



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT
INTERGOVERNMENTAL POLICY AND PLANNING DIVISION

March 26, 2021

Testimony of Martin Heft, Acting Undersecretary,
Office of Policy and Management

House Bill 5172: AN ACT CONCERNING PAYMENTS IN LIEU OF TAXES TO MUNICIPALITIES FOR MANUFACTURING MACHINERY AND EQUIPMENT

Chairs Osten and Walker, Vice Chairs Hartley, Dathan and Nolin, Ranking Members Miner and France, and honorable members of the Appropriations Committee:

Thank you for opportunity to submit written testimony opposing House Bill 5172.

Since 2011 assessment year, state law has exempted all manufacturing, machinery and equipment (MME) from local property tax. Prior to 2011 assessment year, new and newly acquired MME was exempt for the first five years after it was acquired.

The state reimbursed municipalities for part or all of the revenue loss attributed to the MME exemption through a payment in lieu of taxes (PILOT) grant. Beginning in Fiscal year 2012, the legislature eliminated the PILOT and replaced it with manufacturing transition grants and in Fiscal Year 2014 replaced them with bond-funded municipal aid grants.

The current bond-funded municipal aid grants are indirectly designed to mitigate a portion of the revenue loss from the exemption and based on the Town Aid Road (TAR) program. The Municipal Grants in Aid program is funded at \$76 million.

To require a PILOT for 100% would have a significant expense impact to the state for reimbursement. Municipalities are already receiving a benefit through the Municipal Grants in Aid payment.

Additionally, establishing this program will require claims submission by municipalities and auditing by the Office of Policy and Management. Previously this was a very labor-intensive process with the auditing needing a minimum of two full time staff.

Thank you for the opportunity to provide this testimony.