Connecticut Tax Panel
Property Tax Options Matrix
December 8, 2015

Matrix of Property Options for Reform of the Property Tax and Local Revenue Diversification		
Topic and Recommendations	Impact	Revenue Implications
1) Property tax administration		
a) Eliminate the 70 percent fractional assessment	Improve transparency	None
b) Move to annual reassessment	Improve equity and transparency	Could cost local governments more, but costs could be mitigated if done at a regional or state level
2) Exempt Properties		
a) Extend property tax to 25 percent of value of some exempt properties. Exclude municipal and federally owned properties and non-profits less that $1 million	Broadens the property tax base and improves neutrality and equity of the property tax	Implement in revenue neutral manner which will reduce effective property tax rate for properties that do not get preferential treatment
b) Develop a Boston type PILOT program where payments are negotiated on a *quid pro quo* basis.	Broadens the property tax base and improves neutrality and equity of the property tax. Cost could increase because payment is negotiated with each exempt property owner.	Implement in revenue neutral manner which will reduce effective property tax rate for properties that do not get preferential treatment
3) Direct property tax relief		
a) Eliminate 140+ current partial exemptions and implement an expended circuit breaker through the state income tax	Simplifies the property tax and targets property tax relief on those most in need. Makes property tax relief needs tested thereby improving equity and reducing regressivity	Estimated cost of a comprehensive circuit breaker was between $211 and $168 million depending on design. Savings from eliminating current property tax relief approximately $189 million. Essentially revenue neutral.
b) Tighten administrative manner of implementing PA490 and restrict its use to strategically critical properties	Broadens the property tax base and improves neutrality and equity of the property tax	Data not available to estimate the total revenue impact.
c) Modify current property tax deferral program by reducing threshold level from 8 to 5 percent and hold governments harmless by having the state provide a low interest loan secured by the property	Increases the number of property owners eligible for the deferral	Not available.

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Topic and Recommendations	Impact	Revenue Implications
4) Diversifying Municipal Revenues in Connecticut		
a) Allow local governments to adopt a local sales tax	Broadens revenue options for local governments. Cross border shopping only marginally impacted. Administrative costs low if simply an add-on to the state sales tax. More regressive than the property tax.	Takes pressure off the local property tax reducing property taxes by up to 6.1 percent.
i. implement by individual towns	See impacts described above.	
ii. Implement on a regional basis	Reduces local competition for sales tax base since it is shared by all, to some extent. If a portion of the revenue is redistributed to towns in the region it can reduce fiscal disparities and be equalizing.	
b) Allow local governments to adopt a local income tax -- five different approaches evaluated	Broadens revenue options for local governments. If tax rates vary across towns it could result in migration from high to low tax municiaplities. Administrative costs low if simply an piggy-back to the state income tax. Less regressive than the sales or property tax. Could be proportional	Takes pressure off the local property tax reducing property taxes by up to 11.5 percent
i. Implement by individual towns	See impacts described above.	
ii. Implement on a regional basis	Same as above, but could provide some equalization depending how the portion of the tax going into a regional pool is distributed to municipalities in the region.	

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Topic and Recommendations	Impact	Revenue Implications
5. Personal Property Tax		
a) Policy options for improving compliance		
i. exempt those with PP valued at $5,000 or less	Improve simplicity and cost of administration for both the municipality and the taxpayer	reduce accounts by 35% and property tax revenues by 0.006%
ii. Exempt those with PP valued at $7,500 or less	Improve simplicity and cost of administration for both the municipality and the taxpayer	reduce accounts by 42% and property tax revenues by 0.01%
iii. Exempt those with PP valued at $10,000 or less	Improve simplicity and cost of administration for both the municipality and the taxpayer	reduce accounts by 46% and revenues by 0.014%
b) Policy options for improving administration		
i. revisit approach to depreciation and residual value	Improve administration, business decision making and equity	NA
ii. Assign OPM to evaluate possibility of obsolescence and provide guidance to local assessing offices	Improve administration, business decision making and efficiency	NA
ii. Improve audit procedures and frequency	Improve administration, business decision making and efficiency	NA
iv. Strengthen OPM role in overseeing uniformity in assessment administration	Improve administration and equity	NA

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Topic and Recommendations	Impact	Revenue Implications
6. Motor Vehicle Tax		
a) Continue with the current system	No change	No change
b) Establish a revenue-neutral statewide mill rate and "hold harmless" provision to replace the lost revenue in some cities.	Improve equity	Equal yield and some taxpayers would see their taxes go down and some would see them go up
c) The same as Policy Option 2, but apply local mill rate and let local governments collect the revenue directly.	Improve equity	Equal yield and some taxpayers would see their taxes go down and some would see them go up
d) Replace the current ad valorem tax with a revenue neutral excise tax	Greatly improve equity and cut administrative costs	Many taxpayers may see their taxes increase
e) Replace the current ad valorem tax with an excise tax based on the weight of the vehicle.	Greatly improve equity and cut administrative costs	Some municipalities could see their tax revenues decline
f) Eliminate the motor vehicle tax without replacing the revenue	Improve equity and efficiency and eliminate onerous administrative costs	Local governments would lose $600 to $700 million in revenue with limited ways to replace the revenue

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Topic and Recommendations	Impact	Revenue Implications
7. Conveyance and Controlling Interest Tax		
a) Retain the three components of the Real Estate Conveyance (REC) tax – state, municipal, and targeted investment communities—and the state Controlling Interest Transfer (CIT) tax at current rates.	No change	No change
b) Retain the local tax including the optional rate for the targeted investment communities and repeal the state component of the REC. Retain the state CIT tax	Maintains horizontal equity and some small degree of local revenue diversification	Reduce state revenues by between $126 million to $172 million.
c) Retain the state taxes (REC and CIT) but repeal the REC local components	Horizontal equity between properties transferred in targeted investment communities and in all other municipalities is restored and local tax burdens may shift to extent residential share of the REC was greater than its share of the property tax	Local revenues will fall by about $41 million and the limited local revenue diversification provided by the REC will be lost and targeted investment communities would lose more
d) Upon removing the local portion of the tax in previous option, increase the state REC rates by the 0.25 percent local rate and permanently earmark the increased revenues for regional activities or for additional funding of the Community Investment Fund	Revenue neutral to the seller of property	Increase state revenues by approximately $41 million