CEO

CITIZENS FOR ECONOMIC OPPORTUNITY
Corporate Responsibility Campaign

S.B. 485 - An Act Concerning Tax Fairness

My name is Karen Schuessler and I am the Director of Citizens for Economic Opportunity (CEO). CEO is a coalition of community and labor groups addressing health care reform and corporate responsibility.

I strongly support S.B. 485 and support making corporation business taxes more equitable and effective.

Combined reporting can help enhance tax revenue and can help finance services like education and health care. Twenty three states have already adopted combined reporting. By requiring corporations to add their profits together, states utilizing combined reporting do not allow large multi-state corporations to move profits out of the states in which they are earned and into states in which they will be taxed at lower rates or not at all. This results in households and small businesses paying higher taxes to make up for the taxes that large corporations are able to avoid.

Most states that have implemented combined reporting report that combined reporting increases corporate income taxes by an average of 10-25 percent. In fact combined reporting states are among the most economically successful states in the country. According to a Center on Budget and Policy Priorities report, seven of the eight states (Arizona, Idaho, Kansas, Montana, Nebraska, North Dakota and Utah) that achieved net positive growth in manufacturing employment between 1990 and 2007 had combined reporting in effect. Oregon and Minnesota also have combined reporting and they were the two next best performing states although they had flat manufacturing employment during that period. All other states lost manufacturing jobs and a majority of them did not require combined reporting.

Furthermore, the Center on Budget and Policy Priorities states that the average total state and local taxes paid by corporations represent approximately two and one half percent of their expenses and the state corporate income tax represents on average less than 10% of that two and one-half percent.

As for the impact on state economic growth, corporate location decisions are frequently based on labor, energy and transportation costs rather than state corporate tax policies. A recent study by economists Robert Tannenwald (Center on Budget Policy and Priorities in Boston) and George Plesko (University of CT) which measured interstate differences in overall state and local tax costs for corporations found that there was not a statistically significant relationship between those costs and state success in attracting business investment.

CEO also supports S.B. 432, an act concerning the review of tax credits. It is important to review, repeal and modify certain tax credits. The film tax credit is tax credit that needs to be reviewed to determine its effectiveness. As of May, 2009, sixty productions have been awarded tax credits totaling $113.22 million. In addition, production companies can sell the credits when they do not have CT tax liability to offset and acccording to a Department of Economic and Community Development report, on the average only 63 jobs are created annually.

Karen Schuessler
Director
Citizens for Economic Opportunity
860-674-0143