

**Testimony before the Revenue, Finance & Bonding Committee**  
**Re: H.B. 6557 - An Act Concerning the Income Tax and the Estate Tax**  
**Submitted by Michael Winterfield, Connecticut Working Families**  
**March 2, 2009**

Connecticut Working Families applauds the revenue raising directions of H.B. 6557. It is necessary and appropriate to ask our most prosperous citizens to pay moderately higher taxes. Our concern is that H.B. 6557 does not go far enough. We need decisive revenue raising actions to close unprecedented Budget gaps and preclude spending reductions which would hurt our most vulnerable citizens. We cannot accept a Budget that requires massive service cuts in virtually all state agencies. We cannot accept a Budget that requires Medicaid recipients to pay higher co-payments and denies them dental care, except for medical emergencies. The examples go on and on.

There is a better way! Connecticut Working Families is a member of **Better Choices for Connecticut**, a broad based community coalition which is helping Connecticut to make the budgetary choices that reflect the priorities and values of its citizens. Better Choices has developed an integrated set of tax proposals to equitably raise an estimated \$1.7 billion per year. We would begin with higher income tax rates for those who can best afford it. Our graduated tax proposal would raise an additional \$800 million - \$1.2 billion per year. For married couples filing jointly, we would increase the tax rate to 6% on the portion of income over \$200,000, to 7% on the portion over \$500,000, and to 8% on the portion over \$1 million.

The balance of our revenues would come from reforming corporate tax rules, increasing the sales tax rate by 1%, scaling back public subsidies to the entertainment industry, and increasing cigarette and alcohol taxes. (We would combine the sales tax increase with a State Earned Income Tax Credit to offset regressive tax increases on lower wage workers.)

H.B. 6557's 5.5% and 6% graduated tax rates on income over \$250,000 are a step in the right direction, but they would only bring in about 40% of Better Choices' targets. We would be looking at \$320 million - \$480 million revenue, rather than \$800 million - \$1.2 billion. Better Choices' graduated tax revenues are accordingly \$480 million - \$720 million higher. With projected OFA Budget deficits of over \$3 billion in 2010 and over \$4.5 billion in 2011, Connecticut sorely needs the additional revenue in our proposal.

Under the Better Choices' proposal, Connecticut's marginal tax rates for high income families would still be significantly lower than those of most neighboring states. New Jersey, New York City and Rhode Island residents are currently paying 9% or more for income over \$500,000.

Higher tax rates on income over \$200,000 would make Connecticut's state and local tax system more equitable. 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 aggregated. Middle-income and low-income families pay close to 11% of their income in state and local taxes, while the highest income families pay less than 7%. Furthermore, most of our highest income families can obtain up to 35% Federal Income Tax offsets through their Itemized Deductions.

As a personal note, I wore a big green **TAX ME** sticker when I testified for graduated tax increases in 2005. In those days, I had income that would have subjected me to the Better Choices and H.B. 6557 tax increases. Many of the higher income folks I worked with in corporate America shared my feelings. We worked hard for what we got, but we knew that our lower income associates worked pretty hard too. Paying another 1-2 cents tax on each dollar was a negligible price to pay for the benefits of living in this wonderful state.

As an example of the incremental tax effects, the Better Choices' graduated tax structure calls for an additional \$1,000 tax (\$19.23 per week) for family income of \$300,000. For family income of \$500,000, the

additional tax is \$3,000 (\$57.69 per week). And once again, the additional state taxes would be eligible for Federal Income Tax offsets. In short, additional taxes of this nature will not alter the life style of any upper income family. More important, these incremental taxes can save thousands of jobs and help to maintain the Social Services safety net for hundreds of thousands of Connecticut citizens.

Better Choices is also generally supportive of H.B. 6557's proposed 30% surcharge on the estate tax rates. This proposal is consistent with graduated increases in the personal income tax rates.

We thank the Finance, Revenue & Bonding Committee for giving us the opportunity to testify.