

Legislative History for Connecticut Act

PA 14-174

SB447

House	7074-7079	6
Senate	3171-3176	6
Finance	400, 402-406, 475-480, <u>489-490</u>	14
		26

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**CONNECTICUT
GENERAL ASSEMBLY
HOUSE**

**PROCEEDINGS
2014**

**VOL.57
PART 21
6912 – 7260**

Good evening, Mr. Speaker. I'm sorry for the confusion. We're about to set up our third consent calendar for the evening, Mr. Speaker.

SPEAKER SHARKEY:

Please proceed, sir.

REP. ARESIMOWICZ (30th):

Mr. Speaker, I would ask that -- I would like to move the following items to the Consent Calendar, all of which are in concurrence with the Senate.

Senate Bill 293, House Calendar Number 539 as amended by Senate "A"; Calendar Number 321; Calendar 486 as amended by Senate "A"; Calendar 542 as amended by Senate "A"; Calendar 540 as amended by Senate "A"; Calendar 507 as amended by Senate "A"; Calendar 411 as amended by Senate "A"; Calendar 472 as amended by Senate "A"; Calendar 314; Calendar 132 as amended by Senate "A"; Calendar 116 as amended by Senate "A"; Calendar 541 as amended by Senate "A" and Senate "B".

SPEAKER SHARKEY:

Representative Aresimowicz, I believe that a couple of the bills that you called were actually Senate calendar numbers, not House calendar numbers. So I believe the Clerk knows what you're intending, he

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may -- with your indulgence, I was going to ask him
to, perhaps, offer the correction.

REP. ARESIMOWICZ (30th):

Mr. Speaker, maybe for clarification, I'll go
through the bill numbers very quickly.

It being Senate Bill 29 --

REP. CAFERO (142nd):

Mr. Speaker -- excuse me, Mr. Speaker. Is this
the appropriate time for one to object to all the
items on the Consent Calendar?

SPEAKER SHARKEY:

It would be.

REP. CAFERO (142nd):

I will object to all the items on the Consent
Calendar. I would respectfully request that we talk.

SPEAKER SHARKEY:

Thank you, sir.

With that objection, we will suspend action on
the Consent Calendar so that the Minority and Majority
Leader may talk.

[Pause.]

REP. ARESIMOWICZ (30th):

Thank you very much, Mr. Speaker.

Mr. Speaker, I -- just to clarify, I'm going to run through the bill number and the calendar number.

It would be Senate Bill 293, which is Calendar 545; Senate Bill 429, which is Calendar 539; Senate Bill 115, which is Calendar 321; Senate Bill 203, which is Calendar 486; Senate Bill 71, which is Calendar 542; Senate Bill 447, which is Calendar 540; Senate Bill 61, which is Calendar 507; Senate Bill 75, which is Calendar 411; Senate Bill 321, which is Calendar 472; Senate Bill 66, which is Calendar 314; Senate Bill 178, which is Calendar 495; Senate Bill 430, which is Calendar Number 489; and Senate Bill 425, which is Calendar 51 -- 541.

And I move adoption of the Consent Calendar.

SPEAKER SHARKEY:

Mr. Clerk, does that match your listing of the calendar numbers?

THE CLERK:

430, Mr. Majority Leader, Senate Bill 430 is calendar what?

REP. ARESIMOWICZ (30th):

489.

THE CLERK:

Yes. It does, Mr. Speaker.

SPEAKER SHARKEY:

And, Mr. Majority Leader, could you also indicate -- I'm sorry to have to delay this for a second, but according to my notes, all of those -- well, most of those are adopted -- or amended by Senate "A"? If you could just --

REP. ARESIMOWICZ (30th):

Correct, Mr. Speaker.

SPEAKER SHARKEY:

specify --

REP. ARESIMOWICZ (30th):

Except the first and the last, sir. The last one being Senate "A" and "B," sir.

SPEAKER SHARKEY:

Thank you. As long as we're clear about the amendments that have been adopted in the Senate.

REP. ARESIMOWICZ (30th):

Correct, Mr. Speaker. And I move passage of the bills on today's Consent Calendar Number 3.

