

FISCAL POLICY CENTER

At Connecticut Voices for Children



Testimony Regarding Raised S.B. 1117

An Act Concerning the Taxation of Digital Downloads, Boats, and Marijuana, and Expanding the Tax Credits Available under the Neighborhood Assistance Act

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Finance, Revenue, and Bonding Committee

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Senator Fonfara, Representative Widlitz, Senator Frantz, Representative Williams, and distinguished members of the Committee:

My name is Wade Gibson. I am a Senior Policy Fellow in charge of the Fiscal Policy Center at Connecticut Voices for Children. The mission of the Center is to research and advocate for the best interests of Connecticut's young people in the state and federal budgets. I am here today to testify on S.B. 1117, An Act Concerning the Taxation of Digital Downloads, Boats, and Marijuana, and Expanding the Tax Credits Available under the Neighborhood Assistance Act.

We support the sections of the bill that would extend the 6.35% sales tax rate to so-called “digital downloads,” which this bill defines as any electronically transferred audio-visual work, including ringtones and digital books. The shift from a physical, goods-based economy to an increasingly virtual, service-based one has eroded the sales tax in Connecticut, which fell nearly 50% as a share of personal income over the past 20 years. This measure is one small step to slow that trend.

However, we are concerned with the sections of this bill that would roll back the “luxury tax” on boats valued over \$100,000, and those that would increase from 60% to 100% the amount of investment in a “distressed municipality” that businesses may claim as a credit against the corporate income and insurance premium taxes under the Neighborhood Assistance Act.

The proposed sales tax cut for boats valued over \$100,000 represents a step back from the progressive tax increases contained in the FY 2012-13 budget. This provision, which increases the sales tax rate to 7% on luxury goods, helped mitigate the regressivity of the broader sales tax increases in the budget, while bolstering the revenue capacity of the sales tax overall. Rolling back this provision would tilt the tax code further in favor of the wealthy and would reduce state revenues. We urge the committee to remove this provision from the bill.

With respect to the proposed expansion of the Neighborhood Assistance Act tax credits, we urge the Committee to leave in place the current \$5 million annual cap on the total amount of credits that may be claimed in a given year (pursuant to CGS Sec. 12-630aa et seq.). Incentivizing private investment in local infrastructure – especially in towns with the most need – is a worthy goal. However, given tight budgets and competing priorities, we should be hesitant to increase the total amount of tax expenditures under this program.

Thank you for the opportunity to testify today.