

## Testimony submitted to the Appropriations Committee

Anthony J. Nania, Canaan Fire District

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Senator Osten, Representative Walker, Ranking Members Miner and France, thank you for the opportunity to testify today in support of **HB 5172: An Act Concerning Payments in Lieu of Taxes to Municipalities for Manufacturing Machinery and Equipment**. This bill would require the state to provide payments in lieu of taxes (PILOT) to municipalities with exempt manufacturing and machinery equipment like the Canaan Fire District. The Canaan Fire District supports this bill with a slight amendment as it will enable it to avoid financial insolvency. Suggested additional language is included below.

My name is Tony Nania, and I serve as the Warden of the Canaan Fire District (“the District”).

The District is a taxing district that was chartered by this Connecticut General Assembly in 1902. The District is located entirely within the bounds of the Town of North Canaan (“Town”) and its principal purposes are to operate and maintain the Town’s public sewer system, fire hydrants, sidewalks, and streetlights. The District also buys plantings to help volunteers beautify the public areas that abut the Town’s streets and sidewalks and also pays a portion the annual budget of the Canaan Fire Company Incorporated which is a private Connecticut nonstock corporation staffed entirely by volunteers. About half of the Town’s 3,200 residents live in the District.

All of the above described services, except the public sewer, are paid from our receipt of ad valorem real and personal property taxes payable on June 1 each year. The public sewer has now been extended to serve residential and commercial property within one mile of the Town’s center. The public sewer is paid for by an annual sewer user charge, due and payable on January 1 of each year. The current property tax is 2.2 mills; and the current annual sewer user charge is \$330 per fifty thousand gallons treated (that’s equal to or less than the average household’s annual usage).

### The Problem

Connecticut law provides for a 100% exemption from property taxes on all newly acquired (five-to-seven-year depreciation) machinery and equipment that is installed in a manufacturing facility (the “MME”). Becton, Dickinson and Company (“BD”), a multi-national manufacturer of hypodermic syringes, is the Town and District’s largest employer. Prior to the current fiscal year (2020-2021), the Town did not recognize BD’s eligibility for the MME. BD successfully appealed the denial of the MME, and in April 2019 the Town was forced to amend its Grand List to show eligible machinery and equipment as exempt. The effect of that decision on the District might reasonably be described as catastrophic.

The District is required by law to use the Grand List of the town in which it is organized. As a result, the District must provide the MME to all eligible taxpayers as well as refunding claimants that timely demand a refund of taxes erroneously paid to the District on property subject to the MME.

The District is very small, has less than 1,200 total taxable properties, and its annual tax revenues are approximately \$270,000. The personal property taxes received by the District for property subject to the MME represented approximately 50% of those revenues.

The District has depleted its entire accrued cash reserve in order to refund taxpayers whose property is subject to the MME and offset the deficit created in its budget as a result of the exemption. The District also raised both the property tax and the Sewer User Charge.

If there is no change to the MME at the District level, the District may soon become insolvent. The Town revenue base is much larger than the District's and will be able to manage the reduced revenue caused by the MME. However, the Town has also made it very clear that it can neither share revenue with the District nor provide the services that the District now provides. A letter of support from the First Selectman of the Town is attached to this testimony.

### The Solution

Although the District has the power to raise its property taxes (as does the Town), the District's census tract is made up of predominantly low-income residents with little or no ability to pay even a fractionally increased mill rate. Based on the 2019 American Community Survey done by the Census Bureau, the Town's per capita income is \$36,536, which is about 80% of the Connecticut average. The percent of the population below the poverty line is 12.2%, which is one and half times higher than the average in Litchfield County and twenty five percent higher than the state average. Similarly, the percent of children under age 18 living below the poverty line is 22%, which again is more than one and a half times the state average. Until 2016, the town of North Canaan was designated as a "Distressed Municipality" by the state of Connecticut, making it one of the most fiscally and economically distressed based on the tax base, personal income of residents, and the residents' need for public services.

The District cannot reduce expenditures for fire protection, street lighting and sidewalk maintenance any more than it already has. The District also cannot issue notes in anticipation of taxes without the ability to pay them when they come due. Instead, the District is in conversation with the First Selectman, the Office of Policy and Management, the Department of Community and Economic Development, and our legislators in hopes of finding state support for this issue. We are grateful to the Appropriations Committee for considering restarting the PILOT payments which are essential for these reasons.

### Proposed Amended Language

We respectfully request the following additional language be inserted in the bill in order to clarify that this provision applies to the Canaan Fire District:

That chapter 203 of the general statutes be amended to require the state to provide payments in lieu of taxes to municipalities and districts as defined in section 7-324 of the general statutes for manufacturing machinery and equipment, paid at one hundred per cent of the amount of property taxes that, except for the exemption in section 12-81 of the general statutes, would have been paid.