

M. JODI RELL
GOVERNOR

STATE OF CONNECTICUT
EXECUTIVE CHAMBERS

**Testimony in Support of House Bill 5780:
An Act Concerning the Job Creation Tax Credit Program
Commerce Committee Public Hearing
March 6, 2008**

Chairmen LeBeau and Crisco, Vice-Chairs, Ranking Members and Other Distinguished Members of the Commerce Committee:

As Governor of the State of Connecticut, job creation and economic growth are and will continue to be a top priority for my Administration. In fact, last fall I was pleased to announce that Connecticut hit a record for jobs by exceeding the previous high set in July, 2000.

I am certain that many of the actions we've taken over the past few years – in a bipartisan fashion – have gone a long way in helping to create jobs in Connecticut. However, there is more to be done, especially with the increasing uncertainty over the nation's fiscal future and the economic challenges we are facing right here in Connecticut.

That is why I am submitting written testimony in favor of House Bill 5780: An Act Concerning the Job Creation Tax Credit Program.

I was crystal clear last month during my budget address when I stated: *"And at a time like this, with economic storm clouds on the horizon, it's more important than ever that we focus on economic development."*

State revenue is coming in at a slower pace than anticipated and state surplus estimates continue to decrease. I can't say it enough: fiscal caution, fiscal restraint, is needed.

It starts by controlling state spending and repelling any attempt to raise taxes on Connecticut families and businesses. My budget calls for investing in critical areas such as nanotechnology, eliminating the burdensome \$250 business entity tax and exercising fiscal prudence and finesse.

To complement these pro-business, pro-job efforts, expanding the job creation tax credit to small businesses – as outlined in HB 5780 – is the right thing to do at this time. I developed the original Job Creation Tax Credit as an incentive to encourage existing businesses to grow in Connecticut and I was pleased to support last year's bipartisan legislation which made it easier for more businesses to qualify for the credit.

As the economy has slowed there has been much discussion of the need for tax relief and economic stimulus. The track record of small businesses as the primary generators of new hiring is unsurpassed and has been for years.

The Job Creation Tax Credit currently allows C-corporations that create 10 or more net new jobs to claim a tax credit equal to 60 percent of each new employee's state withholding tax. The program helps Connecticut businesses grow, makes our State more attractive to new business, and helps all businesses add jobs.

Small businesses are responsible for creating the vast majority of new and replacement jobs in our state, so the Job Creation Tax Credit should be expanded to include businesses of any size. HB 5780 will make the credit available to S-corps, LLCs, LLPs, and LPs; eliminate the need for DECD approval; and apply the credit annually to every net new job created.

This incentive will send a strong message that Connecticut welcomes entrepreneurs and nurtures the small businesses which are at the heart of our economy.

Some in the General Assembly have called for a so-called economic stimulus package, a "sound-good" proposal without much detail about where the money would come from or who it would go to. **However, we do not have a surplus yet – it is only on paper.** So taxpayers should be wary about such a proposal because they will pay its cost – if not now, then in future tax increases.

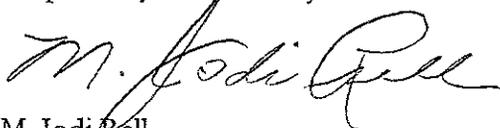
By contrast, a \$10 million investment in an expanded Job Creation Tax Credit this year would return approximately \$25 million in income tax revenue next year. This is a fiscally-prudent, long-term investment in middle class jobs and in the future strength of the Connecticut economy.

We are reaching the half-way point of the legislative session. Fiscal uncertainty still looms with no relief in sight. Connecticut businesses and families want peace of mind knowing that we will weather this fiscal storm. Legislators have spent weeks talking and debating on how to help small businesses. Now it's time for the Commerce Committee to lead the way and take action on HB 5780.

Again, I respectfully ask that the Commerce Committee support HB 5780 and move the bill quickly through the legislative process. After all, Connecticut's business community – and Connecticut families who count on their jobs – are depending on it.

Thank you for your consideration.

Respectfully submitted by:



M. Jodi Rell
Governor