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Good Morning. I am Diane Harp Jones and represent the Connecticut Chapter of the American Institute of Architects. I serve the organization as CEO/Executive Vice President.

The issue of a sales tax on professional services is an issue with which we were intimately involved in 1989 when the State passed a similar law. This law was repealed in 1991, though at that time also the State was facing an enormous budget deficit, because the tax on professional services was deemed unfair and unworkable. While we understand the current concerns regarding the state budget and economy, we believe the imposition of a tax on services by state statute is a dangerous approach to work toward closing the budget shortfall. Our concerns include, but are not limited to, the pyramiding of taxes, duplication of taxes and unfair advantages to out-of-state architects.

- The Bill, as written, does not take into consideration any 'Sale for Resale'. That creates double and triple taxation, which is counterproductive to business development and discriminatory to small service providers.
- A tax on professional service providers who provide services consumed within Connecticut will place in-state service providers at a substantial competitive disadvantage.
- There are numerous examples of businesses, which, by simply changing their business plan, can completely escape the tax. Large or sophisticated business can avoid the tax by moving out of state, as can be documented as having happened in other states, while continuing to do business in Connecticut by retaining their license in Connecticut. This will result in a loss of jobs.
- There are numerous service providers who cannot pass the tax along to the consumer of the service.
- There are the questions regarding taxing the imputed value of services or barter transactions.
- How will this tax be collected? How will it be administered and at what cost? Will the tax be refunded if the service provider is not paid? Will this tax apply solely to project done within the State?
- Numerous states have found taxation on professional services to be detrimental to small businesses and have repealed similar tax laws. Examples are our neighboring State of Massachusetts.

We site the example of the impact of a tax on professional services which our colleagues in Florida experienced in 1987 before the State of Florida repealed this form of taxation.

Associated Press, June 20, 1987

**Hotels face cancellations in protest move**

The number of organizations pulling conventions and meetings out of Florida hotels is growing as the national business community protests the state's 5 percent on advertising. . . .

. . . . "Some areas were disproportionately hard hit, like northeast Florida. The (cancellations) are not just for 1987. They go until 1991".

AIA Connecticut represents approximately 450 firms with over 90% of those firms having fewer than 10 employees. Many of those firms are already experiencing serious financial challenges due to the current economic climate. Two independent economists within the State have spoken before our association with in last four months. They are suggesting the possibility that between 17 and 25% of our firms will fail due to the current recession. This proposal will only add to the struggle that these small businesses are already experiencing. This proposal will also be put them at a substantial competitive disadvantage with firms from outside of Connecticut. We urge you to consider the impact that an increase in the cost of architectural, engineering, landscape architectural and land surveying services, our fellow licensed professionals, will have on an already slumping building industry.

AIA Connecticut has a long history of opposing service taxes due to inherent problems and inequities in the concept. We urge you to strike Section (GG) lines 147 through 149 from Section 1 Subdivision (37) of Raised Bill No. 6349.

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