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Testimony in Support of HB 5545, An Act Concerning a Comprehensive Study of the State's Tax Structure

March 17, 2014

Good morning, Senator Fonfara, Representative Widlitz, and the esteemed members of the Finance, Revenue, and Bonding Committee. My name is Tamara Kramer and I am a policy analyst with the Connecticut Association of Human Services (CAHS). CAHS is a statewide, nonprofit agency that works to reduce poverty and promote economic success through both policy and program work.

I am here today to testify in strong support of House Bill 5545, An Act Concerning a Comprehensive Study of the State's Tax Structure. This legislation will convene a panel of tax experts to evaluate Connecticut's current taxation system and to be charged with sharing recommendations and potential reforms with this committee. This bill, if passed, represents an opportunity for a thoughtful approach to state tax reform, and would lay a foundation for this reform to be done in a meaningful, fair, and equitable manner. We are encouraged that the bill requires that each major tax be not only evaluated as to its effect on economic growth but that it also be evaluated on how it affects each group of income earners.

We also wish to thank the committee for including an evaluation of local property taxes in this review. As we know, local property taxes represent the main source of funding for local services, most notably education. We also know that these property taxes are highly regressive, and that addressing the problems of our reliance on this tax to raise funding for municipalities is critical to any reform effort. We highlight here that Connecticut is in the minority of states that prohibits town and cities from enacting their own income and sales taxes – and we know that the panel will consider this, among other options, in addressing the inequities that exist within our current local property tax structure.

We would also ask the committee to add language to this legislation that would require the panel to consider the implementation of a state refundable child tax credit. Connecticut is just one of two states with a state income tax that does not provide families a tax credit, deduction, or exemption that offsets the cost of raising a child. Connecticut Voices for Children found in a recent report that the current tax system penalizes families with children, and that the implementation of such a child tax credit could boost the take-home pay of more than 400,000 of the state's low- to middle-income

families.¹ Language in this bill could ask the panel to consider other state child tax credit models for possible adoption.

In conclusion, we are encouraged by the committee's support of a comprehensive review of our tax system, and we believe that this is a measure that could be highly beneficial to both businesses and individual taxpayers. A review can ensure that each tax credit is supported by good public policy, that our business tax structure is creating a level playing field for businesses large and small, and that the overall combined state and local tax burden is distributed fairly and equitably across the state and among taxpayers.

¹ See Matt Santacrose, "Making Children Visible in Connecticut's Tax Code", Fiscal Policy Center at Connecticut Voices for Children (February 2014), available at <http://www.ctvoices.org/sites/default/files/bud14makekidsvisibletaxcode.pdf>.