

February 14, 2023

Esteemed Chairs Kavros Degraw and Rahman,
Members of the Planning and Development Committee:

The Western Connecticut Council of Governments (WestCOG) appreciates the opportunity to comment on Proposed Bill 497, *An Act Eliminating the Property Tax on Motor Vehicles and Concerning Mechanisms to Replace the Resulting Loss of Revenue*.

WestCOG is concerned that replacing the property tax on motor vehicles with a surcharge on home and auto insurance policies may have unintended consequences. These may include:

- Increased federal tax liability for Connecticut households. Property taxes are deductible on federal taxes (up to a combined limit with state income tax of \$10,000). In contrast, the insurance surcharge proposed may not be. For households whose income and property taxes are less than \$10,000, replacement of the property tax with a nondeductible charge would result in an increase in federal tax bills. This would decrease disposable income for many Connecticut households and exacerbate the state's last-in-the-nation standing with respect to its balance of payments with the federal government. (Connecticut gets back fewer cents on every dollar it sends to Washington, DC than any other state.!)
- A disincentive to carry more insurance than the legal minimum, or to carry insurance at all. The insurance surcharge proposed would increase the cost of insurance. This may lead policyholders to seek savings by reducing their coverage or dropping insurance altogether, creating more under- and uninsured motorists and homeowners. It is not clear how this would be in the state's interest, particularly given the rising deaths and injuries the state is experiencing on its highways and the growing damages that homes in the state are facing as climate change produces increasingly extreme weather.

Should you have questions, please do not hesitate to contact me.

Thank you for your consideration.



Francis R. Pickering
Executive Director

¹ Rockefeller Institute of Government: Balance of Payments Portal.
<https://rockinst.org/issue-areas/fiscal-analysis/balance-of-payments-portal/>