

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 775, *An Act Concerning the Distribution of the Sales and Use Taxes Imposed on Meals Sold by an Eating Establishment, Caterer or Grocery Store*.

Bill 775 would direct the additional 1% sales tax levied on prepared meals to be distributed to the municipality in which the revenue was generated. **WestCOG supports this concept.**

Local revenue diversification may be more appropriate in Connecticut than in any other state:

- Connecticut ranks first in the nation for the fraction of local own source revenue that comes from the property tax, at 88%. Across all states, the median for this statistic is 46%. Connecticut is an extreme outlier on this, leading even famously tax-averse New Hampshire (where 83% of such local revenue comes from the property tax).¹
- The property tax is the largest tax by value in Connecticut. The state's high reliance on the property tax exacerbates its impacts on household finances. (The property tax is widely regarded to be regressive with respect to income.)
- Additional revenue options for local governments will reduce the reliance on the property tax and mitigate these impacts.
- Directing meal tax revenues to local governments is a nationally common method to diversify local revenues. As of 2017, seventeen states do so. (In contrast, only four aside from Connecticut direct such revenues to the state.)²

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



Francis R. Pickering
Executive Director

¹ Local "own source" revenue excludes intergovernmental transfers, e.g., state aid. Note that municipalities in Connecticut also receive more of their revenue from local sources (68%) than the national median (65%). Computed from [Interactive Census of Governments State & Local Finance Database | Urban Data Catalog](#).

² [State and Local Meals Taxes \(ct.gov\)](#)