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Statement by Paul Filson, Director of Service Employees International Union (SEIU) Connecticut State Council opposed to Raised Bill 400 – AN ACT ELIMINATING THE BUSINESS ENTITY - **Before the Commerce Committee.**

Good Afternoon, Co-Chairs, Senator LeBeau, Representative Berger and distinguished members of the Commerce Committee - I appreciate the opportunity to be here before you today. My name is Paul Filson and I am Director of SEIU's Connecticut State Council. The State Council represents over 55,000 members in Connecticut. SEIU is Connecticut's largest union. The State Council coordinates the political activity for SEIU in Connecticut. I am also a Board member of One Connecticut a coalition with over 100 member organizations dedicated to eliminating the huge economic disparities that exist in Connecticut.

Bill 400 eliminates a small $250 flat tax levied on businesses that otherwise would pay no state corporate taxes at all. Some of Connecticut's largest corporations have changed their incorporation status to take advantage of this tax thus avoiding paying fair taxes to Connecticut. Many hugely profitable businesses, such as law firms, real estate companies, insurance brokerages and lobbying firms pay only the $250 entity tax.

The business entity tax raises, according to Governor Rell, $35 million per year in revenue. Most of our neighboring states including New York, New Jersey, Maine, Rhode Island and New Hampshire have a similar entity tax. In fact, many states levy a higher tax than does Connecticut.

It is true that the entity tax is more of a burden on a tiny start-up business than it is on a multi-million dollar company. It is also true that just about any legitimate business should be able to afford the less than $5 per week entity tax. Incorporation and registration with the Secretary of State offers certain legal advantages that are well worth paying the yearly tax. For a $Billion corporation like Purdue Pharmaceutical, which manufactures Oxycontin, paying the $250 is merely a nuisance.

Connecticut needs to promote job growth. There are many good ways to do that. Eliminating this tax is not one of them. The state could use the $35 million to create job training programs. In fact, on Tuesday I testified along with CBIA that promoting a "Green Jobs" training program at the Community Colleges, promoted in Bill 5686 would make a lot of sense. That program will cost $2 million. Creation of a State EITC would likely generate more economic activity. A State EITC will cost $60 million.

Connecticut taxes its corporations less than most states. The majority of corporations in Connecticut pay either no income tax or only $250. While it's true that operating costs are high in Connecticut our business taxes are not. Our state needs to stimulate the economy by improving infrastructure, education and by reducing its reliance on property taxes. Connecticut would attract many more jobs if there was more affordable housing that workers could live in.

Connecticut's business taxes do need to be reformed. Rather than eliminating the entity tax the General Assembly should consider instituting a truly progressive tax policy with transparency on businesses. Those that make enormous profits by doing business in Connecticut should pay their fair share, and those that are starting up and are small should pay minimal taxes to encourage their growth. If corporations paid their fair share there would be more revenue available to create the business climate that would attract companies to our state. Without big changes **I would urge this committee to reject Bill 400.**

Attached to my testimony is a fact sheet that was sent out via email to every legislator. You can read more about the entity tax by referring to the link at the bottom of the fact sheet.

One Connecticut
the campaign to fight poverty and build economic security

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Don't Give Away $35 Million in Revenue; Reform, Don't Eliminate, the Business Entity Tax

Governor Rell, Secretary of State Bysiewicz, and some legislators have recently called for repeal of Connecticut's Business Entity Tax. The Entity Tax is a flat tax of $250 paid by some corporations and partnerships that are not required to pay Connecticut's corporation business tax (the corporate income tax).

Eliminating this tax without requiring profitable companies to pay some tax is just bad public policy.

1. The Entity Tax is the **annual $250 tax imposed** since 2002 on every domestic S corporation, limited liability corporation, limited partnership, limited liability partnership and several other business forms that register with the Secretary of State and do business in Connecticut.

2. The Governor estimates that the Entity Tax will bring in **$35 million** in 2008-09.

3. Some businesses now paying the $250 Entity Tax **used to pay more** when they were subject to the corporation business tax.

4. **In 2003, 18 of Connecticut's largest companies paid only the $250 Entity Tax**.

5. About **half of all states impose entity taxes** including New York, New Jersey, New Hampshire, Rhode Island, and Maine. Many states require higher payments than $250.

6. **The Business Entity Tax should be reformed, not eliminated**, to assure a more level playing field among Connecticut businesses. Rates could be graduated based on gross business income. All businesses would pay something but large companies would pay more than small ones.

7. **Reform of the Business Entity Tax should be coupled with other corporate tax reforms**, including disclosure of taxes paid and credits utilized by company, changes in the apportionment formulas, review of tax exemptions and credits, or adoption of a progressive rate structure in the corporation business tax.

For more information, contact Paul Filson, SEIU State Council (860-251-6091) and go to http://ctkidslink.org/pub_detail_384.html to view a CT Voices for Children brief on this issue.