



State of Connecticut

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Testimony in Support of HB 5986

An Act Extending Enterprise Zone Benefits and Tax Exemptions to Businesses in Connecticut's Cities

Commerce Committee

February 19, 2015

Good morning, Chairmen Hartley and Perone, Ranking Members Frantz and Camillo, and distinguished members of the Commerce Committee. Thank you for this opportunity to testify in support of HB 5986, An Act Extending Enterprise Zone Benefits and Tax Exemptions to Businesses in Connecticut's Cities.

This bill would extend enterprise zone benefits to any business located in or planning to locate in a municipality with a population greater than one hundred thousand that hires previously unemployed residents of those cities, and offer ten years of property and corporate tax exemptions to these businesses.

Objectives

The proposal addresses several concerns:

- Generally **sluggish job growth in Connecticut**. Although the trend has been positive recently, the state is still lagging behind the rest of the country. A recent Gallup survey ranked Connecticut last among all 50 states in job creation.
- Need for **revitalization and economic development in our largest cities**.

- **Aggressive competition from neighboring states.** New York, for example, offers businesses relocating from another state 10 years with no business, corporate, sales, property, state, or local taxes, or franchise fees, as well as no income taxes for employees.
- **The overall need to expand Connecticut's tax base.** The state has launched several initiatives that have been successful in helping businesses grow, like the Small Business Express Program and a number of tax credit programs. These have been particularly successful in assisting existing businesses. Certain initiatives have also targeted individual companies new to the state, but have not necessarily cast a wide net. A program designed specifically to attract new businesses of all varieties and that does not involve decreasing an existing revenue stream would complement these initiatives.

Connecticut's Urban Jobs Program (within its Enterprise Zone Program) does offer tax credits to certain businesses, but structuring a broader program, both in terms of tax advantages and business eligibility would make the state more competitive and likely be more effective in attracting new businesses from out of state. Focusing the broader program on only the largest cities would also have a direct impact on unemployment, economic conditions, and ideally, in the long term, education, training, and living conditions in those cities.

Recommendations and Remarks

- While the proposal includes not just new businesses, but also existing businesses, the intent is not to diminish revenues that the state would have collected had they remained in a city or in the state without this program. The intent is, rather, to attract businesses that will invest in the local job markets and provide future revenue streams – new businesses that without significant, reliable tax breaks would not have opened in the state or existing businesses that would not have expanded.
- Because an important objective of this proposal is to increase urban employment, hiring a city's previously unemployed workers should be the primary criterion for eligibility for the program.
- Unemployed job candidates may need job training, and it may be advisable to consider a partnership between the businesses and the state (or the city in question) for providing it – particularly in the case of small businesses.

This is a proposal with immediate, short-term benefits for the unemployed and for cities, and long-term benefits for the state and its taxpayers – businesses and individuals alike. Businesses that invest in and become a part of our communities will ultimately expand the state's tax base, contributing to revenues and, optimally, increasing the possibility of overall tax relief.

If the Committee is willing to consider this legislation, I am ready to work with members and leadership to develop it and produce more detailed recommendations. Thank you for your attention.