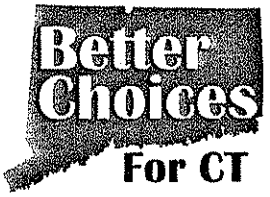

March 7, 2011

Statement by Paul Filson, Director of Service Employees International Union (SEIU) Connecticut State Council and Co-Chair of the Better Choices for Connecticut Coalition On SB 1007 *AN ACT CONCERNING THE GOVERNOR'S RECOMMENDATIONS On REVENUE.*– **before the Finance, Revenue and Bonding Committee**

Good Afternoon, Co-Chairs, Senator Daily, Representative Widlitz and distinguished members of the Finance, Revenue and Bonding Committee - I appreciate the opportunity to be here before you today. My name is Paul Filson and I am testifying on behalf of the Better Choices for Connecticut Coalition – a broad-based coalition made up of dozens of organizations that supports a balanced and equitable revenue system that reflects the priorities and values of the states residents. The Coalition includes non-profit organizations, community groups, unions and faith based organizations. I am also the Director of the Service Employees International Union Connecticut State Council.

The Better Choices Coalition released a revenue proposal that would fairly raise enough revenue in a balanced and equitable way to completely balance Connecticut's budget and it would do so without devastating cuts or by placing unfair burdens on those least able to afford them -- the summary of which is attached to this testimony. I would also like to say that the Coalition supports the Governor's attempts at making the income tax code more progressive and broad-based as far as it goes. The EITC has been a tax component that is long overdue. In addition, the addition of more brackets increases progressivity.

Here is what is missing in the Governor's proposal: 1. Fairness on income taxes – the middle class and working families in this proposal are paying a far greater share of the pain in

what has been called shared sacrifice. High income payers and the super rich pay a disproportionately small share of their "earnings". Why should the wealthy continue to be coddled? Since the income tax was enacted in Connecticut the wealthy have seen their share continuously decline. The elimination of the surcharge on capital gains was a huge benefit while those who work in New York continue to pay no Connecticut taxes on their earned income. At the same time, Federal tax cuts for the wealthy have drastically increased the wealth gap between the rich and the poor. Elimination of the $500 property tax credit hurts the middle class in Connecticut while it has no effect whatsoever on the wealthy.

2. Corporate fairness: The Governor's proposal ignores the fact that many hugely profitable corporations pay little or no business taxes while small businesses continue to pay a disproportionate share. There is a lack of transparency that allows large multi state and multi national corporation to shift their taxes to low or no income areas. Better Choices would dictate that Connecticut join with 25 other states by enacting combined reporting. This would bring in nearly $100 million in taxes and would prevent or expose some of the unfair tax shifting that occurs. It certainly isn't fair to tax working families and the middle class while immensely profitable corporations like Bank of America and Webster Bank pay no taxes. Consider the fact that Bank of America helped drive the country into the great recession, took $billions in bailout money pays no taxes and pays its workers so little that many qualify for state paid health care through HUSKY.

I have attached an article about the myth of millionaire migration due to taxes. Raising revenue through a fair income and corporate tax structure would help Connecticut grow jobs with new and increased investments in education and infrastructure. The Governor's proposed revenue increases could and should be improved. If there must be sacrifice it should be truly shared. The Governor's proposal is tremendously unbalanced and by asking those, who can most afford to pay, for a small increase, Connecticut could balance its budget now and into the future.

Executive Summary

Better Choices for Connecticut is a broad-based community coalition that supports a balanced and equitable revenue system that reflects the priorities and values of the state's residents.

During the recession, the needs of Connecticut residents have grown, but the revenues necessary to meet those needs have declined. More than ever, families need quality health care, education, child care, training, and jobs. We need revenue solutions to address the gap between growing needs and reduced resources. Relying on budget cuts will harm our economy and leave us poorly positioned once the national recovery begins.

Over the past several years the state's budget has been balanced using drastic cuts and short-term gimmicks that guarantee we will face a significant fiscal crisis. Connecticut requires sustainable solutions that will place us on solid fiscal footing and stabilize the state economy.

We propose a revenue package that helps balance the budget, preserves vital state services, and establishes an adequate revenue base to deal with significant deficits for Fiscal Year 2012 and beyond.

To achieve these ambitious goals, we propose the following revenue options:

- Reform the personal income tax, including a State Earned Income Tax Credit (EITC) and temporary surtax on high-income households to recapture windfall achieved from the continuation of Bush-era tax cuts;
- Reduce sales and business tax subsidies;
- Close corporate tax loopholes through mandatory combined reporting;
- Roll back reductions to the estate tax;
- Restore the scheduled Petroleum Gross Earnings Tax rate increase;
- Reform Connecticut's corporate income tax so that similarly situated businesses are treated equally by applying a proportional tax to large "pass through" businesses;
- Broaden sales tax base to include services; and
- Tax excess profits of electricity generators (windfall profits tax)

Millionaire migration myth

by: Jon Shure
Wed Sep 17, 2008 at 04:25:01 PM EDT

In 2004, New Jersey raised the state income tax by 2.6 cents per dollar on income above $500,000 a year. The so-called millionaires' tax grew out of a proposal from us at NJ Policy Perspective http://www.njpp.org/ adopted by the Fairness Alliance, a coalition of community organizations NJPP helped form to advocate for common-sense tax policies.

During and after the debate, opponents of this progressive tax policy argued that its impact would be to drive away the state's wealthiest residents, costing the state Treasury in the process. Now comes the most solid evidence yet that this is not the case at all. In fact, the state has seen an influx of high-income households and the tax is increasing New Jersey's coffers to the tune of nearly $1 billion a year.

In a report http://www.princeton.edu/prior... released yesterday by the Policy Research Institute for the Region (PRIOR) at Princeton University's Woodrow Wilson School analysis of recent migration trends concluded that

State income tax policy does not explain why people are moving out of New Jersey.

Using Census and state income tax data, Trends *in New Jersey Migration: Housing, Employment, and Taxation* also found that people leaving New Jersey tend to be lower income, unemployed or retired and primarily seeking cuts in housing costs and property taxes.
Newcomers to the state tend to have higher education levels and income, leading to what the report calls a "brain gain" for New Jersey.

Sharply contradicting the claim that the 2004 upper-bracket tax increase is costing New Jersey money, the PRIOR report found the number of $500,000-plus households in New Jersey has instead risen 70% since 2002 and the new tax rate generates on average $895 million in yearly revenue. PRIOR calculates the revenue loss from those wealthy households that do move or decide not to come to New Jersey at $38 million a year, which the report calls "a small side effect of a tax policy that generated more than $1 billion in 2006."

To the extent that people are leaving New Jersey, the PRIOR report says this parallels the trend in other Northeastern states and, because it is tied to living costs, is not a sign of economic decline but "a byproduct of prosperity..."

This report is further proof that New Jersey needs to invest in what helps people afford to live here: schools, colleges, housing, transportation and other drivers of prosperity -- instead of making short-sighted cuts that do the opposite. And we need to do more to shift the revenue structure from local property taxes to fairer broad-based state taxes. If we want to stem the flow of people leaving New Jersey; recognizing who they really are and why they go is a crucial first step.