

TESTIMONY OF
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SUBMITTED TO THE
FINANCE, REVENUE AND BONDING COMMITTEE
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LEGISLATIVE OFFICE BUILDING
HARTFORD, CONNECTICUT

HB-6628 AN ACT CONCERNING TAX FAIRNESS

Senator Eileen Daily, Co-Chair
Representative Patricia Widlitz, Co-Chair
Finance, Revenue and Bonding Committee

Dear Committee Members,

Our economy is still in crisis, and while government is taking the responsibility to address the problems that we face, I urge you to consider carefully the impact that any action might have on the business community, which creates the jobs and the income that represent a long-term solution to the adversity that we face today.

For more than 110 years, Electric Boat Corporation in Groton, Conn., has been designing, constructing and maintaining submarines for the United States Navy. Over that period of time, Electric Boat has played a critical role in the defense of this nation as well as a critical role in the economy of our state. Electric Boat employs more than 8,000 people in Connecticut. In addition, Electric Boat has almost 700 suppliers in Connecticut who employ thousands more, in every area of the state. These high-quality, high-paying jobs are needed now more than ever in the State of Connecticut.

Today, there is a tax bill before you that would increase the cost of doing business in Connecticut. **RAISED BILL 6628 - AN ACT CONCERNING TAX FAIRNESS** imposes a mandatory combined filing requirement on companies with multiple businesses and subsidiaries. This is a wholesale structural change to the Connecticut corporate taxation system that will have an adverse impact on taxpayers and State agencies in a fragile economy.

Unitary corporate income tax reporting is not a panacea for increasing revenues or compliance. The National Conference of State Legislatures recently completed a study that concluded a mandatory unitary tax regime would raise no additional revenue. Therefore, its impact on revenues, especially in the short term, is highly uncertain.

On the compliance side, advocates of unitary reporting allege that it is “a powerful tool for cracking down on common tax avoidance strategies used by multi-state corporations.” What they fail to acknowledge, however, is that (i) Connecticut already has statutes on its books that preclude tax avoidance through such transactions, and (ii) the adoption of unitary reporting will introduce unnecessary complexity and volatility into our tax system and impose significant costs on the State and businesses that provide jobs in Connecticut.

EB needs to be able to reasonably predict the cost of building submarines for the U.S. Navy. Moreover, the price needs to be affordable, allowing us to bring more value to our customer that in turn results in more work and more jobs. Predictability and competitiveness are the keystones to a successful tax policy.

We urge you to **reject RAISED BILL 6628**, to do no harm to businesses in Connecticut, and to work with the business community to encourage the economic development that will create and retain the jobs that are so important to Connecticut families.

Thank you for the opportunity to submit this testimony.