



**FINANCE, REVENUE & BONDING COMMITTEE
MARCH 11, 2013
TESTIMONY OF COMMISSIONER KEVIN B. SULLIVAN
DEPARTMENT OF REVENUE SERVICES**

Excerpt Re: SB 1055

Senator Fonfara, Representative Widlitz and members of the Committee, thank you for this opportunity to testify in support of the Department's legislative proposals. Thank you also for your hard work in what are much improved but still fiscally challenging times for Connecticut and so many other states.

As you know, the Department of Revenue Services is focused on doing more with less. That includes a workforce that is one-third smaller than just a few years ago, working smarter through lean initiatives and maximizing collections without new taxes. The legislative changes we seek all support these efforts.

SB 1055 – AN ACT CONCERNING VARIOUS TAX CREDITS

Most of the provisions of this bill are from either DRS or DECD based on recommendations of the Governor's Business Tax Task force for tax credit clarification and simplification.

Section 1 simply creates parity under the insurance premium tax with the ordering of credits under the corporation income tax. This has been a matter of some confusion.

Sections 2 and 3 simply consolidate two existing tax credits related to the donation of "open space."

Section 4 corrects an oversight in 2011 legislation that intended to make consistent all film related tax credits with respect to the number of years these credits may be claimed.

Section 5 increases the value of new credits for apprenticeships. This program is underutilized and will either develop more demand with the increased credit or indicate that this is just not a meaningful stand-alone tax credit. This is a good place to mention another bill, SB 1053 that would extend the apprenticeship credit to personal income tax – contrary to the recommendation of the Governor's Business Tax Force. Given the need for a balanced budget, this is not the time to add any drain on income tax revenue.

Section 6 provides a 15 year carry forward for R&D credits consistent with the existing carry forward for R&E credits.

Section 7 provides DECD with some needed flexibility in order to maximize the benefit of the JET program as currently authorized.

Sections 10, 11 and 12 repeal four tax credits that are out-dated, superseded by other programs or simply ineffective in supporting economic development.

Sections 8 and 9 are not agency proposals. As to Section 8, the purpose is laudable but only invites many other possible claims for exclusion from income tax and does so at a time when we need to protect the core revenue driver of state finances. I read Section 9 as a concern about the relative impact of the income tax on single taxpayers and would only ask that if the Committee wants us to do this study, there is no need to legislate the request.

Thank you for your consideration.