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TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
BY
ANDY MARKOWSKI, CONNECTICUT STATE DIRECTOR
CONCERNING
SB-843, AN ACT CONCERNING THE GOVERNOR'S RECOMMENDATIONS ON REVENUE
BEFORE THE
FINANCE, REVENUE & BONDING COMMITTEE
MARCH 4, 2013

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees and membership is scattered across the state and ranges from sophisticated high technology enterprises to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, I offer the following comments:

Section 7: NFIB/Connecticut opposes Section 7 of this bill, which continues the tax on electric generation that was first imposed in 2011 and scheduled to sunset. In 2011 when NFIB opposed many of the tax increases contained in that year's budget, one of the concerns we raised was that there were few provisions for any of the taxes to sunset. The tax on electric generation, however, was one such tax that was scheduled to sunset, but unfortunately will not be continued should this current proposal pass the legislature. As such, small business owners will continue to be subject to very high electric rates, and these rates will likely go even higher as generators inevitably pass the costs on to the end users. Small businesses use energy for a number of purposes essential to their business, including lighting, heating and/or cooling and operating equipment. Rising electricity costs in particular have great consequences for small businesses. Connecticut is already a high-cost state for employers with energy costs, development costs, unemployment insurance costs, regulatory compliance costs, health insurance premiums, and employee salary and benefit costs at or near the highest in the nation. Continuing to make Connecticut the only state in the country with this type of broad-based tax on the production of electricity makes no sense and only serves to hamper our economic competiveness.

Section 10: NFIB/Connecticut supports the reduction and eventual elimination of the sales tax on clothing and footwear. Moving back to pre-2011 status regarding taxation of these articles will benefit small retailers and make Connecticut more economically competitive in the region in this regard.

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<u>Section 16:</u> NFIB/Connecticut generally supports the concept of the elimination of the tax on motor vehicles, however, we caution that the unintended consequences of such an elimination as currently outlined in this proposal could have negative impacts on local property taxes, which continue to be a major cost-driver for small businesses in Connecticut. Furthermore, it should be noted that for many small businesses, the value of their vehicle(s) often exceeds to the twenty thousand dollar threshold as contemplated in this bill.

<u>Section 18:</u> NFIB/Connecticut supports the expansion of natural gas to residential and commercial customers but questions the necessity of state tax credits to allow for the conversions to take place.

<u>Other:</u> SB-843 is also notable for what is *NOT* contained therein – any increases to the state personal income tax. The Governor has correctly recognized that increasing the income tax this year and creating additional brackets and accompanying rates will do absolutely nothing to stimulate the economy and provide immediate relief to small business owners—something desperately needed especially during the current difficult economic times. Providing economic relief and certainty to Connecticut's job creators should be the number one goal of the legislature this session. Tax policy should be used to help stimulate, not stymie, job growth and the state's economy. The state income tax rate has become an increasingly significant part of small business' cost of doing business in Connecticut. More and more (upwards of 75%) small and independent businesses are paying their taxes just like individuals due to the growth in sole proprietorships, partnerships and Subchapter S corporations. As more small and independent businesses pay individual income taxes, fewer state revenue dollars are derived from the corporate taxes. The Connecticut personal income tax rate thus has far a greater impact on job growth and other macro-economic factors, particularly in the critical small business sector. Reduction in the rate will spur new job growth among the state's job creators, while *an increase in the rate will only further stagnate our state's economy*. As such, <u>NFIB/Connecticut urges the Finance Committee and the legislature as a whole to reject consideration of any proposals to increase the income tax in this session.</u>

Thank you for the opportunity to comment.

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304 W. Main Street, #205 • Avon, CT 06001 • 860-248-NFIB • www.NFIB.com/CT