

# Overview of Property Taxes in Connecticut

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# Panel Papers on Property Taxes in Connecticut

- Property Tax Primer
- Properties Exempt from Paying Property Taxes in Connecticut
- Business Personal Property Taxes
- Motor Vehicle Tax
- Conveyance and Controlling Interest Taxes
- Direct Property Tax Relief
- Indirect Property Tax Relief

# Good News

The property tax base in Connecticut is generally broader than the property tax base in other states because it includes selected personal property and motor vehicles and Connecticut provides very limited property tax relief

***Connecticut is not plagued by a “confusing and opaque jumble of special provisions that accumulate as the broad base of the property tax is destroyed” [Witte, 2009, 314] as many other states are.***

# Bad News: Property Taxes Are High

- Both the Connecticut state and local revenue system, and local revenue systems are more dependent on property taxes than most other states.
  - Property taxes account for a high share of state and local own-source revenues (5<sup>th</sup>) and state and local taxes (11<sup>th</sup>). Property taxes in Connecticut rank 8<sup>th</sup> nationally in terms of property taxes per \$1,000 of state personal income and 2<sup>nd</sup> in terms of property taxes per capita.
  - For local governments in Connecticut, property taxes are high relative to personal income (4.4 percent), a large share of local own-source revenues (86 percent), and a large share of local tax revenues (98.9 percent).

# The Property Tax is a Good Source of Local Revenues

- Consistent with *ability-to-pay* and *benefits-received* principles of taxation
- Scores well on criteria for a good revenue source from the National Conference of State Legislatures
  - Revenue Stability
  - Neutrality
  - Simplicity
  - Equity
  - Accountability

Property tax liability = (market value X  
assessment ratio – exemptions) X mill  
rate

# Determining Property Tax Liabilities: Defining and Valuing the Property Tax Base

Component	Frequency of Valuation	Determining Valuation	Percent
Real Property	5-year assessment cycle	Local government	70%
Personal Property	Annually	Self-reported	70%
Motor Vehicles	Annually	OPM from NADA data	70%

# Property Tax Exemptions

- 22 full property tax exemptions, e.g. colleges, hospitals, churches
- 66 partial exemptions, e.g. blind, veterans, elderly
  - Typically very modest amounts, e.g. reduce assessed value by \$1,000, \$3,000 or \$5,000
- 15 exemptions to promote housing and economic development
- 11 miscellaneous exemptions
- 38 local property tax relief options
  - Three-fourths used by 3 or fewer municipalities
  - None are used by a majority of municipalities
- Very Limited Property Tax Relief Provided to Taxpayers



Effective Property Tax Rates by Type of Property, Grand List 2014								
Municipality	Eff. Tax Rate w/o Relief	Average Effective Tax Rate with Relief by Type of Property						
		100	200	300	400	500	600	800
<b>Large Cities</b>								
Bridgeport	2.95%	2.90%	2.14%	1.17%		2.64%		1.28%
Hartford	2.28%*	1.95%	2.56%	1.72%				5.00%
<b>Small Cities</b>								
Manchester	2.76%	2.64%	2.58%	2.57%	2.54%		2.55%	2.66%
Torrington	3.20%	3.01%	2.98%	2.93%	2.86%	2.95%	3.15%	1.28%
<b>Wealthy Suburbs</b>								
Glastonbury	2.53%			2.50%	2.49%	2.48%	2.33%	1.93%
Guilford	1.98%	1.91%	1.97%	0.01%				
Litchfield	1.83%					1.79%	1.78%	1.79%
New Canaan	1.12%		1.11%	1.11%	1.11%	1.11%	1.09%	1.11%
<b>Mixed Base</b>								
Hamden	3.41%	3.21%	3.07%	3.11%	3.28%	3.36%	3.37%	3.12%
Middletown	2.28%			2.23%	2.23%	2.23%	2.19%	1.99%
Norwich	2.86%		2.65%	2.58%	2.66%	2.72%	2.77%	2.29%
Windsor	2.16%	2.10%	2.11%	2.05%	1.99%	2.05%	1.78%	1.76%
<b>Rural</b>								
Bozrah	1.89%	1.83%				1.77%		
Durham	2.36%	2.20%					2.24%	2.34%
Killingly	1.91%	1.83%	1.58%	0.91%				
North Cannan	1.93%	1.87%	1.91%				1.88%	
Plainfield	1.99%	1.94%		1.06%				1.97%
Union	2.07%	2.00%					1.56%	
Washington	0.96%	0.94%				0.94%		

