

TESTIMONY OF BONNIE STEWART
VICE PRESIDENT OF GOVERNMENT AFFAIRS, CBIA
BEFORE THE
COMMERCE COMMITTEE
HARTFORD, CT
MARCH 13, 2015

Testifying in **Support of SB 420** An Act Extending The Manufacturing Apprenticeship And Neighborhood Assistance Act Tax Credits To Pass-Through Entities

Good morning. 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 Connecticut ranging from one-person businesses to large corporations. Eighty-five percent of our members are small employers with 50 or fewer employees.

CBIA supports and urges the adoption of **SB 420 An Act Extending The Manufacturing Apprenticeship And Neighborhood Assistance Act Tax Credits To Pass-Through Entities**. This bill would help many small and midsize businesses address the talent shortage facing Connecticut manufacturers. Increasingly, businesses are being structured as S Corporations, Limited Liability Corporations, and Limited Liability Partnerships, collectively known as pass-through entities. The proposed modification would allow these entities, which pay their business taxes through the personal income tax, to utilize the apprenticeship tax credit that C Corporations currently have.

Skilled employees are crucial to both the short-term vitality and the long-term health of any business. A business can have the best strategic plan and products or services, but if it does not have the people with the necessary skills to carry those plans through and successfully manufacture the products, the company will be at a loss.

Today there is a shortage of skilled manufacturing talent in Connecticut, with many good jobs going unfilled. In view of Connecticut's aging manufacturing workforce population, this current shortage is even more problematic. One way to help remedy this shortage is to extend the Manufacturing Apprenticeship Tax Credit to pass-through entities, as prescribed in SB 420.

Adoption of SB 420 would allow manufacturers that are pass-through entities to receive a credit against their personal income tax for certain dollars expended while training employees. The tax credit would pay for up to 50 percent of the cost of training employees — as much as \$4,800 per employee (or 50% of actual wages paid during the first half of a two-year apprenticeship or first three-quarters of a four-year apprenticeship, whichever is less) — in an approved apprenticeship program.

Many Connecticut businesses want to invest in training current and new employees, but lack the resources to do it. Extension of the apprenticeship tax credit will help them offer that critically important training, and in the process, begin to reduce Connecticut's skilled manufacturing worker shortage.

As the personal income tax rate for investors and small employers has risen in years, so too has the need for credits to encourage investment in Connecticut. At one time there was a substantial difference between the tax rate C corporations and pass-through entities paid, but that has changed. Extending the

apprenticeship tax credit to pass-through entities is both logical and necessary step to ensure that state manufacturers have the workforce to meet the companies' needs, and to provide Connecticut residents with the opportunities they deserve.

We urge your **support of SB 420**.

Thank you for your consideration.