

Testimony in support of concerning "The Preservation And Creation of Jobs in Connecticut".

By Tony Sheridan

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Dear Finance Revenue and Bonding Committee Members:

Thank you for the opportunity to share a few thoughts with you this morning. I am here specifically to lend my support for proposed legislation concerning "The Preservation And Creation of Jobs in Connecticut".

The Chamber of Commerce Of Eastern Connecticut has a membership of approximately 1,600 member companies. Our mission is to promote and support the business community of eastern Connecticut. In addition, this past year the Chamber received a congressional grant to establish up to 10 incubators for start-up companies. We opened our incubator in January and we already have five new companies in place. The process for being accepted into an incubator space includes a rigorous interview process with Chamber staff and with SCORE, which is also housed in the Chamber offices. I mention this only to share with you that we have firsthand experience at the Chamber on what it takes to open a business in CT. Let me assure that entrepreneurs find this to be a challenging process.

As I understand, the proposed legislation would provide a modest amount of tax relief to struggling small businesses by suspending the \$250 Business Entity Tax for two years. This proposed legislation is a positive gesture, but hopefully, one of more to come. This gesture is important, not because of the savings involved but, equally importantly, because of the message it sends to the small business community, demonstration that our legislators are aware of the difficult times confronting the small business community and that they are interested in responding in a proactive fashion.

Unemployment is high all across Connecticut. People are hurting. Small businesses are hurting. The state has an important role to play in response to these concerns. As you well know, the small business community is the originator of almost 90% of jobs created in this country. This trend is even higher in Connecticut. Small businesses account for 97 percent of all Connecticut employers and nearly half of private-sector employment, according to the state Department of Labor. Nearly 95,000 people have lost their job since the recession began in 2008, and many economists predict the total number of lost jobs in Connecticut will reach 100,000.

It is critically important that the legislature does everything in its power to create a positive, helpful and supportive atmosphere for the entrepreneur. You need to take steps to limit the impediments that slow down and discourage the opening of new businesses in our state.

Finally, economic practitioners know that the fundamental societal factors in developing and growing a positive business atmosphere include the availability of resources, as well as the recognition, admiration and respect that these entrepreneurs deserve for the risks they take for the common good. Business leaders need our encouragement and support as they establish business and create employment opportunities for others. Their efforts are the corner stone of our economic well being and the quality of life we all strive for. Your support of "The Preservation And Creation of Jobs in Connecticut" is a step in the right direction.

Thank you for the opportunity to address you today.

Tony Sheridan.

### **Create small business revolving loan fund**

Big banks were bailed out by the federal government, but they have failed to make these bailout funds available to small businesses. Big banks have significantly restricted loans and lines of credit to small businesses, and in so doing, have severely restricted small businesses' ability to survive and succeed during the economic downturn and beyond.

A small business revolving loan fund will be administered by a business financing entity with the consolidated business knowledge and the diversity of involvement necessary to serve all types of small businesses in Connecticut. It is critical that this new entity have the flexibility to offer loans to businesses that have been caught in the credit crunch, not because their business has changed, but because the rules of banking have changed.

#### **1. Consolidate state economic development entities**

Consolidate CDA, CI and the direct business financing function of DECD into one single entity, as recommended by the recent bipartisan report from the General Assembly's Program Review & Investigations (PRI) Committee. This will provide a benefit to small businesses and the state in the following ways:

- a. Cuts costs by streamlining functions.
  - i. Operating expenses at CI are high: they have even exceeded loans awarded in some years.
- b. Avoids duplication of efforts—eliminates administrative duplication and helps avoid situations where two agencies are working on the same issue.
- c. Establishes a one-stop shopping option for small businesses who might not know where to go for help.
- d. Combines knowledge accumulated from different agencies into one location where this knowledge can be benefit all businesses in Connecticut.
- e. Creates new entity that will administer new small business revolving loan fund.

#### **4. Hold formal hearing to review state regulations and their impact on small businesses.**

### **How to Pay for It: Temporary surcharge on TARP supported bonuses**

After receiving billions of taxpayer dollars from TARP, the nation's biggest banks are back to handing out enormous bonuses and raises. Under the Senate Democrats' job plan, bonuses of \$1 million or more paid to employees of TARP recipient entities will be subject to a temporary surcharge.

- a. The surcharge will apply for two years only—Income years 2010 and 2011.
- b. The surcharge rate will be 2.47 percent on the entire amount of a bonus that totals \$1 million or more. This 2.47 percent is on top of Connecticut's existing top income tax rate, meaning that the total state income tax rate on these bonuses is 8.97 percent.
  1. Recipients of these bonuses will pay an income tax rate on the bonuses that is equivalent to the top NY state income tax rate of 8.97 percent.
  2. This rate is still lower than the top NY City / State combined rate of by 12.6 percent and lower than the top NJ rate of 10.75 percent