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Testimony of
House Republican Leader Lawrence F. Cafero, Jr.
Regarding Senate Bill 1, "An Act Concerning the Preservation and
Creation of Jobs in Connecticut."

Before the Finance, Revenue and Bonding Committee

Good morning Chairwoman Daily and Chairman Staples, Ranking Members Roraback and Candelora, and Members of the Finance Committee. I am here to testify on Senate Bill 1, An Act Concerning the Preservation and Creation of Jobs in Connecticut.

I thank the committee for singling out this bill in a way that highlights the importance of the creation and preservation of jobs this session. I view this bill not as a Senate bill or a Democrat bill or Senator Williams' bill. This is a bill with some good ideas that help to address the most critical problems of our state. And, the public needs to see that there are ideas our two parties and the Governor agree on. For us, the key is to focus on the areas of agreement, rather than getting caught up in and wasting time on our differences.

There are basically three proposals in this bill; two of which I support and one that I believe we don't have enough information for me to be able to take a position on.

Section 1 of SB 1 is a two-year moratorium of the Business Entity Tax that applies to companies that earn \$50,000 or less and keep at least one person employed for eight months. The House Republican Caucus has a history of proposing the elimination of the Business Entity Tax, since it was first enacted in 2002. I fully support this proposal; however, I hope the Committee would consider increasing the income threshold to \$75,000 or \$100,000, as this economic crisis is taking a toll on all businesses, not just the smallest ones.

To stay on a positive note, I am going to skip to Sections four and five of the bill. The House Republican Caucus submitted the same concept when the session began. Governor Rell also submitted a similar proposal. These sections make direct loans to and provide loan guarantees for small businesses. Many businesses rely on credit so that they have the money up front to pay for costs associated with producing goods, while income may be slow. Unfortunately, credit markets are still very tight, and an initiative like this could truly be the difference in whether some businesses decide to keep their doors open or close for good, adding to the growing number of unemployed.

With regard to Sections two and three, I'm not prepared to take a position on the TARP-company bonus tax because there is so much that we still don't know. First and foremost, we don't know if this proposal is constitutional. Additionally, we don't know how many people are affected by it. We don't know how much revenue it would bring in. We don't know for sure how to distinguish between different types of compensation according to our law. Fortunately, this tax increase is not essential to the title of the bill, nor does it reflect what should be the priority of this legislature – creating and preserving jobs. If it is the will of the Committee, you can still debate the bonus tax as a separate bill; it doesn't have to jeopardize the other pieces, where there is broad agreement.

Thank you for the opportunity to testify on this important issue. The House Republican Caucus is ready to work with this Committee and members on both sides of the aisle, in both chambers.