



Testimony of Stan Sorkin

President, Connecticut Food Association

Concerning GB 1007

Chairperson Widlitz, Chairperson Daily and Members of the Finance Committee. My name is Stan Sorkin, President of the Connecticut Food Association.

The Connecticut Food Association is the state trade association that conducts programs in public affairs, food safety, research, education and industry relations on behalf of its 240 member companies—food retailers, wholesalers, distributors, and service providers in the state of Connecticut. CFA's members in Connecticut operate approximately 300 retail food stores and 250 pharmacies. Their combined estimated annual sales volume of \$5.7 billion represents 75% of all retail food store sales in Connecticut. CFA's retail membership is composed of large multi-store chains, regional firms, and single store independent supermarkets. CFA's 90 associate members include the supplier partners of its retail and wholesale members.

I am here today to comment on **GB 1007, An Act Concerning the Governor's Recommendations on Revenue**. First, we recognize the dire fiscal situation the Connecticut is facing and appreciate the Governor's aggressiveness in addressing this issue. Therefore, I suggest that the Governor look at ways to raise revenue before raising taxes. As you are aware, CFA has been advocating ending the ban on Sunday Sales which the Program Revue Board in 2009 estimated would raise \$7-\$8 million in revenue. And those revenue projections do not take into account the proposed 20% increase in excise taxes and the increase in the sales tax. The States which have ended the ban on Sunday Sales have seen revenues increase 5-8%. Why would Connecticut be any different? We strongly recommend that the revenue from Sunday Sales be included in the revenue plan.

Moreover, the plan puts additional financial burdens on Connecticut's consumers by raising excise taxes and changing the way taxes are calculated on coupon items. I question the economics of the policy of increasing excise taxes and the net overall contribution of this tax increase on the benefit to the general fund. Regardless of the product, raising the excise tax increases the price of the product to consumers and thus a decline in store sales. Current users consume less and new users are met with a stronger barrier to buy the product for the first time. These facts lead to an overall decline in store sales and thus a decline in sales and excise tax collection. In the case of cigarettes, the Connecticut increase in the excise tax is on top of one enacted in 2009. In the case of alcoholic beverages, Connecticut is now less competitive price wise with bordering states.

Moreover, an excise tax is a regressive tax and these price increases affect low income families on a disproportionate basis since they take up a larger percentage of their income. It is well documented that low income families are the prime consumers of these covered products.

Additional negative impacts on retail must be considered. First, higher retail prices lead Connecticut consumers to import products from lesser taxed sources, i.e. beer and wine from Massachusetts or tobacco products via mail order internet sales or from low tax southern states. Increasing the price differential between states only accelerates cross border sales and leads to a further erosion of Connecticut retail store sales and the fall off of tax revenues.

Regarding coupons: Changing the tax calculation to the gross retail price from the net price paid by the consumer is made complicated by today's electronic environment. Is a price with loyalty card considered a coupon? Is there a difference between a manufacturer's coupon and a store issued coupon? In some states store issued coupons are treated as price reductions and the tax calculated on the net amount while the consumer pays tax on the full retail value if a manufacturer's coupon is involved.

Finally, this committee is considering raising Connecticut's Sales and Use Tax to 6.35% from the current 6%. Increasing excises taxes and the overall sales tax at the same time puts a double hit on Connecticut consumers, makes Connecticut retail stores less competitive with border states, and sets the stage for a broader sales decline as additional products get purchased during an out of state shopping trip. CFA believes that when you do the finally economic analysis, raising the excise tax is bad for Connecticut consumers, Connecticut retailers, and will not deliver incremental dollars to the general fund. In today's economic climate, we need ways to stimulate retail sales not a have tax policy that discourages them.