# Net Grand List: The Taxable Base

- Range in Net Grand List per capita – Greenwich \$494,018 to Hartford at \$27,873 (highest is 17 times greater than lowest)
- New England Public Policy Center at the Federal Reserve Bank of Boston found significant fiscal disparities across municipalities in Connecticut and concluded the fiscal disparities were primarily a result of disparities in property tax capacity across municipalities

# Equalized Net Grand List

- Used to equalize tax base across municipalities in order to target state grants on those jurisdictions with limited capacity
- Equalization based on results of assessment/sales ratio studies by OPM following generally accepted methodology
- Two issues with interpreting results of assessment/sales ratio studies
  - Fractional assessment
    - Undermines transparency, results in inequities, hurts taxpayer understanding
  - 5 year assessment cycle
    - Distorts results of assessment/sales ratios
    - Does not measure assessment quality

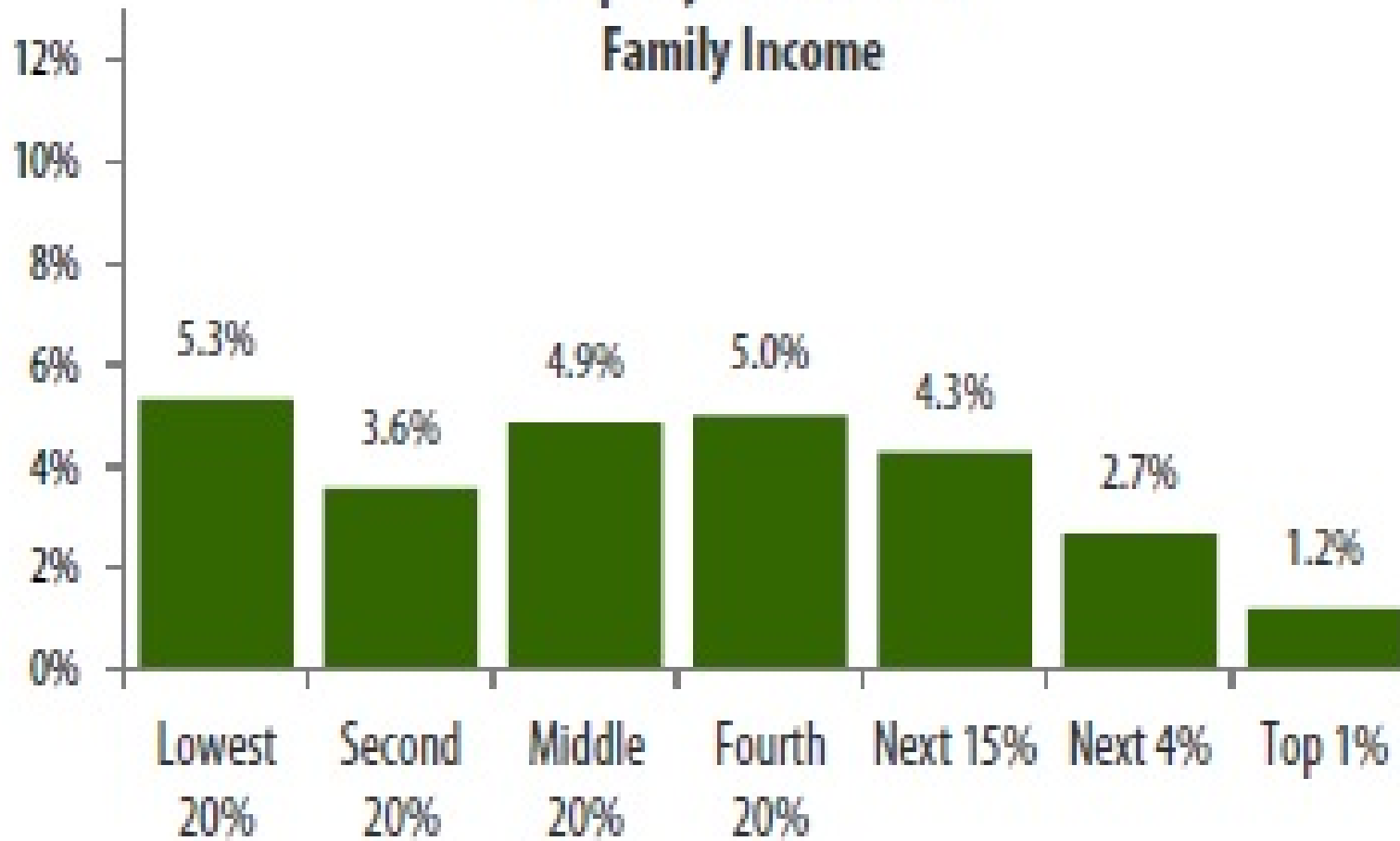
# Changes in Property Tax Base

- From 2002 to 2012 gross assessed value increased in all municipalities, except Hartford, by an average of 64.7 percent
- From 2007 to 2012 sixty-four municipalities experienced an average growth in gross assessed value of 19.5 percent driven in large part by growth in residential property values
- From 2007 to 2012 one hundred and five municipalities experienced declines in their gross assessed values by an average of 11.8 percent

# Property Taxes in Connecticut Are Regressive

- Department of Revenue Services incidence study finds 752,202 households with lowest incomes pay 25.9 percent of property taxes; 357 households with highest incomes pay 1.9 percent.
- 752,202 households with lowest incomes pay 12.5 percent of their income in property taxes; 357 households with highest incomes pay 0.9 percent of their income in property taxes.
- Institute of Taxation and Economic Policy (ITEP) also finds property taxes in Connecticut are regressive. Following chart from ***Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, ITEP, 2015.***

## Property Tax Share of Family Income



# Effective Property Tax Rates in Connecticut are High

- For 19 representative municipalities examined
  - 2 have effective property tax rates over 3 percent -- Torrington (3.2 percent) and Hamden (3.41 percent)
  - 9 are between 2 and 3 percent
  - 6 are between 1.8 and 2.0 percent
