



STATEMENT OF AT&T CONNECTICUT

**Regarding Raised House Bill No. 6349
An Act Concerning the Sales Tax on Services
Before the Committee on Finance, Revenue and Bonding
February 9, 2009**

Proposal:

Raised House Bill No. 6349 expands the sales and use tax to professional, insurance, occupational, or personal services. The bill does not clearly define the newly taxable services. The new tax would take effect as of April 1, 2009.

Comments:

AT&T is opposed to Raised House Bill No. 6349 and urges the committee to reject it.

The extension of the sales taxes to these new services will result in the pyramiding of tax and increase the cost to do business in Connecticut and drive consumers to use non-Connecticut based businesses.

Extension of the sales tax to additional services consumed by businesses results in tax pyramiding and places Connecticut-based businesses at a competitive disadvantage.

Tax pyramiding occurs when sales tax is imposed on the acquisition of a good or service by a business that is a component part of the ultimate good or service sold by that business. In effect, the consumer of the final product is taxed twice: at the time of purchase and a second time when the business passes the cost of the tax imposed on a good or service that is an input into the final product. The result is to hurt Connecticut consumers who will face increased costs and encourage consumers to seek services from providers located outside of Connecticut.

Conclusion:

Connecticut already taxes more services than most states; particularly those services utilized by businesses to produce other goods and services. Raised House Bill No. 6349 would exacerbate the burdens placed on Connecticut businesses and the incentive to utilize businesses based outside of the state.