SPEAKER SHARKEY:

The question before the Chamber is adoption of the Consent Calendar Number 3?

Staff and guests please come to the well of the House. Members take your seats. The machine will be open.

THE CLERK:

The House is voting on Consent Calendar Number 3.

The House is voting by roll. Will members please return to the chamber immediately.

SPEAKER SHARKEY:

Have all the members voted? Have all the members voted?

Take your time, Representative Boukus.

Would members please check the board to make sure your vote is properly cast. If all the members have voted, the machine will be locked and the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

Consent number -- Consent Calendar Number 3

Total Number Voting	147
Necessary for Passage	74
Those voting Yea	147
Those voting Nay	0
Those absent and not voting	4

SPEAKER SHARKEY:

The Consent Calendar is passed.

Will the Clerk please call Calendar 506?

THE CLERK:

Calendar 506, on page 25, favorable report of the
joint standing committee on Appropriations. Senate

Bill 55, AN ACT CONCERNING COMPLAINTS THAT ALLEGED
MISCONDUCT BY LAW ENFORCEMENT AGENCY PERSONNEL.

SPEAKER SHARKEY:

Representative Fox.

REP. FOX (146th):

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

SPEAKER SHARKEY:

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

Will you remark, sir?

REP. FOX (146th):

Thank you, Mr. Speaker.

The Clerk has an amendment, LCO Number 4583. I'd
ask that it be called, and I be allowed to summarize.

SPEAKER SHARKEY:

Will the Clerk please call LCO 4583, which has
been previously designated Senate Amendment "A."

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SENATE**

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THE CLERK:

On page 40, Calendar 281, Substitute for Senate Bill Number 447, AN ACT CONCERNING A PILOT PROGRAM TO PROVIDE PROPERTY TAX RELIEF FOR BUSINESSES AND HOME OWNERSHIP INCENTIVE PROGRAMS, Favorable Report of the Committee on Finance, Revenue, and Bonding and there are amendments.

THE CHAIR:

The Senate is going to have to stand at ease for a moment, please.

(Chamber at ease).

THE CHAIR:

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President. An additional item to mark go, Madam President. Calendar page 9, Calendar 379, Senate Bill 343. And if the Clerk would call as the -- as the next item, the Judiciary Committee bill just marked go, Calendar page 43, Calendar 403, Senate Bill 389.

THE CHAIR:

Mr. Clerk. I'm sorry? Senator Looney, we have the bill in front of us that was called and the Chairman is now back in the Chamber. Would you like to go back to the bill that's already been called, sir?

SENATOR LOONEY:

Yes, Madam President. If that bill is ready, let us then return to Calendar 281, page 40, Calendar 281, Senate Bill 447 to be followed by Calendar page 43, Calendar 403, Calendar 389 to be followed by the third item just mentioned, Senate Bill 343. Thank you, Madam President.

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Thank you.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Good morning, Madam President.

THE CHAIR:

Good morning, sir.

SENATOR FONFARA:

I move for acceptance of the Joint Committee's
Favorable Report and passage of the bill.

THE CHAIR:

Motion is on acceptance and passage. Will you remark,
sir?

SENATOR FONFARA:

Yes, Madam President, the Clerk is in possession of an
amendment, 5439, may he please call, and I be allowed
to summarize.

THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO Number 5439, Senate "A" offered by Senator
Fonfara, Fasano, et al.

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

I move adoption, Madam President.

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THE CHAIR:

Motion is on adoption. Will you remark, sir?

SENATOR FONFARA:

Madam, this bill does a series of things to encourage, among other things, home ownership in our urban areas, as well as provides for a alternate way for businesses seeking to overcome barriers to entry by allowing for taxation to be based on income rather than based on assessment of the property value at the local -- at the municipal level. I urge passage of the amendment, Madam President.

THE CHAIR:

Will you remark? Will you remark? Senator Frantz.

SENATOR FRANTZ:

Thank you, Madam President. I rise in favor of the amendment, but I do have one, possibly to two questions of Senator Fonfara. Through you, Madam President.

