Testimony on Senate Bill 446

Submitted by Suzanne Bates, Policy Director

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My name is Suzanne Bates. I am the policy director for the Yankee Institute for Public Policy, a Connecticut-based free market think tank.

I am here to express our support for Senate Bill 446.

The Tax Panel recommended the repeal of the state's gift tax. The panel also recommended eventually conforming Connecticut's estate tax threshold to the federal threshold. However, we support this bill, which would completely repeal the Gift and Estate Tax starting in 2017.

By repealing these taxes, you will send a message that Connecticut is a place where people can build their lives and their businesses – and even their wealth – and where they can then leave the fruits of their labors to the people and charities of their choosing. You will also protect family farms, which have been harmed by the estate tax.

You are also helping the rest of Connecticut's taxpayers who have to pay more in taxes, or face reduced services, every time a person of wealth leaves the state.

As we try to grow our economy again, we need to keep job and wealth creators in our state. Repealing the gift tax and the estate tax would be a bold move, and we believe it is the right move to get Connecticut growing again.

Earlier this year, the Yankee Institute released a policy brief on Connecticut's Gift and Estate Tax. I'd like to share some information from that brief:

- Connecticut is one of only 14 states with an estate tax, and it is the only state with a gift tax.
- Connecticut has a serious out-migration problem. According to IRS data, from 2011 to 2013, the state lost 30,417 people and $3.83 billion in taxable income to states without estate taxes. The state we lost the most people to

was Florida.

- During those same years, the state gained 4,828 people and $233 million from other states with estate taxes. The state we gained the most people from was New York.
- Several states, including New York, Rhode Island and Maine, have recently adjusted their estate tax exemptions, making them friendlier to mid-size estates and small businesses.
- New York's estate tax will be pegged to the federal exemption by 2019. In 2015 the federal threshold was $5.43 million.
- As New York's estate tax threshold increases, it will be harder for Connecticut to attract high wealth individuals from our neighbor.
- The estate tax affects small and family-owned businesses, making it difficult for families in Connecticut to pass businesses on to their children.
- Connecticut's estate tax brought in $168 million in revenue in 2014, less than 1 percent of General Fund expenditures.
- Gift and estate taxes are considered highly volatile sources of revenue, meaning it is very difficult to predict how much money they will bring in.

We hope you will vote in favor of this bill.

Thank you.