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Testimony
Robin Wilson
President & CEO
Quinnipiac Chamber of Commerce
Before the
Finance Committee
March 7, 2011

Re: SB-1007, AAC the Governor's Recommendations on Revenue

We recognize that the Governor inherited an unprecedented budget deficit and has called for 'shared sacrifice' in order to resolve it. But the budget calls for tremendous sacrifices on the part of the business community by increasing taxes across the board without any firm commitment regarding comparable reductions in state spending.

By funding operating expenses with on-going revenue streams, reducing borrowing; and moving to Generally Accepted Accounting Principles, Connecticut will be better positioned to avoid future deficits. We applaud the Governor for adhering to these principles, which will pave the way for more responsible budgeting down the road.

However, without making structural changes in pension and benefit levels that will reduce the size and cost of state government, Connecticut should not be complacent in moving forward with $1.5 billion in additional tax increases which will further undermine our economic recovery.

Connecticut was recently ranked 47th in the 2011 State Business Tax Climate Index. The Index compares the states in five areas of taxation that impact business: corporate taxes; individual income taxes; sales taxes; unemployment insurance taxes; and taxes on property, including residential and commercial property. By increasing the income tax, sales tax, corporate business tax, and other tax increases, this ranking will only get worse. We therefore urge you to consider the following concerns with the proposed tax increases:

Personal Income Tax Increases

An increasing number of small and midsize businesses are organized as pass through entities and pay personal income taxes on any profits. Increasing the personal income tax is a huge hit on small and midsize businesses, which are looked to as drivers of job growth.

Throwback Rule

The “throw-back” provisions included in SB-1007 will impose a significant burden on the state’s manufacturers. Under this rule, sales by Connecticut manufacturers into states that do not have a corporate income tax are added back into the company’s Connecticut tax calculations. It is estimated that it will cost these Connecticut-based manufacturing companies approximately $20 million a year, and, in some cases, triple or quadruple the cost of doing business in Connecticut. Manufacturing remains a vital component of the state’s overall economy. In fact, manufacturing's multiplier effect -- the economic impact that making $1 worth of products has on the rest of the economy -- is greater than that of any other sector. This includes the jobs created to supply manufacturers with raw and intermediate products, jobs created to service all these industries, and jobs created to distribute products at wholesale and retail. We must nurture the growth and retention of manufacturing in Connecticut and oppose efforts to make Connecticut less competitive.

Corporate Tax Surcharge

The extension of the so-called ‘temporary’ surcharge on corporate income tax is also problematic because it erodes confidence in our tax system. Given the number of years that a surcharge has been placed on the corporate income tax, companies looking to expand or relocate in Connecticut must now factor this surcharge in as a permanent increase in the corporate income tax rate. Coupled with other tax increases, this proposal undermines our competitiveness.

The Quinnipiac Chamber of Commerce serves more than 800 member companies from the North Haven and Wallingford area. We are the largest non-metropolitan chamber in the state.