

March 28, 2016

**STATEMENT OF DAVID KRECHEVSKY, PUBLIC POLICY & ECONOMIC
DEVELOPMENT DIRECTOR for the WATERBURY REGIONAL CHAMBER,
to the FINANCE, REVENUE & BONDING COMMITTEE of the GENERAL ASSEMBLY
IN SUPPORT OF SUBSTITUTE BILL 399:
AN ACT CONCERNING RESEARCH AND DEVELOPMENT TAX CREDITS**

Senator Fonfara, Representative Berger, and members of the Finance, Revenue and Bonding Committee. Thank you for incorporating my testimony into the public record for this legislation. The Waterbury Regional Chamber, which serves 13 towns in Greater Waterbury and represents the interests of nearly 1,000 businesses in matters of public policy, supports Substitute Bill 399, “An Act Concerning Research and Development Tax Credits.”

The proposed legislation would allow recipients of the research and development (R&D) tax credits to claim a credit of up to 70 percent of their total tax due, restoring the credit to its original level within two years. As you are aware, in the 2015 legislative session the R&D tax credit was amended to phase in over a four-year period. The Waterbury Regional Chamber believes this decision was shortsighted and failed to consider the benefits of retaining the full 70 percent credit.

The reduced credit puts Connecticut at a disadvantage with our neighboring states, all of which offer it at the 70 percent level. Given that research and development is both a key component, and an expensive one, for companies in industries ranging from bioscience and pharmaceuticals to manufacturing — industry sectors important to our state economy — the reduced R&D tax credit serves as another reason for companies to look to settle or relocate outside of Connecticut.

Also, while the decision to phase in the credit over four years was made to lessen its financial impact on the current budget, it actually costs the state revenue in the long run. According to the state Department of Revenue Services, the return on investment for the R&D tax credit is 30 to 1 — for every dollar invested by the state in this program, \$30 is returned to the state economy. In addition, that 30-to-1 return on investment does not factor in investments in goods, support services, construction, and property taxes that are generated by R&D investments. Combined, that return would surpass the savings the legislature hoped to achieve.

Several employers in Greater Waterbury have made significant investments in R&D, providing a tangible economic boost to the region. Without the full tax credit, many of these investments could not have been made. That is why we support this important legislation.

Please contact me at your convenience with any questions you may have.

Respectfully submitted,
David Krechevsky
Public Policy & Economic Development Director, Waterbury Regional Chamber