

# Update on Property Taxation

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**F**rom the Lake Chaffee Improvement Association (Ashford) to the Borough of Jewett City (Griswold) to sandy Miami Beach (Old Lyme), property taxes<sup>1</sup> levied by Connecticut’s 169 municipalities and 310 taxing districts finance public education, safety, and infrastructure as well as some private roads and security. Real estate, motor vehicle, and personal property taxes constitute more than half of city, town, and district revenue and 98.5% of local tax collection to finance services provided by jurisdictions shown in Table 1. This article outlines local tax-assessment structures and describes novel solutions the city of Hartford developed to balance taxation among homeowners and commercial

property owners. The Hartford example was chosen because its methods affect a broad cross section of property-tax payers rather than targeted relief offered by many of Connecticut’s municipalities. The article concludes by describing the Massachusetts and New York experiences with property taxation limits.

While local officials administer property assessment and taxation, state law governs the manner in which municipal assessors determine property value, assessment ratios,<sup>2</sup> and tax-collection procedures. Additionally, state statute authorizes tax exemptions, credits, and abatements. Despite

extensive public discussion about property tax reduction, state law has changed little beyond mandating abatements for veterans and offering municipalities tax relief options for people with disabilities and the elderly as well as permitting the phase-in of assessment increases over as many as five years to delay property tax increases resulting from reassessment.

In 1978, Hartford assessment officials sought to limit aggregate residential property taxes to 14.7% of the city’s budget to avoid increasing individual tax bills up to 80%. The plan resulted in bifurcation of assessment ratios to 70% for commercial properties and apartments and 45.8% for one- to three-family homes. The year before Hartford became the only Connecticut municipality to split its assessment ratios, all residential, commercial, and mixed-use real estate was assessed at 65% of market value. This bifurcated tax system has persisted in some form for 42 years as shown in Table 2.

Hartford’s Tax Cap program, enabled by the Connecticut General Assembly, gave owner-occupants of one- to three-family homes a tax credit equal to the amount by which their property tax exceeded 1.5% of the property’s market value. The city assessment office addressed the resulting taxation imbalance with assessment reductions on some large commercial properties in the 1989 assessment cycle. Beginning with the 2016 revaluation cycle, the city changed assessment ratios to relieve the burden of its 74.29 mill rate on homeowners while maintaining the traditional 70% ratio on commercial property valuations.

Massachusetts and New York strive to keep property taxes broadly affordable with assessment limits that inhibit tax growth arising from increasing home values as well as levy limits that place a ceiling on aggregate tax collections. To that end, Massachusetts enacted a 2.5%-of-property-value taxation ceiling coupled with a 2.5% cap on

**Table 1: Select Mill Rates by Jurisdiction**

Municipality / District	FY 2021 Mill Rate - Real & Personal Property	FY 2021 Mill Rate - Motor Vehicle	Flat Rate Fee or Other Rate
Ashford	36.83600	36.83600	
Ashford - Lake Chaffee Improvement Association Inc			212.00
Griswold	29.10000	29.10000	
Griswold - Jewett City	3.50000		
Groton	25.11000	25.11000	
Groton - #1City of Groton	4.30000	4.30000	
Hartford	74.29000	45.00000	
Hartford - Columbia Street & Park Terrace Special Services District	4.90000		
Hartford - Park Street Special Services	3.50000		
New London	38.19000	38.19000	
New London - City Center District	120000		
New London - Neptune Park Association	195660		
Old Lyme	23.20000	23.20000	
Old Lyme - Miami Beach Association			
Old Lyme - Old Colony Beach Club Association	3.50000		
Old Lyme - Old Lyme Shores Beach Association			
Old Lyme - Point O'Woods Association Inc (The)	2.78000		
Old Lyme - Rogers Lake West Shores Inc	100000		
Old Lyme - White Sand Beach Association	3.58100		