THE CHAIR:

Proceed, sir.

SENATOR FRANTZ:

Yes, thank you, Madam President. Just so that we're all clear as to how the process or what the language of this bill will call for when it comes to assessing a tax lien based on net profits of a company as opposed to the value of the land. How will that work? What sort of a formula will they use, and is it in -- is it delineated in the bill?

THE CHAIR:

Senator Fonfara.

SENATOR FONFARA:

Through you, Madam President, this is all by agreement

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and is voluntary on the part of the municipality, on the part of the business, and on the part of the property owner if that is different than the business.

And instead of from day one on -- when a business is starting up and has the barrier of having to pay property taxes, this would allow for the use of income and would grow as the income grew, so would the ability to tax off of that.

And it would be on a schedule to be agreed upon between the municipality and the owner of the business and, again, if the property owner is different, then with that it'll be purely voluntary.

But it's an alternate approach to taxation, hopefully to encourage in areas or buildings that may be undervalued or businesses that can't start up because from day one they have that huge barrier that they have to pay of property tax.

And so it's a different tool in the toolbox to encourage business startups, to encourage activity in maybe an undervalued property currently. Through you.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you. And the way you've written -- through you, Madam President, the way you've written this bill, Senator Fonfara, you've given a wide amount of latitude in terms of the ability to negotiate a deal of any kind of terms that one could possibly imagine. Is that correct? Through you, Madam President.

THE CHAIR:

Senator.

SENATOR FONFARA:

That is correct, and no one has to participate in this. No municipality has to, no business has to. But whatever they can figure, including the schedule

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as to when they would exit and move over to the traditional assessment method for taxation on the value of the property, that would be certainly be at the discretion of the municipality and the other parts. Through you.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you, Madam President, thank you for that answer. I think when I first saw this idea, I kind of had to bang my head against the wall a little bit to try to figure out exactly where this was coming from.

But after thinking about it, and conferring with Senator Fonfara, this makes sense, and we as a state have to get creative, particularly in our municipalities in terms of being able to support entrepreneurial activity, and I think this is a wonderful way to do it. Thank you, Madam President.

THE CHAIR:

Thank you. Will you remark? Will you remark on Senate "A"? If not I'll try your minds. All in favor of Senate "A" please say aye.

SENATORS:

Aye.

THE CHAIR:

Opposed? Senate "A" is adopted. Will you remark?
Will you remark? Senator Fonfara.

SENATOR FONFARA:

Madam President, unless there's objection, I would move this to the Consent Calendar.

THE CHAIR:

Seeing no objection. A roll call vote will be taken.

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Mr. Clerk, will you call for a roll call vote and the machine will be open.

THE CLERK:

Immediate roll call has been ordered in the Senate.
Immediate roll call ordered in the Senate.

THE CLERK:

Immediate roll call has been ordered in the Senate.
Immediate roll call ordered in the Senate.

THE CHAIR:

Senator Welch, will you vote, please? Thank you. If all members have voted, all members have voted, the machine will be closed. Mr. Clerk, will you call the tally.

THE CLERK:

Senate 447 as amended.

Total number voting	35
Those voting Yea	35
Those voting Nay	0
Absent not voting	1

THE CHAIR:

The bill passes. Mr. Clerk.

SENATOR LOONEY:

Madam President.

THE CHAIR:

Senator Looney.

SENATOR LOONEY:

Yes, thank you, Madam President. If the Clerk would call Calendar page 43, Calendar 403, Senate Bill 389.

THE CHAIR:

**JOINT
STANDING
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Next up on the list is Bob Labanara from CCM.

BOB LABANARA: Good morning, Senator Fonfara, Representative Widlitz, members of the Finance, Revenue and Bonding Committee, my name is Bob Labanara, state relations manager for the Connecticut Conference of Municipalities. I am here this morning to testify on several bills before the committee.

SB 468
SB 467

The first two of which are Senate Bill 447 and Senate Bill 4468. Both bills -- well, I guess I'll start with 447, which would assess -- allow towns to assess commercial properties based on the net profits from the previous calendar year of the business occupying such commercial property. This bill was before the committee last year, Senate Bill 1115, and we were interested in working with committee staff on -- on possible solutions to that.

