

**Testimony Regarding S.B. 1135: An Act Establishing a Sustainable Path for Maintaining the Budget Reserve Fund and Reducing the Effect of Revenue Volatility on the State Budget**

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Finance, Revenue, and Bonding Committee

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Senator Fonfara, Representative Berger, and distinguished members of the Committee:  
Thank you for the opportunity to testify.

**S.B. 1135 seeks to reduce the effect of revenue volatility on our state's budget. I am testifying in favor of this effort to stabilize state revenue. But that stability must be at a level sufficient to avoid harmful cuts to crucial public services.** Where is additional revenue to come from?

We should look to the study, released this January by the Connecticut Department of Revenue Services. It shows that the burden of all state and local taxes falls most heavily on the poorest households. It shows the tax burden decreases as incomes rise, so that the majority of working class households face a tax burden two to three times higher than the wealthiest residents.

**The deficit could be completely eliminated without any cuts in services**, with full restoration of the property tax credit and the EITC. This could be paid for by taxes that primarily effect households with incomes over \$500,000/year, roughly the wealthiest 2%. And those households would still face a far lighter tax burden than the rest of Connecticut's families.

**The test of any revenue measure should be: Does it make the tax system more fair? And does it raise the revenue necessary to meet our state's needs.**

Specifically, I urge:

- Passage of SB1044, which taxes large corporations that pay poverty wages, estimated to yield up to \$250 million in 2017.
- Require combined reporting of corporate profits, increasing state revenue by an estimated \$125 million.
- Levy a 2% surtax on the portion of personal incomes over \$500,000, rising to 3% over \$1 million. This would increase revenue by more than \$1.5 billion per year. The top marginal rate would still be below 10% – lower than New York (at 10%) and California (at 13%) have levied within the past few years.

Hundreds of Connecticut residents – at senior centers, churches, and in my neighborhood – have signed postcards to their representatives asking that the proposed cuts be canceled. They know that programs and services they and their families depend on are threatened. And they all agree – they don't want to fight with other neighbors or other communities over whose program should be cut. The resources should be found from those who can afford to pay, and who face the lowest tax burden.

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Sources: Figures on tax burdens are taken from table II-B of *DRS Connecticut Tax Incidence Report, December 2014*. The figure for revenue derived from a surtax is roughly, but conservatively estimated from 2012 tax data provided by the CT DRS.