  - Only one has an effective property tax rate less than 1 percent – Washington (0.96 percent)

# National Comparison

- Minnesota Center for Fiscal Excellence, with the Lincoln Institute of Land Policy, finds Bridgeport has highest effective property tax rate in the U.S. for residential properties, 5th for apartments and between 14th and 21st for commercial and industrial properties
- Reflects, in part, the lack of revenue diversity for local governments in Connecticut
- Study finds rural areas in Connecticut have very low effective property tax rates. Litchfield was the rural town used in the study and may not be representative of other rural towns



<b>Property Use Classes and True Market Values Used for Minnesota Analysis</b>							
<b>URBAN</b>							
<b>Land Use Classes</b>	<b>Real Property</b>	<b>Mach&amp;Equip</b>	<b>Inventories</b>	<b>Fixtures</b>	<b>Total</b>	<b>Urban</b>	<b>Rank*</b>
<b>Homestead</b>	<b>\$150,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>Bridgeport</b>	<b>1</b>
	<b>\$300,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>Bridgeport</b>	<b>1</b>
<b>Apartments</b>	<b>\$600,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,000</b>	<b>\$ 630,000</b>	<b>Bridgeport</b>	<b>5</b>
<b>Commercial</b>	<b>\$100,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,000</b>	<b>\$ 120,000</b>	<b>Bridgeport</b>	<b>5</b>
	<b>\$1,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 200,000</b>	<b>\$ 1,200,000</b>	<b>Bridgeport</b>	<b>7</b>
	<b>\$25,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,000,000</b>	<b>\$ 30,000,000</b>	<b>Bridgeport</b>	<b>7</b>
<b>Industrial</b>	<b>\$100,000</b>	<b>\$ 50,000</b>	<b>\$ 40,000</b>	<b>\$ 10,000</b>	<b>\$ 200,000</b>	<b>Bridgeport</b>	<b>14</b>
<b>(50% personal)</b>	<b>\$1,000,000</b>	<b>\$ 500,000</b>	<b>\$ 400,000</b>	<b>\$ 100,000</b>	<b>\$ 2,000,000</b>	<b>Bridgeport</b>	<b>17</b>
	<b>\$25,000,000</b>	<b>\$ 12,500,000</b>	<b>\$ 10,000,000</b>	<b>\$ 2,500,000</b>	<b>\$ 50,000,000</b>	<b>Bridgeport</b>	<b>17</b>
<b>Industrial</b>	<b>\$100,000</b>	<b>\$ 75,000</b>	<b>\$ 60,000</b>	<b>\$ 15,000</b>	<b>\$ 250,000</b>	<b>Bridgeport</b>	<b>17</b>
<b>(60% personal)</b>	<b>\$1,000,000</b>	<b>\$ 750,000</b>	<b>\$ 600,000</b>	<b>\$ 150,000</b>	<b>\$ 2,500,000</b>	<b>Bridgeport</b>	<b>20</b>
	<b>\$25,000,000</b>	<b>\$ 18,750,000</b>	<b>\$ 15,000,000</b>	<b>\$ 3,750,000</b>	<b>\$ 62,500,000</b>	<b>Bridgeport</b>	<b>21</b>

