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Support for SB-147

Exempting Social Security and Pensions from the State Income Tax

Senator Prague, Representative Serra, Senator Kissel, and Representative Frey:

Thank you for hearing SB-147, *An Act Exempting Social Security and Pensions from the Income Tax*. I apologize I could not be here with you in person today, but want to share why I believe this is the right time to consider this idea.

Exempting social security and pensions from the income tax is fair both for philosophical and practical reasons. On the philosophical side, earnings have already been subject to the income tax once as people paid into social security and pensions during their working years. Most states have decided that we are "double taxing" our seniors by taxing social security and private pensions. Only fifteen states besides Connecticut tax social security benefits, and two of these (Iowa and Missouri) are phasing them out. Most of these states also have exemptions for those below certain income levels, so the vast majority of people who depend on social security as their primary source of income do not pay state income tax on social security.

But more important than the philosophical reasons are the practical realities for many seniors. Most seniors live on a fixed income, and the rising costs of living in Connecticut have hurt them especially hard in this recession. Providing relief through not taxing social security and pensions will make a huge difference to middle class seniors struggling to make ends meet. Additionally, because seniors will likely spend this tax break rather than save it, this will have a stimulative impact on Connecticut's economy.

Of course, we all know the budget crisis the state is under. This proposal would cost the state an estimated \$250 million to \$275 million in lost revenue, according to OFA estimates—a large amount to consider when we have a two year, \$6 billion deficit. While I realize enacting this proposal under these conditions is very difficult, I believe it is important to have it in the discussion of the budget this year.

We will no doubt be talking about the tax code this year, and this proposal may be part of a larger package of tax reform that happens this year. Out of crisis often comes opportunity, and we may be able to include a phase-in of this proposal, offset it with additional spending cuts, or find other means to include it in any tax package that may emerge from this year's budget negotiations.

I would encourage the Aging Committee to pass this bill onto the Finance Committee, where it can be considered in the context of the larger budget. The General Assembly has an opportunity to provide real economic help to our senior citizens, and I would urge your support of SB-147.