

# Planning and Development Committee

## JOINT FAVORABLE REPORT

**Bill No.:** HB-5424

AN ACT CONCERNING THE ELIGIBILITY OF CERTAIN REAL PROPERTY  
**Title:** FOR THE PAYMENT IN LIEU OF TAXES PROGRAM.

**Vote Date:** 3/25/2022

**Vote Action:** Joint Favorable Substitute

**PH Date:** 3/14/2022

**File No.:**

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

### SPONSORS OF BILL:

Rep. Susan M. Johnson, 49<sup>th</sup> Dist.

### REASONS FOR BILL:

To provide additional PILOT funding to towns hosting multiple property tax exempt for not, for profit providers.

**JFS to the Floor, LCO 4031:** deletes the phrase " state, municipal or tribal" in lines 36-37 to avoid narrowing the categories of property which would be included in Pilot.

### RESPONSE FROM ADMINISTRATION/AGENCY:

None Expressed.

### NATURE AND SOURCES OF SUPPORT:

**State Representative, Susan M. Johnson, 49<sup>th</sup> Dist:** The focus of Rep Johnson's testimony is to have the state recognize and provide PILOT support to municipalities that have properties that serve our state and their respective regions with social services and housing that is not provided in the surrounding towns. Historically, social service property taxes were exempted in municipalities that were once manufacturing towns in which industry provided a tax base to the municipality. The tax base once generated by manufacturing industries for these municipalities is no longer available to the same extent if at all. Additionally, the numbers of residents in these municipalities have decreased creating a larger burden on those with limited incomes and lower property values to carry the financial burden for the town, plus their region and the entire state. Providing PILOT to the entities not currently funded will help complete the job Connecticut must do to even the playing field for

our urban districts that serve our regions and our state. My town of Windham is one of many examples of urban center towns statewide whose residents and businesses are hard pressed to pay local property taxes that cannot be paid by the abundance of nonprofit tax-exempt service providers we necessarily host. Windham has a public transportation system that mostly serves the Towns of Mansfield and Windham but does not go much further. In order, for us to make substantial progress we need to have their additional financial support from the state for the work our town and human services agencies do for the state and region.

**Luke A. Bronin, Mayor, City of Hartford:** All tax- exempt property depletes municipal grand lists in the same way, no matter the reason why that property is exempt. In the City of Hartford, state law exempts just half of all taxable property within the city limits from taxation. The largest fraction of this tax-exempt property is state owned, but much of it is also belongs to, in declining order: hospitals, college and universities, churches, charitable organizations and the federal government. When such a large fraction of the overall property base is exempt, it makes a high property tax mill rate all but unavoidable. State aid to towns can and does help to relieve pressure on local property tax systems, but that aid including PILOT must be fairly distributed and structured in a manner that recognizes the constrained taxing capacity with which many communities must contend. Mayor Bronin noted that the current version of this bill, LCO 3047, articulates the equal reimbursement principle for all property categories in lines 39-42, it then appears to invalidate this provision I line 43 to maintain the current level of reimbursement for each property category. He respectfully encourages the committee to reexamine this possible discrepancy to fully effectuate the reforms this bill envisions.

**Thomas E. DeVivo, Mayor, Town of Windham and Dawn Niles, Chairman Pro Tempore:** Windham hosts multiple property tax exempt not for profit providers of all types of vital human services to their residents. Like larger urban centers, Windham has a large population of needy residents receiving such services. Consequently, Windham is a community with many properties that have been taken off the tax rolls as a result. This has put an unbalanced and unfair economic strain on our business community and homeowners. Windham is surrounded by suburbs and rural farm communities that do not provide direct social service assistance or low-cost medical care to their relatively few residents who need such care. In addition, to Windham's own much larger needy population, out of town residents, with such needs come to Windham for services and treatment as well while towns who need tax dollars so much more due to their much higher poverty rate get nothing to add to our grand list from these very helpful and necessary agencies. In the past decade, Windham has seen large properties developed and improved but then removed from our grand list. This has had a positive impact in our region, yet a negative effect on the cost of investing and living in Windham. We appreciate the changes made by the General Assembly to increase PILOT to enable the town to meet the needs of its economically challenged population.