In connection with this bill -- similar is Senate Bill 44 -- or 468, which would among other things mandate municipalities with 30 percent of less of its residential units that are owner occupied homes, for those towns to implement programs to promote home ownership in certain areas of such municipalities and that would require the towns to abate property taxes and provide an exemption from personal income taxes for the residents.

Simply put, we feel that these two bills would tie into a proposal that's on the agenda today which is House Bill 5545 that would have the Finance Committee, this committee, convene a panel of experts to conduct a study to thoroughly examine the state's local tax structure. You know, any -- any -- any

short, it forces other residential and business tax payers to make up the difference. So we are looking forward to, again, as a work in progress, to work with the committee on this proposal.

I'd be happy to answer any questions at this time.

SENATOR FONFARA: Bob, appreciate your testimony. With respect to the Senate Bill 447, you testified in opposition to that bill?

BOB LABANARA: Senator, we're testifying that we take a -- a deeper look at it. We have question --

SENATOR FONFARA: What are your questions? If you could elaborate.

BOB LABANARA: Sure. We have concerns about the proposal that would get away from an ad valorem and at value system that we have currently in our property tax structure. In other words, as the bill is written we have answers about how that would impact, right now, town assessments of different properties based on their net value and how we would access those records. And again, what the impact would be on the tax structure in each particular municipality.

SENATOR FONFARA: Have you -- have you read the bill?

BOB LABANARA: I have read the bill and I read the bill last year, Senator.

SENATOR FONFARA: And what about it is -- do you understand it's -- it's optional for a

· municipality to participate?

BOB LABANARA: We do understand that.

SENATOR FONFARA: So -- and that all parties would have to agree to participate?

BOB LABANARA: As the bill is written, that's correct. We want to know what it is that they would be doing, how that bill would implement the assessments on each business. In other words if a town was to -- if this bill were to pass as written right now, we still have questions about how a town would implement a net assessment on -- on commercial businesses, how that would impact other businesses in that town. So what we're asking for is the committee in the proposal to study local state and tax structures to include this as a topic to thoroughly vet what -- what this would be.

SENATOR FONFARA: I understand, but I'm speaking on the bill itself. I'm asking you questions relating to the bill itself. And what is -- if the town must be a participant, it must agree to participate, in which case I -- I think it would be a stretch to believe that they would agree to -- to an approach for a -- a property that may be undervalued currently as a additional mechanism, another tool --

BOB LABANARA: Right.

SENATOR FONFARA: -- in order to maximize the value. What town would do that unless they believe that either short term or long term they would realize greater value for that property?

BOB LABANARA: We want to make sure that a town's decision does not have a ripple effect on the

region as well. In other words, if a town opts to do and implement a net assessment on commercial value, what is the effect on the region? What is the effect of neighboring towns?

SENATOR FONFARA: What would -- what would it be if -- if you have a building in a - in a -- in a municipality that is a building in the eyes of the municipality is undervalue, a business that from day one when it starts up has to pay property tax based on the assessment, no revenue coming in, but -- but from day one they have a barrier to entry into that business, whatever it might be. And here's a tool that says you can assess it based on revenue generated by that business as opposed to an immediate impact. What ripple effect would that have outside of that municipality?

BOB LABANARA: That's exactly the question that we're -- we're looking to see. I -- we're not aware of any precedent for this in terms of our tax assessors asking how they would implement this. So these are the questions that you're raising that we worked with off session with your staff and others and are willing, again, to work with you on this. But at this point, we have concerns about potentials on -- of unintended consequences.

SENATOR FONFARA: But I'm asking you. You have -- you have the floor, sir. What -- what unintended consequence are you suggesting might be.

BOB LABANARA: Again, in going away from an at value system, we're not aware of how that would be implemented in a town even if they decided to -- to do that.

tmj/gbr FINANCE, REVENUE AND BONDING 10:30 A.M.
COMMITTEE

SENATOR FONFARA: That's the -- that's the choice of the town. It's not -- there's no mandate to this bill. It's purely the choice --

BOB LABANARA: It would not be the choice of the town adjacent to that town. And so we want to know if there would be a ripple effect in terms of business development and growth, in terms of --

SENATOR FONFARA: Well, let's look --

BOB LABANARA: -- the taxing structure.

