

**Testimony of Bonnie Stewart**  
**Vice President of Government Affairs, CBIA**  
**Before the**  
**Labor and Public Employees Committee**  
**Hartford, CT**  
**March 5, 2013**

**Testifying in Support of SB 1032 An Act Concerning Withholding of Income Tax**

Good Afternoon Senator Osten, Representative Tercyak, and members of the Labor and Public Employees Committee. My name is Bonnie Stewart and I am Vice President of Government Affairs at the Connecticut Business and Industry Association (CBIA). CBIA represents more than 10,000 employers throughout the state of Connecticut ranging from one-person businesses to large corporations. The majority of our members have fewer than 50 employees.

CBIA **supports SB 1032** which amends C.G.S. Section 31-71e to allow employers to withhold income tax for another state, where required to do so by another state's laws.

Recently it was brought to our attention that Connecticut employers are facing a conflict between Connecticut and New York and Massachusetts laws. The issue is that based upon a 1959 Attorney General's opinion, the Connecticut Labor Department has interpreted C.G.S. Section 31-71e as prohibiting Connecticut employers from withholding state income tax for other states unless Connecticut has a reciprocal agreement with that state. Connecticut does not have a reciprocal agreement with either Massachusetts or New York. However, both New York and Massachusetts tax laws require Connecticut employers to withhold income tax for (1) New York or Massachusetts residents working in CT, and (2) Connecticut residents that perform services in New York or Massachusetts.

Therefore, Connecticut employers are caught between these conflicting laws:

1. If a company doesn't withhold New York/Massachusetts taxes they face New York/Massachusetts interest and penalties, or
2. If they do withhold New York/Massachusetts taxes they face Connecticut fines and criminal prosecution.

This applies to a very broad group of CT employers.

Permitting Connecticut employers to withhold income taxes for other states has NO impact on Connecticut revenues or the tax liabilities of the employees. New York and

Massachusetts residents working in Connecticut are already required to report the income to their home states. Connecticut income tax is currently being withheld and the Connecticut taxes paid are permitted as a credit against their home state taxes. Connecticut residents paying taxes to New York and Massachusetts are already required to report these amounts to the other states and are permitted to claim these other states' taxes as a credit against Connecticut income tax.

Adoption of **SB 1032** would eliminate the problem outlined above by permitting income tax withholding as required by other states. CBIA would greatly appreciate your support of this measure.

Thank you for your consideration of this matter.