

## Testimony of Stephen Monroe Tomczak, Ph.D.

With the projected budget deficit, it is critical that the legislature considering raising revenue, as opposed to making serious cuts in programs that serve the most vulnerable in our society. Over half the proposed cuts reduce state support for critical services such as education, health care, income support, housing programs and other programs that meet human need.<sup>1</sup> And yet, according to the recent ALICE report from United Way, low income and middle class families are already struggling more than ever to make ends meet. In Connecticut, 35 percent of households struggle to meet basic human needs such as food, health care, child care, transportation and housing<sup>2</sup>

At the same time, however, a small portion of individuals and families in Connecticut are enjoying unprecedented wealth and prosperity. A recent analysis by the Economic Analysis and Research Network showed that in Connecticut, the top 1 percent saw their incomes grow by 35 percent between 2009 and 2012. The bottom 99 percent of Connecticut taxpayers, in contrast, saw average real income growth decline by 5.4 percent between 2009 and 2012, according to this report.<sup>3</sup> In short, the income gap in Connecticut is widening, making the lives of the majority of our residents more precarious than ever. And the proposed budget cuts will only make this situation worse.

The recent report *Funding Our Future* released by Connecticut Voices for Children makes clear that there are better choices available, choices that could balance the budget without forcing harsh cuts in needed services. And this involves looking at expanding revenue. While there are a number of options for increasing revenue available - including eliminating certain costly tax expenditures, automatically sun-setting these provisions, broadening the sales tax base and others - I would like to focus on the one which I think is most critical from a policy perspective: increasing the marginal income tax rates on highest incomes. This is important from a policy perspective both because it helps address the immediate budget shortfall, and thereby helps prevent these cuts in services that assist the increasing number of Connecticut residents who are economically insecure or living in poverty, and also because it helps reduce this huge income gap that has developed.

Making the income tax more progressive by raising the top marginal for those with incomes above \$500, 000 a year will significantly aid in reducing the projected budget deficit. If, for example, you raise the rate to 7.0 percent for incomes between \$500, 000 and 1 million, and then add another rate of 7.5 percent for incomes above 1 million, this could potentially raise \$300 million in new revenue, while only impacting 2 percent of the state's households.<sup>4</sup> In order to address the budget shortfalls we face, and help create a Connecticut where all residents share in the prosperity this state offers, I urge you to raise the top marginal tax rates as outlined in this testimony. Combined with a broader package of revenue increases and closing unnecessary tax loopholes, this will balance the budget without further exacerbating the significant economic insecurity that so many Connecticut families are forced to endure.

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<sup>1</sup> Defiesta, N. & Shemitz, E., (2015). *Funding Our Future: Child and Family Friendly Revenue Options*. New Haven: CT Voices for Children.

<sup>2</sup> United Way, *ALICE: Study of Financial Hardship*. Hartford, United Way of Connecticut.

<sup>3</sup> Sommeiller, E. & Price, M. *The Increasingly Unequal States of America Income Inequality by State, 1917 to 2012*. Washington, DC: Economic Analysis and Research Network.

<sup>4</sup> Defiesta, N. & Shemitz, E. (2015). *Funding Our Future*.