SENATOR FONFARA: Let's look at it this way. If you have a -- a property in a town that the value drops under the current approach, so should we -- and it has an impact -- let's say it's on the -- on the border.

BOB LABANARA: Right.

SENATOR FONFARA: Should we not have the system we have now because of the ripple effect that you're suggesting would -- might be -- might be under this approach?

BOB LABANARA: Can you repeat the hypothetical?

SENATOR FONFARA: The current system we have of assessment --

BOB LABANARA: Right.

SENATOR FONFARA: -- you have a property on the border of a town. That property declines in value. Is there some protection that you know of in terms of the ripple effect of that -- of the current model?

BOB LABANARA: You know ,there was -- the proposal last year that offered a PILOT program for what's known as a land use -- the value tax. The Moore Commission, I guess, studied that. These things have impacts, these types of tax structure approaches have impacts.

While I'm not a tax expert, I do know it would be intellectually dishonest to move forward without the proper data. And that's our position here today, Senator, to be quite honest with you. We're not opposing the bill straight up, but we're asking to work with you. But before we pass any bills such as this or the PILOT program that was passed on land use tax, to first look at data or gather or capture data.

SENATOR FONFARA: All right. I would take from your lack of response that you don't have a reason or an explanation as to whether or not under our current system that a town is protected from the so called ripple effect that you have -- have spoken to.

But I thank you for your testimony. Further questions? Thank you.

I see Majority Leader Looney has joined us and, sir, you have the floor.

Good morning, Senator Looney.

SENATOR MARTIN LOONEY: Good morning, Senator Fonfara and Representative Widlitz and members of the Finance, Revenue and Bonding Committee. My name is Martin Looney, represent the 11th Senatorial District, New Haven, Hamden and North Haven. I'm also Senate Majority Leader

SB467

PAUL GIGUERE: We're -- we can provide that information to you, if that would be easier than -- certainly.

REP. BECKER: That would be -- that would be great.

PAUL GIGUERE: Yep.

REP. BECKER: And I just wanted to note that the six million dollar figure happens to be the same amount that the local access channels were looking to have restored for PG around the state. It just happens to be the same number and for likewise worthwhile causes. Thank you. Thank you, Mr. Chairman.

SENATOR FONFARA: Thank you, sir. Further questions? Thank you very much.

Next up is Bonnie Stewart to be followed by Tamara Kramer.

BONNIE STEWART: Good afternoon -- I actually don't know what time it is. But good day. My name is Bonnie Stewart and I'm vice president of Government Affairs of the Connecticut Business and Industry Association.

I've submitted testimony on two proposals, Senate Bill 447 and Senate Bill 448. Instead of going through this -- the testimony, I'm just going to point out a few of the specific reasons why CBIA has concerns with both of these pieces of legislation.

The first in terms of Senate Bill 447 -- this measure proposes for some, switching their property taxes from the value of the property to their profits. And this is -- on the positive side, is another tool for

municipalities to try to encourage economic development for struggling businesses and it's limited in its application. The reason why we have concerns is that it also would or could result in some unpredictability, some inconsistencies. And those are the things that we constantly hear from our tax experts within companies, large or small, that they have concerns with.

The reason for this is that when you know that all the properties in your town are being based on the value of the property you've got that based on the grant list and you have a rough idea of what your property is going to be assessed at from year to year. When you start changing in the middle of that five year period for the -- the whole year base for revaluation, et cetera, you then start to erode that consistency or the amount of property, their dollars that everyone will know that they'll be paying their assessment on.

We want to ensure that we just looked at the positive sides of it, the potential negatives and while we appreciate the fact that you're looking at increasing economic development, our guys felt that right now without knowing the assessments, how it would be calculated, without knowing how many properties would be subject to that, that at this point the negatives slightly outweigh the positives.

