



CONNECTICUT
ASSOCIATION
of **NONPROFITS**

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

**Testimony before the Finance Revenue & Bonding Committee
3.22.10**

**In Support of
SB 485, AAC Tax Fairness
HB 5534, AA Establishing a Revenue Accountability Commission**

Connecticut Association of Nonprofits (CT Nonprofits) is the largest membership organization in Connecticut dedicated exclusively to working with nonprofits in Connecticut. We represent over 500 nonprofits, 300 of which hold purchase of service contracts with the state to provide health and human services on its behalf.

SB 485

CT Nonprofits supports this measure and ensuring that large corporations pay their fair share of taxes. Connecticut's tax system allows large, multi-state corporations to artificially shift profits to subsidiaries in states without corporate income taxes. This enables larger corporations to avoid their fair share of taxes, costing the state millions of dollars and shifting responsibility for taxes onto local businesses and individuals.ⁱ Twenty-three states have already adopted mandatory combined reporting to resolve this problem.ⁱⁱ

As the state continues to grapple with budget deficits in the hundreds of millions of dollars, soon to be in the billions of dollars, the Governor and some legislators continue to advocate for cuts as the sole means to balance the budget. Many of these cuts are targeted at health and human services provided by nonprofits to our state's most vulnerable residents. Meanwhile, tax loopholes such as the "Las Vegas Loophole" referenced above continue to drain the state of millions of dollars.

Nonprofits provide health and human services on the state's behalf at a great savings to taxpayers. Unfortunately, we are chronically underfunded with an average cost-of-living adjustment of only 1% over the past twenty years. We have been facing gubernatorial rescissions and budget cuts for the past eighteen months, with many providers losing 5% of their budgets. The demand for our services has skyrocketed in this fiscal climate, along with our health insurance premiums. Lines of credit have become more difficult to access and individual and philanthropic giving is down. If you are questioning whether or not nonprofits and those we serve are "sharing in the pain" of the economic downturn, we can assure you that the answer is yes.

So now it is time for the state to ensure that *everyone* is playing their part in the budget solution, including large, multi-state corporations. We urge support of SB 485, which will require combined reporting and close a very costly tax loophole in our state.

HB 5534

CT Nonprofits supports HB 5534 and strongly urges a review of Connecticut's tax structure. The state needs to ensure that both personal and business income taxes are equitable so that crucial publicly funded services can remain in place. Connecticut's citizens value our high quality of life and depend on a vibrant public sector to meet the needs of our state's residents. State revenues – taxes, fees, and other income – are the collective investments that support our communities and maintain the high standards we all expect and enjoy. Our public structures – good schools, safe roads, quality health care programs, and strong public safety agencies are vital to preserving this quality of life and to ensuring Connecticut's economic vitality.ⁱⁱⁱ A review of our state's tax structure will ensure that everyone is paying their fair share for the quality of life we have all come to expect.

For questions, please contact Liza Andrews, Public Policy Director, at landrews@ctnonprofits.org

ⁱ Better Choices for Connecticut: Revenue Solutions for FY 2011. March 17, 2010.

ⁱⁱ MICHAEL MAZEROV, CTR. BUDGET & POL'Y PRIORITIES, VAST MAJORITY OF LARGE NEW MEXICO CORPORATIONS ARE ALREADY SUBJECT TO "COMBINED REPORTING" IN OTHER STATES (2010), <http://www.cbpp.org/files/1-26-10sfp.pdf>.

ⁱⁱⁱ Better Choices for Connecticut State Budget Proposal. February 2, 2009.