CONNECTICUT ASSOCIATION of NONPROFITS

...to serve, strengthen and support Connecticut's nonprofit community.

Testimony before the Finance, Revenue & Bonding Committee
3.2.09

HB 6557, AAC the Income Tax and the Estate Tax

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Connecticut Association of Nonprofits (CT Nonprofits) represents 530 nonprofit organizations in Connecticut, 300 of which receive state funding to provide health and human services on its behalf

CT Nonprofits supports HB 6557, but feels the Committee should consider raising the income tax on our state's wealthiest earners even higher than what is called for in this bill. Connecticut and the nation as a whole are facing an unprecedented financial crisis. Gone are the large budget surpluses that we have seen in recent years. Instead, the state must now grapple with an $8 billion deficit for FY10-11. This will be no easy task; difficult decisions will have to be made. However, we must keep in mind what we want our state to look like when we come out of these difficult financial times. I do not believe that cutting our way out of an $8 billion deficit will leave a Connecticut of which any of us can be proud. That is why CT Nonprofits supports the Finance, Revenue & Bonding Committee looking at revenue enhancements such as raising the state income tax on our highest earners.

CT Nonprofits is a member of Better Choices for Connecticut, a broad based community coalition which is helping Connecticut make the budgetary choices that reflect the priorities and values of its citizens. Better Choices has released a revenue enhancement plan which estimates that increasing the income tax for our state's highest earners will result in an additional $800 million to $1.2 billion in state revenue. There is no doubt that this increased revenue is greatly needed and could be used to help offset potentially devastating cuts to health and human services. Better Choices propose the creation of additional brackets for top earners. Specifically, the following new brackets for married couples filing jointly:

- Marginal rate of 6.0 percent on taxable income greater than $200,000
- Marginal rate of 7.0 percent on taxable income greater than $500,000
- Marginal rate of 8.0 percent on taxable income greater than $1 million

The tax brackets for taxpayers filing as singles, married couples filing separately, and heads of household would maintain the same ratio in relation to the brackets for married couples filing jointly. These increased rates would still be lower than income tax rates in our neighboring states of New York, New Jersey and Rhode Island.

Middle- and low-income residents pay close to 11 percent of their income in state and local taxes, while the richest families pay less than 7 percent. Based on data from the Institute on Taxation and Economic Policy, Connecticut's highest income families pay a lower proportional share of their income in state and local taxes when sales, excise, property, and income taxes are

all taken into consideration. Given the regressive nature of sales, excise, and property taxes, Connecticut's relatively flat income tax structure is fundamentally unfair. Not only would adjusting our income tax rates make our state's tax structure more equitable, but it will help produce revenue that can sustain our state budget in both good times and bad.

We urge you to consider the Better Choices revenue plan and take steps to make Connecticut's tax structure more equitable.

Thank you for the opportunity to submit testimony. Please do not hesitate to contact me with any questions.

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