It would be something we'd be willing to work on. We actually believe that you made it a little bit clearer, more clearer than last year. But we still aren't really sure how it would be implemented and there are concerns, again, about eroding that revaluation period in terms of taking some of the properties out of

it based on the fact that you wouldn't be looking at their values.

So something we're willing to talk about but you had asked earlier, Senator Fonfara, about the specifics in terms of concerns with the bill, those are our concerns with -- with this measure.

For Senate Bill 448, CBIA actually is a very big supporter of results based accountability, but those usually -- or that method is usually used to determine whether a program works or doesn't work. Whereas the bulk of our credits in Connecticut, the tax credits are not programs as a whole, but they're -- they're narrow incentives to encourage people to perform a certain behavior.

So for example, the incremental R&D tax credit. It says that if you spent more on research and development in Connecticut this year than you did last year because you're trying to encourage that activity in the state, then you'd be entitled for this tax credit. You know whether the tax credit worked or not based on whether or not somebody claimed it. It's got to be previously earned, so you have to earn it, then you can claim it.

It's a little bit different than a program where you're putting dollars out to -- that has many components to it to try to bring about different results in society type of thing. And I would say that the fixed capital is another one. They're really very narrow. Fixed capital is where you can purchase certain machinery, equipment, tangible property for your business and you have to keep it in the state for so long, it's got to be valued for so

long. And then you get to take a tax credit.

So again, it's a slim behavior in sensing. You can tell right away whether it works or not based on whether anybody's ever claimed it. It's not a -- it's not a program that has so many pieces that you need to pull everything together and start identifying what the concern is and the normal way you would go through results based accounting.

SENATOR FONFARA: Thank you, Bonnie. On 447, a couple of questions. One is you mentioned the predictability of a five years of the reveal. Don't mill rates change year to year?

BONNIE STEWART: They do change, but your whole base year reveal concept --

SENATOR FONFARA: But you -- I'm just speaking to the -- your point about predictability.

BONNIE STEWART: Right.

SENATOR FONFARA: What kind of predictability do you have within those five years if mill rates are changing every year?

BONNIE STEWART: But they don't change based on the amount of property you - basically -- you start off with your grant list. Now it can grow a little bit or be reduced a little bit. And then you get into the budgetary process. So you've actually got two factors here. When you're changing the way you're going to assess people or some people based on profit versus the value of their property, now you've got two factors in there. So I'm not going to tell you that it's completely predictable and consistent. It's definitely not. But I

believe based on the conversations with our members that the profit based -- adding that in in terms of the profit based assessment makes it that much less predictable and -- and less consistent.

SENATOR FONFARA: You believe a municipality would enter into any number of these that -- to the point where it would effect their -- the revenue they're realizing?

BONNIE STEWART: That where they looked at it. They said the positive side is, as I pointed out, you've got another tool. And we don't believe it would be because we do believe there'd be limited application. As you pointed out earlier, you have to have three parties agree, if there's three in this case, but you know, you've got the municipality. Say the company doesn't own the property so you've got the person that owns it and then the -- the business.

It's just -- it's just not -- no to be quite honest, we don't know what our other business partners in town or the other businesses in town make or don't make. We don't get into the profit situation. The profits only come to play when it's time to pay either their business taxes or their personal income tax or to their corporate tax. So I can't tell you exactly and I guess that's the big problem. It's not that we're not interested in this or we don't appreciate it, it's just -- it's really an unknown to a large extent.

SENATOR FONFARA: But I guess the question is what town, what municipality would enter into -- your -- your concern is the unpredictability, the impact on assessed properties and how that

would effect other businesses, correct?

BONNIE STEWART: I do not believe that the initial first years are people's concern because as you pointed out, we cannot believe a lot of municipalities would start to enter into this right away. But we are worried about the erosion. So what does it lead to over time?

I don't have a -- I wish I could give you specifics in terms of how do you fix this. We spent a lot of time this summer looking at it, knowing that it was important to you. And we don't have -- I don't have language to say if you did this, we'd be okay or if you did that. We're open to suggestion so if you --

SENATOR FONFARA: How about -- how about if we limited it to, you know, a PILOT initiative of five towns -- five buildings in a town? That's predictable.