**Table 21 Property Use Classes and True Market Values Used for Minnesota Analysis**

<b>RURAL</b>							
<b>Land Use Classes</b>						<b>Rural</b>	<b>Rank*</b>
<b>Homestead</b>	<b>\$70,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 70,000</b>	<b>Litchfield</b>	<b>10</b>
	<b>\$150,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 150,000</b>	<b>Litchfield</b>	<b>12</b>
	<b>\$300,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>Litchfield</b>	<b>12</b>
<b>Apartments</b>						<b>Litchfield</b>	<b>24</b>
<b>Commercial</b>	<b>\$100,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 20,000</b>	<b>\$120,000</b>	<b>Litchfield</b>	<b>25</b>
	<b>\$1,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 200,000</b>	<b>\$1,200,000</b>	<b>Litchfield</b>	<b>25</b>
	<b>\$25,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,000,000</b>	<b>\$30,000,000</b>	<b>Litchfield</b>	<b>26</b>
<b>Industrial</b>	<b>\$100,000</b>	<b>\$ 50,000</b>	<b>\$ 40,000</b>	<b>\$ 10,000</b>	<b>\$200,000</b>	<b>Litchfield</b>	<b>32</b>
<b>(50% personal)</b>	<b>\$1,000,000</b>	<b>\$ 500,000</b>	<b>\$ 400,000</b>	<b>\$ 100,000</b>	<b>\$2,000,000</b>	<b>Litchfield</b>	<b>34</b>
	<b>\$25,000,000</b>	<b>\$ 12,500,000</b>	<b>\$ 10,000,000</b>	<b>\$ 2,500,000</b>	<b>\$50,000,000</b>	<b>Litchfield</b>	<b>35</b>
<b>Industrial</b>	<b>\$100,000</b>	<b>\$ 75,000</b>	<b>\$ 60,000</b>	<b>\$ 15,000</b>	<b>\$250,000</b>	<b>Litchfield</b>	<b>36</b>
<b>(60% personal)</b>	<b>\$1,000,000</b>	<b>\$ 750,000</b>	<b>\$ 600,000</b>	<b>\$ 150,000</b>	<b>\$2,500,000</b>	<b>Litchfield</b>	<b>40</b>
	<b>\$25,000,000</b>	<b>\$ 18,750,000</b>	<b>\$ 15,000,000</b>	<b>\$ 3,750,000</b>	<b>\$62,500,000</b>	<b>Litchfield</b>	<b>40</b>
* Out of 53 since the analysis includes Washington DC and two cities for Illinois and New York.							
Source: Minnesota Center for Fiscal Excellence, various tables.							

# Summary

- Property taxes are high in Connecticut by most metrics
- Property tax capacity varies significantly across municipalities impacting their ability to provide local public goods and services
- Very limited property tax relief is provided to taxpayers
- Property taxes are regressive
- Effective property taxes are relatively high with two municipalities with rates over 3 percent and 9 between 2 and 3 percent out of the 19 representative municipalities examined