

33 Whitney Ave
New Haven, CT 06510

Voice: 203-498-4240
Fax: 203-498-4242
www.ctkidslink.org

Testimony Opposing

House Bill 7083, An Act Eliminating the Property Tax on Certain Motor Vehicles

Testimony of Shelley Geballe, JD, MPH, Douglas Hall, PhD, & Mary Glassman, JD

Finance, Revenue and Bonding Committee

March 13, 2007

Senator Daily, Representative Staples and distinguished members of the Finance Revenue and Bonding Committee:

Shelley Geballe is President, Douglas Hall is Associate Research Director, and Mary Glassman is Director of Legislative Affairs of Connecticut Voices for Children, a research and policy organization that works statewide to promote the well being of Connecticut's children, youth and families. We submit this written testimony on behalf of Voices' sister lobbying organization – Advocates for Connecticut's Children and Youth (ACCY).

We strongly oppose the Governor's proposal to phase-out over five years the property tax on non-commercial, privately owned or leased passenger cars, light duty trucks, pickup trucks, and motorcycles, and her associated financing proposals to compensate cities and towns for lost property tax revenues: a) to divert casino revenues into a new Casino Assistance Fund; and b) to repeal the property tax credit against the income tax.

The Governor claims that this proposal "eliminates an inefficient, inequitable, and regressive tax," "provides an improved revenue stream to keep municipalities whole," and "provides for significant property tax relief for virtually all Connecticut taxpayers."¹ Closer scrutiny suggests that this vastly overstates the merits, and the equity, of the proposal for a number of reasons, including:

- Eliminating the car tax, while concurrently repealing the property tax credit against the income tax, is not a prescription for "significant property tax relief for virtually all Connecticut taxpayers." It is, rather, the substitution of one type of property tax relief for another.
- Higher-income families will disproportionately benefit from this proposed change. In particular, families with new, expensive and/or multiple cars will receive significant monetary benefit from repeal of the property tax on cars, but without any offsetting cost from repeal of the property tax credit. Many have incomes too high to qualify for the property tax credit against the income tax which phases out at higher income levels. Thus, these families would lose nothing by the phase-out of the property tax credit, but would gain much from total elimination of the property taxes on their cars and other vehicles. There is no limit on the number of vehicles that are exempt, nor on the incomes of the taxpayers claiming the exemption.

¹ FY 2008-FY 2009 Biennium Governor's Budget (PowerPoint February 7, 2007), p. 30.

- The impact on lower-income families of the concurrent elimination of the car tax and property tax credit, by contrast, is more complex. There may be a net benefit to some low income taxpayers who own a car, but have income is too low to claim the property tax credit as they owe nothing in state income tax. However, the changes also may harm low-income taxpayers who do *not* own a car but *do* own a home and thus might lose the benefit of the property tax credit while gaining nothing from repeal of the car tax.
- Towns would lose the legal authority to levy the property tax on cars and thereby receive this rather stable source of revenues. Instead, towns would become reliant on a state revenue stream that may not continue its current pattern of growth. Towns also would be faced with the possibility, in tough fiscal times, of reductions in state payments as has occurred with other state property tax reimbursement programs (such as PILOT).
- The Governor proposes creating a separate nonlapsing fund, the Casino Revenue Fund, that is to receive revenues from the casinos and (as needed) the General Fund. These funds are then to be distributed by statutory formula to the cities and towns. This budget gimmick moves substantial revenues and expenditures outside the state spending cap and continues a troubling trend of moving more revenues and expenditures outside the cap and the annual appropriations process. This reduces budget transparency and accountability.
- To the extent that the proposal results in a reduction in *net* General Fund revenues, the state *cannot* afford such reduction. The Office of Fiscal Analysis *and* the Governor project an increasing gap between projected revenues and current services spending over the period FY 10 to FY 12. With a \$537 million deficit projected in FY 10, a \$770.7 million deficit in FY 11 and a \$985.6 million deficit in FY 12, Connecticut cannot afford to deplete General Fund revenues.