



## **Testimony on Senate Bills 5, 58 and 62**

Submitted by Carol Platt Liebau, President

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Good morning Senator Frantz, Senator Fonfara, Representative Rojas, Representative Davis and distinguished members of the Finance Committee.

My name is Carol Platt Liebau. I am the president of the Yankee Institute for Public Policy, and I am here to testify in support of Senate Bills 5, 58 and 62.

I would like to offer my strongest support to Senate Bills 58 and 62, which would eliminate the Estate and Gift Tax altogether. Senate Bill 5 would be a positive step in the right direction, gradually increasing the estate tax threshold so that it eventually is set at the current federal threshold. And it would be far better if the language in the bill explicitly pegged Connecticut's threshold to the federal threshold, rather than suggesting specific dollar amounts.

As many of you already know, these taxes hurt many people in our state. David -- who we at the Yankee Institute recently wrote about -- may find himself forced to move away from our state because of the Gift Tax, and John Caracciolo is reluctantly considering a move from Connecticut because of the Estate Tax.<sup>1</sup> Both these individuals don't take just their dollars with them -- they take their time, their talents, and potentially their family members, as well. It's a loss for all of us.

The IRS tracks families who leave one state for another. Between 2011 and 2015, Connecticut has had a net loss of about 57,000 people to other states. They took with them \$6.3 billion in taxable income. And in 2015, the top-earning 2,700 families who left took with them an average of \$668,000 per family.

There has been plenty of debate about whether taxes affect where people live and move. Besides the overwhelming data demonstrating that jobs and wealth flow from high tax states to low tax states, there are also the results of a 2008 Connecticut Department of Revenue Service estate tax study. The state asked accountants and tax lawyers who work with clients subject to the estate tax whether their clients who moved out of state did so because of the tax. Of those surveyed, fully 53 percent said they had clients who moved

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<sup>1</sup> Fitch, Marc. "John might leave Connecticut because of estate and gift taxes." March 2, 2017.

*primarily* because of the estate tax. And a whopping 77 percent said the estate tax was at least partially to blame for their clients leaving the state.

This outmigration is affecting Connecticut's tax collections. Since the massive tax increase of 2011, Connecticut has struggled to achieve consistent growth in its income tax collections, continually missing projections. The Gift and Estate Tax is one significant reason high wealth individuals flee our state.

Connecticut is one of only 14 states with an estate tax, and it is the *only* state with a gift tax. Several states, including New York, Rhode Island and Maine have recently adjusted their thresholds to match the federal threshold.

When considering whether to do away with these taxes completely, keep in mind: if federal tax reform includes an elimination of the federal estate tax, states that continue to collect the tax will face a significant disadvantage in trying to attract high income individuals and their businesses. Given our state's existing challenges in retaining high net worth taxpayers and attracting businesses, this is not a risk we should assume lightly.

There are other reasons to support the elimination of the Estate and Gift Taxes. They represent double taxation – the state and federal government have already collected taxes on this income. In addition, they damage -- and in some cases destroy -- small businesses and family farms that represent a family's life's work and livelihood.

The estate tax is considered a highly volatile source of revenue, and it is not even particularly lucrative for the state. In fiscal year 2017, the tax is estimated to bring in \$175 million.

Connecticut has earned the dubious title of America's "most expensive place to die," according to CNBC. This is not a designation we can accept with pride. Instead, let's work together to become one of the best places to live -- and to die. You can make our state a place where people are sure that the money they have worked for, earned and saved is left to the people they love most, or to the charities they choose.

Thank you.