BONNIE STEWART: If you limited it to -- that to me sounds more like an enterprise zone. But if you did a pilot program we would have far fewer concerns, absolutely.

SENATOR FONFARA: Okay. Questions? Thank you, Bonnie.

BONNIE STEWART: Thank you.

SENATOR FONFARA: Tamara Kramer to be followed by Representative Urban, if she's here. There she is. Good timing.

TAMARA KRAMER: Good afternoon.

SENATOR FONFARA: Good afternoon.



PI 6/11/12
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FINANCE, REVENUE & BONDING COMMITTEE

March 17, 2014

The Connecticut Conference of Municipalities (CCM) is Connecticut's statewide association of towns and cities and the voice of local government - your partners in governing Connecticut. Our members represent over 92% of Connecticut's population. We appreciate the opportunity to testify on bills of interest to towns and cities.

Senate Bill 447, "An Act Concerning a Local Option Property Tax Relief for Businesses"

This proposal would allow towns and cities to assess commercial properties based upon the net profits from the previous calendar year of the businesses occupying said commercial property. As stated in previous testimony before the Finance Committee – towns and cities seek reasonable options as they face the challenges of this fiscal climate. To this end, **CCM appreciates the intent of SB 447 to attract and retain local businesses.**

CCM has questions however, regarding the methodology needed to apply such a proposal – and the potential unintended consequences of deviating from the core principle of Connecticut's ad valorem ("according to value") tax base system.

Any proposal to eliminate, or amend, critical local tax revenues should first be thoroughly examined via comprehensive data analyses. A "tax incidence study" would allow for an understanding of the combined impacts of the present federal-state-local tax system on individuals, families and businesses. It would also allow state lawmakers to better gauge the effects that tax proposals, such as SB 447, could have on these same groups. To this end, the State Department of Revenue Services is required to complete its tax incidence study by December 2014 (*pursuant to Section 330 of Public Act 13-247*) which should provide the Committee more detail on the impact and practicality of proposals such as SB 447.

Therefore, **CCM requests the Committee take no action on SB 447 until further analysis is complete.**

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If you have any questions, please contact Robert Labanara, State Relations Manager of CCM, at rlabanara@ccm-ct.org.

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TESTIMONY OF
BONNIE STEWART, VICE PRESIDENT OF GOVERNMENT AFFAIRS
CONNECTICUT BUSINESS & INDUSTRY ASSOCIATION
BEFORE THE
FINANCE, REVENUE AND BONDING COMMITTEE
LEGISLATIVE OFFICE BUILDING
MARCH 17, 2014

Good morning, my name is Bonnie Stewart. I am vice president of government affairs for the Connecticut Business & Industry Association (CBIA). CBIA represents approximately 10,000 businesses throughout Connecticut and the vast majority of these are small companies employing fewer than 50 people.

CBIA continues to have reservations about changing the property tax assessment as outlined in **SB 447 An Act Concerning A Local Option Property Tax Relief For Businesses**. **SB 447** would permit towns to base certain commercial establishments' property taxes on the profits of the businesses occupying them, instead of the value of the properties.

We appreciate that **SB 447** seeks to give municipalities another tool to help develop their commercial tax base. Yet the measure would give municipalities the ability to erode the simplicity and equity of the property tax system. Mill rates would rise to some extent in communities employing the provision because certain properties would be subsidized by other businesses and residents. Under this proposal, the whole base year revaluation concept would begin to erode if changes during the five-year revaluation cycle were allowed to be taken into account for some taxpayers, but not for others.

For most commercial properties, the profitability of businesses that occupy the real property has nothing to do with the properties' value. Second, municipal tax assessors already have recognized techniques at their disposal (e.g. adjustments to the vacancy rate used, and recognition in an income approach of both the time and expense of leasing a building) to assist in problematic property tax situations, such as those **SB 447** is meant to address.

For these reasons, our concerns with this proposal far outweigh the limited benefit its passage might bring, and so CBIA must oppose **SB 447**.

Thank you for the opportunity to express our concerns.