



**STATEMENT OF OPPOSITION FOR
House Bill 6628: *An Act Concerning Tax Fairness***

**Finance, Revenue and Bonding Committee
March 28th, 2010**

The MetroHartford Alliance is the region's economic development leader and the City's Chamber of Commerce. Our investors include businesses of all sizes, health care providers, institutions of higher education, and municipalities. The Alliance's mission is to ensure that the Hartford Region competes aggressively and successfully for jobs, talent and capital. In pursuit of that mission, we strongly oppose House Bill 6628 which, if passed into law, would deter economic development in Connecticut and adversely affect the State's ability to retain and grow jobs.

Given the extraordinary size of our budget deficit compounded by the highest bonded indebtedness in the nation, it is imperative that we take dramatic steps to encourage employers to invest in our state and retain and create jobs, whether they are expanding an existing firm or business, relocating, or starting a new venture. In short, it is time to get Connecticut back to work and to begin to recover the 100,000 jobs lost in this recession. Therefore, our focus must be to pass legislation that will make Connecticut *more* competitive and ripe for investment and to avoid those actions that make the State less competitive and attractive.

To this point, we ask that you consider the highly anti-competitive implications of House Bill 6628, *An Act Concerning Tax Fairness*. This proposal would require mandatory unitary reporting, making the business corporation tax unpredictable and thereby reinforcing Connecticut's notorious reputation of being anti-jobs and anti-business. As you know, Connecticut is an extremely expensive state in which to do business for a variety of reasons. Fortunately, our highly educated and productive workforce and our quality of life

have been significant counters to that handicap for many years. Unfortunately, we cannot depend on that offset indefinitely. We must therefore eliminate legislation and regulation that create complicated and unpredictable tax policies that undermine the ability and willingness of entrepreneurs to start businesses in Connecticut and that discourage our largest private sector employers from retaining and creating jobs and from investing in plant and equipment.

As an economic development organization, we meet regularly with site selectors and discuss the implications of anti-business legislation and can state unequivocally that House Bill 6628, if passed, would be another example of actions that allow decision makers to compare Connecticut negatively with other states competing for business expansion, relocation, and retention opportunities. We also note that, with respect to the goal of generating more taxes, states that have adopted combined reporting, such as Minnesota, have found that they actually raised less revenue than originally anticipated. According to a 2008 report of the Council on State Taxation, Minnesota performed an analysis in the first year of combined reporting and found that, instead of increasing tax revenues by 15%, the state experienced a decrease of 9%.

In fact, nearly a decade ago, the Connecticut legislature rejected this reporting mechanism, recognizing its shortfalls and complicated administrative procedures, and adopted a more predictable revenue stream by adopting add-back provisions. Recently, the National Conference of State Legislatures encouraged other states to do the same: "The tax planning opportunities that remain with combined reporting, together with the difficulty of determining the unitary group, may make combined reporting a less effective means of generating revenue than the adoption of an add-back statute."

Simply stated, House Bill 6628 will not address our state's budget deficit. More importantly, it will complicate Connecticut's tax structure and thereby dramatically damage job retention and growth, eliminate private sector investment in plant and equipment, discourage business startups, and increase the likelihood of expensive litigation and more complicated audits and appeals. By directly targeting Connecticut businesses with

multiple locations, it will jeopardize the jobs of tens of thousands of our residents. For all of these reasons, we emphatically urge you to reject House Bill 6628.

