

State of Connecticut

HOUSE OF REPRESENTATIVES STATE CAPITOL

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MEMBER
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Testimony

In Opposition to SB 400 An Act Concerning the Taxation of Digital Products

Finance, Revenue, and Bonding Committee

March 16, 2012

Good afternoon, Senator Daily, Representative Widlitz, Senator Roraback, Representative Williams, and members of the Finance Committee. Thank you for this opportunity to testify in opposition to SB 400.

Businesses have told us again and again that one of the characteristics of Connecticut's business environment that makes it the most unfriendly is the inconsistency of its tax policy. We all agreed during last year's special session that Connecticut needs to attract businesses and to expand its tax base. This bill proposes a significant change in tax policy. While it concerns sales tax, and not corporate tax, it could certainly affect the competitive environment for digital businesses.

It is just as easy for businesses outside Connecticut as it is for businesses in Connecticut to sell the same digital products to customers in Connecticut. If a tax makes it more expensive for people in Connecticut to buy digital products from a Connecticut company, there is no reason for them to do so. Again, this would discourage these companies from locating in Connecticut. It would be unfortunate for our state to miss an opportunity to participate fully in a potentially important growth sector.

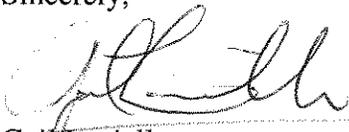
On a more general level, I am concerned because a combination of revenue shortfalls, spending increases, and unfulfilled savings expectations have created a deficit in our state budget that seems to be growing. In the Appropriations Committee, we recently heard proposals both to create new

exceptions for exceeding the spending cap and to increase spending beyond the levels set in our biennial budget. We know that in the wake of the largest tax increase in Connecticut's history, the state has not been able to cover its expenses, so it does not seem to be an appropriate time to be increasing spending and then looking for revenues to keep up the pace. Reducing spending before seeking additional revenue would be a more fiscally sound approach.

Finally, I would like to convey to the Committee that many of my constituents, who voiced overwhelming opposition to the historic tax increases of last year, will be very upset by the consideration of yet another tax during this session.

Thank you again for the opportunity to testify.

Sincerely,

A handwritten signature in cursive script, appearing to read "Gail Lavielle".

Gail Lavielle
State Representative