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February 9, 2009

Honorable Members of the Finance Committee
Legislative Office Building
Harford, CT 06106

**Re: Small Business Opposition to HB-6350 eliminating sales tax exemptions;
HB-6349 taxing professional services; HB-6348 & SB-815 concerning tax credits.**

Dear Committee Members:

My name is Rick Willard. I volunteer to serve as Chairman of the Connecticut Leadership Council for the National Federation of Independent Business (NFIB). I am also the owner of Griswold, Willard & Strong in Wethersfield. Previously I managed our family business, Comstock, Ferre & Co., also in Wethersfield. I have worked for and with small businesses for nearly my entire professional career.

A non-profit, non-partisan organization, NFIB is Connecticut's and the nation's leading small business advocacy group. NFIB's mission is "To promote and protect the *right* of our members to own, operate and grow their businesses." In Connecticut, NFIB represents thousands of small and independent business owners and their workers involved in all types of industries: including manufacturing, retail trade, wholesale trade, transportation, professional services and agriculture. The average NFIB member has less than 10 employees and annual gross revenues of approximately \$350,000. In short, NFIB represents the small "Main Street" businesses in every city and town across our state.

While individually they are small, collectively businesses with fewer than 20 employees now make up 71.5 percent of all establishments in the state. Additionally, Connecticut's "nonemployers," the term federal researchers use to describe sole proprietors with no staff, now top over 250,000. While it is apparent to most that small business is the economic engine that drives this state, I am fearful, however, that if several of the bills being discussed today pass, that engine, which is already sputtering, will completely stall out and will not be started again anytime soon. Therefore, it is on behalf of those small and independent business across Connecticut, that I am here today opposing these harmful tax measures.

Simply put, our opposition is as follows:

HB-6350 – It is our understanding that this bill would eliminate virtually all exemptions to the state's sales tax, including for manufacturing machinery and equipment and impose a sales tax rate of 5%. On the retail side, while it may

seem at first that lowering our sales tax rate to 5% may make our state more competitive, this is shortsighted, as residents will flock to border states like Massachusetts to purchase clothing, food and other essential items which are not subject to the sales tax. This loss of business will particularly harm the smallest of our establishments, who are already struggling to hang on in their businesses. With regard to manufacturers, they would lose sales tax exemptions for machinery, equipment, materials, tools, fuel, etc. States that want to keep manufacturing jobs exempt these items from the sales tax.

HB-6349 – It is our understanding that this bill extends the state sales tax to virtually all professional and business services, which includes legal, accounting, engineering, architectural, insurance and financial services. Once again, imposing these taxes will make Connecticut a far less competitive place to do business, across the board. The administrative and cost burden of education and compliance with new tax laws, particularly for small firms and their customers, will be monumental. Additionally, the regressive nature of this tax will harm residents who utilize services during times of need (legal, medical, financial, etc.).

HB-6348 & SB 815 - It is our understanding that these two proposals would restrict the ability of Connecticut companies to use corporate tax credits, provide an arbitrary cap as well as reduce the effectiveness of the credits, and place a two year moratorium on the use of tax credits, respectively. As it is, small businesses have a hard enough time taking advantage of the tax credits which are available to them, measures which add additional restrictions to their use will only frustrate their purpose as well as frustrate the business community. Additionally, the timing of the moratorium could not be worse. Many businesses make or have made decisions in anticipation of the availability of certain tax credits. Tax credits create jobs and investment in Connecticut business. Taking these away, or restricting them, will have long-term deleterious effects.

In sum, these proposals are nothing more than job-killing, short-sighted revenue enhancers which burden the very people who already provide the majority of state revenue. At a time when all families and businesses are cutting back and cutting costs, the state needs to do the same.

Sincerely,

Rick Willard
Chairman
NFIB/Connecticut Leadership Council