**Table 2: Select Hartford Mill Rates 1977-2019**

Tax Year	Grand List	Mill Rate	Assessment Ratios		
			Commercial	Residential	Apt-Mixed Use
1977	1,032,751,634	90.9	65%	65.00%	65%
1978*	1,290,750,218	71.9	70%	45.80%	70%
1979	1,353,307,641	71.1	70%	47.70%	70%
1989*	6,387,320,434	34.4	70%	70.00%	70%
1990	6,479,231,723	34.4	70%	70.00%	70%
1991	6,413,223,204	34.4	70%	70.00%	70%
2016*	4,073,144,172	74.29	70%	32.21%	70%
2017	4,078,204,992	74.29	70%	33.82%	70%
2018	4,030,298,908	74.29	70%	35.00%	70%

\*Revaluation year

annual increases in the tax levy. In addition to capping levies and their growth, the taxing regime arising from Proposition 2½ allows voters to raise levy limits and ceilings upon the recommendation of their elected

officials to address fiscal exigencies. The state of New York limits the growth of its taxing jurisdictions' levies—except New York City's—to the lesser of 2% or the rate of inflation. As in Massachusetts, overrides are possible, though they require a 60% vote of school district voters or the local governing body for non-education taxes. Since passage of New York's tax-growth

limits, annual school tax increases have declined from 7% to under 2%; the corresponding figures for

municipalities are 5.3% to under 2%. The New York and Massachusetts experiences illustrate possibilities for moderating property tax growth in Connecticut, a project that must be undertaken with great care to avoid compromising public services. ■

1 Connecticut's property tax rates are expressed as mills or dollars per \$1,000 of assessed property. For example, a homeowner in the Borough of Jewett City with a house assessed at \$140,000 (70% of a \$200,000 valuation) would be taxed at 29.1 mills for the Town of Griswold plus 3.5 mills from the borough for an annual tax bill of \$4,564 (140 x 29.1) + (140 x 3.5).

2 Assessment ratio is the percentage of a property's market valuation, the taxable portion of the property's value, application of which is illustrated in the preceding footnote.

## GENERAL ECONOMIC INDICATORS

<i>(Seasonally adjusted)</i>	4Q	4Q	YoY CHG		3Q	QoQ CHG	
	2020	2019	NO.	%	2020	NO.	%
<b>General Drift Indicator (2007=100)*</b>							
<b>Leading</b>	105.6	115.2	-9.6	-8.3	106.2	-0.6	-0.5
<b>Coincident</b>	91.7	94.9	-3.2	-3.4	91.4	0.3	0.34
<b>Real Gross Domestic Product**</b>							
(2012 Chained \$, SAAR)							
<b>Connecticut (\$ in millions)</b>	242,765.5	251,046.5	-8,281.0	-3.3	226,222.0	16,543.5	7.3
<b>United States (\$ in millions)</b>	18,596,521	19,141,744	-545,223	-2.8	17,302,511	1,294,010	7.5
<b>New England (\$ in millions)</b>	958,935.4	992,084.5	-33,149.1	-3.3	890,906.1	68,029.3	7.6
<b>Per Capita Personal Income**</b>							
(Current \$, SAAR)							
<b>Connecticut</b>	79,423	77,710	1,713	2.2	79,906	-483	-0.6
<b>United States</b>	59,086	56,995	2,091	3.7	60,184	-1,098	-1.8
<b>New England</b>	72,728	70,075	2,653	3.8	74,531	-1,803	-2.4
<b>Philadelphia Fed's Coincident Index (2007=100)***</b>							
	Jan	Jan	YoY CHG		Dec	MoM CHG	
	2021	2020	NO.	%	2020	NO.	%
<b>Connecticut</b>			0.0	####	NA	#VALUE!	####
<b>United States</b>			0.0	####	NA	#VALUE!	####

Sources: \*Dr. Steven P. Lanza, University of Connecticut Philadelphia

\*\*U.S. Bureau of Economic Analysis \*\*\*Federal Reserve Bank of

**General Drift Indicators** are composite measures of the four-quarter change in three coincident (Connecticut Manufacturing Production Index, nonfarm employment, and real personal income) and three leading (housing permits, manufacturing average weekly hours, and initial unemployment claims) economic variables, and are indexed so 2007 = 100.

The **Philadelphia Fed's Coincident Index** summarizes current economic condition by using four coincident variables: nonfarm payroll employment, average hours worked in manufacturing, the unemployment rate, and wage and salary disbursements deflated by the consumer price index (U.S. city average).