**Donna Hamzy Carroccia, Connecticut Conference of Municipalities (CCM):** CCM testifies that for this proposal to work, it must be accompanied by adequate funding. The legislature made a major step forward last year by substantially increasing funding to the PILOT program. This has helped alleviate the cost of unfunded mandates, but it is still underfunded based on statutory obligations. It is CCM's hope that the legislature will continue to build on this commitment by adding non-profit properties and is financially fulfilling its past promises. One way to achieve this is having the state stop the practice of sweeping funds from the MRSA account into the general fund. Those funds should be allocated as intended

to offset the costs of tax-exempt properties, including non-profit properties as contemplated by this bill. Adding non-profit properties to the equation is appropriate and is financially viable if the state doesn't sweep funds from the MRSA account. Enacting this proposal will alleviate the sometimes adversarial relationship CCM has with non-profits based on their tax-exempt status and the services cities and towns provide them.

**Betsy Gara, Executive Director, Connecticut Council of Small Towns:** Municipalities rely on PILOT reimbursements to make up for lost property tax revenues to fund critical services, including fire, police and public health services. Unfortunately, historically, the state's PILOT program has been severely underfunded, imposing a tremendous burden on municipalities with significant percentages of tax- exempt property. In 2021, the legislature substantially increased funding for the PILOT program. However, the funding continues to fall short in meeting the state's obligation to provide municipalities with funding under the program. Accordingly, COST supports efforts to make additional tax- exempt properties eligible for PILOT funding there is adequate funding appropriated for the program. Given the ongoing fiscal challenges facing municipalities and the uncertain economic impact that COVID-19 will have on residents and businesses, the state must refrain from enacting measures that decrease municipal aid, which will make it more difficult for towns to fund the delivery of critical programs and services, including education, public health and public safety.

**Kiley Gosselin, Executive Director, Partnership for Strong Communities:** The Partnership appreciates that this bill seeks to clarify areas of statute regarding the taxation of tax-exempt property. The legislature made a major step forward last year by substantially increasing funding to the PILOT program. This has helped alleviate the cost of unfunded municipal obligations, but it is still underfunded based on statutory obligations. It is their hope that the legislature will continue to build on this commitment by adding non-profit properties to PILOT and adequately fund payments at levels based on statutory obligations. Enacting this proposal will alleviate potential adversarial relationships between municipalities and non-profit organizations that serve the state.

**Dennis O'Brien, Attorneys O'Brien & Johnson:** The dramatic and increasing overconcentration of the poor in some cities of our state has naturally led to proliferation of not for profit social and human services agencies in some of those same cities. These agencies of course provide a vital lifeline to the needy and I do not of course expect them to pay property taxes, but the fact that they are not taxed and here is no PILOT compensation to our towns is counterproductive to the financial and socio-political health of the towns and thus limits their overall efforts to help the needy by weakening the local government and the taxpayers who must bear the burden of paying more to fund local budgets. So many social agencies pay no property taxes to towns that need such support more than others do. This shifts the tax burden to our already overextended taxpaying residents and businesses. Businesses leave or do not move here because of this inequity and taxpaying residents complain when a new social agency comes to town and also want those who are here to leave, pitting one group of town residents versus another and generating socio-political strife that gets in the way of efforts by town leaders and staff to ameliorate a very difficult situation to begin with. We are asking for PILOT funding relief to ALL towns to offset the loss of tax payments to the towns who need that funding and whose residents and businesses benefit greatly.

**NATURE AND SOURCES OF OPPOSITION:**

None expressed.

**Reported by: Maureen O'Reilly**

**Date: March 29, 2022**