

## New Progressive Income Tax Rates Finance Committee Fairer Tax Break Proposal

### Joint Filers

\$0 - \$20,000 – 3%

**TAX BREAK**

\$20,001 - \$100,000 – 4.75%

**TAX BREAK**

\$100,001 - \$250,000 – 5%

**TAX BREAK**

\$250,001 - \$500,000 – 5.875% (up to \$272,000)

**TAX BREAK**

\$500,001+ - 6.5%



### Single Filers

\$0 - \$10,000 – 3%

**TAX BREAK**

\$10,001 - \$53,100 – 4.75%

**TAX BREAK**

\$53,101 - \$132,800 – 5%

**TAX BREAK**

\$132,801 - \$163,000 – 5.875%

**TAX BREAK**

\$163,001+ - 6.5%

May 17th Plan – Rates are subject to change  
Tax break includes the \$1000 property tax credit  
Source: Office of Fiscal Analysis

## AN UPDATE ON TAX-RELATED ISSUES

# Working for tax relief and fundamental tax reform

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Dear Friend,

A major point of discussion in the 2007 legislative session has been property tax relief within a context of fundamental reform of Connecticut's overall system of state and local taxation.

A healthy tax system relies on a balanced mix, with each major tax – personal income, sales, and property taxes – contributing roughly equal portions of revenue, and other taxes adding a lesser share. Revenue balance avoids excessive reliance on any one tax, for example the property tax, and promotes fairness by distributing the tax burden among many segments of taxpayers. Currently, the property tax generates some \$9 billion statewide, a sum nearly equal to all personal income and sales tax revenues combined.

Over-reliance on the property tax to fund local government encourages sprawl and other bad land use decisions and diminishes the quality of life and character of Connecticut. Moreover, under our present tax system, lower and middle-income taxpayers pay a considerably higher share of their income in state and local taxes than do wealthier families, according to a study by the Institute of Taxation & Economic Policy.

To restore balance to the existing system, the Finance, Revenue and Bonding Committee, on which I serve, and the Appropriations Committee have proposed a plan to provide the following relief measures immediately:

- New progressive personal income tax rates and a tax cut for 95% of filers
- A refundable Earned Income Tax Credit
- Doubled property tax credit from \$500 up to \$1000
- More fully reimbursed payments-in-lieu-of-taxes (PILOT) on exempt state property, colleges and hospitals
- Town Aid Road grants fully funded
- Pequot & Mohegan Fund grants increased
- ECS and other state education aid increased over 2007 levels



The plan also provides for long-term structural reform:

- A statewide health insurance pool for all municipal workers to combat rising health coverage costs and maximize municipal savings
- Incentive grants to encourage regional cooperation among towns to promote efficiencies and taxpayer savings
- Sales tax base modifications to position Connecticut to join the Multi-State Streamlined Sales and Use Tax Agreement and enforce use tax already owed on Internet and other remote sales

Education is the single largest municipal expense. Under all budgets proposed, the state will assume greater responsibility for public school costs, reducing the local share and setting the stage for towns and cities to provide property tax relief.

The positive impact to the Town of Groton under the Appropriations Committee budget includes more than \$30 million in education aid and other state grants - a 7% increase over 2007 and nearly 3.5% over the Governor's budget.

With increased state funding, towns will be held accountable for the general efficacy of programs, particularly education.

A healthier, better balanced, more equitable overall system of state and local taxation, coupled with efficiency and accountability measures, will enable a shift away from the property tax as predominant revenue source to support government operations and lessen property tax burdens.

I look forward to your comments and suggestions.

Sincerely,

Elissa Wright