

February 27, 2023

Esteemed Chairs Fonfara and Horn,
Members of the Finance, Revenue and Bonding Committee:

The Western Connecticut Council of Governments (WestCOG) appreciates the opportunity to comment on Proposed Bill 5673, *An Act Concerning the Reformation of Certain Taxes and Tax Equity*. WestCOG's comments are as follows:

Section 6 would “establish additional property tax and rental credits and relief programs for seniors, such as a homestead exemption or a refundable property tax credit.”

Instead of creating a new property tax relief program and adding it to the (likely underperforming) crazy quilt of relief programs that currently exist, WestCOG suggests that your Committee review [the recommendations of the State Tax Panel](#), specifically the following, which was adopted without dissent:

Direct Property Tax Relief

Recommendation 5: Low Income Tax Credit “Circuit Breaker”

Eliminate the more than 100 state and local option partial property tax exemptions and replace them with a single unified state circuit breaker mechanism that provides property tax relief targeted to homeowners and renters whose property taxes are high relative to their household income. Such a circuit breaker would be a single threshold type circuit breaker implemented as a refundable credit through the Connecticut state income tax to provide targeted relief, replacing the current property tax credit. The circuit breaker could be designed so that this recommendation is revenue neutral.

Section 7 would “establish a state-wide property tax at the rate of 2 mills on commercial and residential real property with an assessed value of more than” \$1.5 million. **WestCOG opposes this provision.**

The property tax is the largest single tax in Connecticut, and households in Connecticut have the second highest average property tax bills of any state in the country. Unfortunately, this provision would not reduce this overdependence but exacerbate it by overlaying a second, new property tax on the existing property tax.

Concerningly, the burden of this tax would not be distributed equally but in large part would focus on low- and moderate-income households. In taxing residential properties assessed at \$1.5 million or more, the bill would raise taxes on some of the state's most affordable housing, namely apartment buildings. It can be expected that landlords would pass this new tax to their tenants in the form of higher rent, decreasing the affordability of multifamily housing and increasing the burden that housing costs place on tenants. This is especially concerning given a) recent findings

regarding the regressiveness of the property tax with respect to income and b) the substantial rises in rent that Connecticut, like much of the nation, has experienced.

This provision is also concerning as it pertains to commercial real estate. The Covid-19 pandemic accelerated the migration to online shopping and remote work. As a consequence of these shifts – which are expected to endure – commercial vacancy rates have soared. This vacancy has put intense pressure on commercial properties. Until commercial rents – and revenues – rebound, putting additional costs on these properties may only push them closer to foreclosure. Given the outside contributions office parks, malls, and other commercial real estate make to the tax bases of many communities, this proposal may have negative impacts for local budgets and services.

For these reasons, WestCOG opposes Section 7.

Should you have questions or require additional information, please do not hesitate to contact me. Thank you for your consideration.

A handwritten signature in black ink that reads "Francis Pickering". The signature is written in a cursive style with a long horizontal stroke at the end.

Francis R. Pickering
Executive Director