states allow municipalities just the property tax. For all intents and purposes Connecticut's predominant reliance on property taxes puts it in this group.**

- **23 states** allow municipalities **both property and sales taxes.***
- **6 states** allow municipalities to levy **both property and income taxes.***
- **5 states** allow municipalities to levy **property, sales and income taxes.***

➤ **Four ideas for diversifying municipal revenue sources are:**

1. Allowing at least some municipalities to **levy additional local taxes**.
2. Allowing municipalities to **levy additional taxes on a regional basis**.
3. Establishing **new local taxes that are applicable statewide** (i.e. in all towns), such as the hotel/lodging tax.
4. **Sharing state revenue streams with municipalities or regions** (for example, a portion of the existing or increased sales tax).

** In at least some municipalities*

APPENDIX: MUNICIPAL TAX AUTHORITY BY STATE

State	Notes
Alabama	Property, sales, income (19 cities)
Alaska	Property, sales
Arizona	Property (with voter approval), sales
Arkansas	Property, sales, income (not used by any municipality)
California	Property, sales
Colorado	Property, sales
Connecticut	Property, conveyance
Delaware	Property, income (Wilmington only)
Florida	Property
Georgia	Property, sales
Hawaii	Property (Honolulu is only municipality in Hawaii)
Idaho	Property (sales for resort cities < 10,000 population)
Illinois	Property, sales
Indiana	Property, income
Iowa	Property, sales
Kansas	Property, sales
Kentucky	Income, property
Louisiana	Property, sales
Maine	Property
Maryland	Property, income (Baltimore city-county only)
Massachusetts	Property
Michigan	Property, income (22 cities)
Minnesota	Property, sales (some cities, if approved by State Legislature)
Mississippi	Property
Missouri	Property, sales, income (Kansas City & St. Louis only)
Montana	Property (sales for resort cities < 5,500 population)
Nebraska	Property, sales
Nevada	Property
New Hampshire	Property
New Jersey	Property (sales for Atlantic City, Wildwood only)
New Mexico	Property, sales
New York	Property, sales, income (New York City & Yonkers only)
North Carolina	Property
North Dakota	Property, sales
Ohio	Income, property
Oklahoma	Sales
Oregon	Property
Pennsylvania	Property, income, sales (Philadelphia only)
Rhode Island	Property
South Carolina	Property
South Dakota	Property, sales
Tennessee	Property, sales
Texas	Property, sales
Utah	Property, sales
Vermont	Property (some sales)
Virginia	Property, sales
Washington	Property, sales, B&O (business income) tax
West Virginia	Property
Wisconsin	Property
Wyoming	Property

Source: *Cities and State Fiscal Structure*, National League of Cities, 2008

CCM — CONNECTICUT'S STATEWIDE ASSOCIATION OF TOWNS AND CITIES

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities. CCM represents municipalities at the General Assembly, before the state executive branch and regulatory agencies, and in the courts. CCM provides member towns and cities with a wide array of other services, including management assistance, individualized inquiry service, assistance in municipal labor relations, technical assistance and training, policy development, research and analysis, publications, information programs, and service programs such as workers' compensation and liability-automobile-property insurance, risk management, and energy cost-containment. Federal representation is provided by CCM in conjunction with the National League of Cities. CCM was founded in 1966.

CCM is governed by a Board of Directors, elected by the member municipalities, with due consideration given to geographical representation, municipalities of different sizes, and a balance of political parties. Numerous committees of municipal officials participate in the development of CCM policy and programs. CCM has offices in New Haven (the headquarters) and in Hartford.

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