

WHAT CAN CONNECTICUT LEARN FROM ITS NEIGHBORS ABOUT PROPERTY TAX LIMITATIONS?

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When Connecticut policymakers adopted an individual income tax in 1991, many hoped that it would take pressure off state sales taxes and local property taxes. Sales tax rates, hiked in the preceding years, came down—but the Nutmeg State’s property taxes remain among the highest in the country. As a percentage of housing value, Connecticut homeowners now pay 20 percent more than New Yorkers and almost 50 percent more than their Massachusetts peers. Those two neighboring states once had property tax burdens on par with Connecticut’s, but after more than eight years under a property tax limitation regime in New York and four decades in Massachusetts, the states’ respective property tax systems have diverged sharply.

Property tax limitations exist in some form in 46 states, but they vary in design or efficacy. Although they differ in some particulars, both the Massachusetts and New York laws are often cited as models for other states. This paper explores whether the example of two neighboring states can be salutary for Connecticut, reviewing the case for property tax limitations, evaluating potential concerns, considering different designs for such a system, and suggesting some best practices should Connecticut seek to join the ranks of those providing taxpayers with some measure of relief from rising local property tax burdens.

Key Findings:

- Connecticut’s property tax burdens are rising rapidly, with the state’s effective property tax rates on owner-occupied housing now among the highest in the country at 1.7 percent of housing value.
- Property tax burdens in Connecticut continue to increase even as property values decline, whereas other states—including neighboring Massachusetts and New York—have managed to keep the growth of property tax burdens in check.
- Connecticut possesses no meaningful property tax limitation regime, making it an outlier among states.
- Massachusetts and New York provide a valuable blueprint for Connecticut policymakers concerned with reversing the outflow of residents and making Connecticut a more attractive place to live and work.

Quotes:

- “The property tax, after all, differs from other taxes in its malleability. While any tax can be increased, changes to income, sales, and other major taxes tend to be infrequent and involve considerable debate, whereas property taxes are adjusted frequently, sometimes in the absence of much deliberation.”
- “A levy limit restricting the overall increase in a jurisdiction’s property tax collections from year to year, and perhaps setting a levy ceiling based on a percentage of assessed value, could provide greater certainty for Connecticut taxpayers.”