

Property Tax Challenges For the City of Hartford

Presentation to the Court of Common Council

March 28, 2006

Structural Challenges

- Hartford's 24% Homeownership Rate is the lowest in the state and one of the lowest in the country.
- Hartford has the highest tax rates for business in the state.
- Hartford has no significant open space for new development.
- Hartford has a non taxable grand list of \$2 billion
- Hartford homeowners pay a higher percentage of their income in property taxes than the state average of 4%.

How does our present tax system work?

- A surtax of 15% is added to the tax bill of every commercial business and personal property account in the city.
- This surtax funds a credit back to 1,2 & 3 family homes to reduce the amount of taxes paid by this class of properties.
- As a result of this system the city applies three (3) separate mil rates to residential, apartment and commercial property.

How will state mandated revaluation impact Hartford?

- Hartford is required by state law to implement revaluation in 2006.
- It is estimated the 100% increase in residential property values will result in a 57% increase in taxes paid by the residential class of properties.
- The stagnant or declining value of commercial property means that the 15% surtax no longer funds a credit substantial enough to lower residential property taxes.

Example of tax impact under present law

Property Type	Present Assessment	2005 Taxes	2006 Assessment	2006 taxes	% Increase
West End Home	\$114,660	\$4,501	\$269,451	\$7,949	77%
South End Home	\$53,500	\$2,041	\$113,400	\$3,128	53%
Blue Hills Home	\$52,150	\$1,987	\$135,800	\$3,745	88%
Condominium	\$120,000	\$4,573	\$327,600	\$9,036	97.6%
Apartment Building	\$250,000	\$15,205	\$690,000	\$24,475	61%
Commercial	\$45 million	\$3.1million	\$65 million	\$2.7 million	-12%

Senate Bill 531

- This legislation amends an existing statute to allow the city to cap real property taxes on owner occupied dwellings at 4% of household income.
- The commercial surtax would be eliminated
- Revaluation would be conducted

Impact of 4% Cap Plan

Property Type	Present Assessment	2005 Taxes	2006 Assessment	2006 taxes (4% Plan)	% Increase	Est. Household income
West End Home (o/occ)	\$114,660	\$4,501	\$269,451	\$3,600	-21%	\$90,000
South End Home (non o/occ)	\$53,500	\$2,041	\$113,400	\$4,022	97%	N/A
South End (o/occ)	\$70,315	\$2,680	159,775	\$2,240	-17%	\$56,000
Blue Hills Home (o/occ)	\$52,150	\$1,987	\$135,800	\$1,680	-16%	\$42,000
Condominium (o/occ)	\$85,820	\$3,271	\$201,677	\$3,600	10%	\$90,000
Apartment Building	\$130,025	\$7,908	\$358,869	\$12,729	61%	N/A
Commercial	\$18.5 million	\$1.2million	\$27.8 million	\$1.1 million	-13%	N/A

How would the program work?

- Taxpayers would submit a sworn affidavit attesting to household AGI from federal tax forms, if they wished to apply for the credit.
- The assessor would calculate the credit and apply it to the tax bill.
- The city would be empowered to perform regular audits of the program to insure compliance.

Other Options Requiring Legislation

- Leave surcharge in place & suspend revaluation for 4 years.
- Increase surtax substantially to prevent shift.
- Adopt a classification system.

Conclusion

- A strong message needs to be sent to our delegation that we support immediate action in the General Assembly to prevent massive tax increase in Hartford.
- The 4% plan and suspension of revaluation for 4 years should be among the approaches supported by council.