



Testimony of

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Finance Revenue and Bonding Committee

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***SB 5 An Act Increasing the Estate Tax Exemption
SB 58 An Act Repealing the Estate Tax
SB 62 An Act Repealing the Gift Tax***

Good afternoon Representative Rojas, Senator Fonfara, Senator Frantz and members of the Labor and Public Employees Committee. I am Lori Pelletier and I am proud to serve as President of the Connecticut AFL-CIO on behalf over 900 affiliated local unions who represent more than 220,000 working men and women in every city and town of our great state. Thank you for the opportunity to submit testimony today on legislation to repeal or revise the estate tax and the gift tax.

The Connecticut AFL-CIO opposes SB 5, SB 58 and SB 62. When the state is facing such dire fiscal times, it is unconscionable for this committee to entertain any proposal that reduces revenue. Governor Malloy's proposed budget relies heavily on sacrifices from working families, including more than \$1.5 billion in concessions from state employees and \$3 billion vital program and service cuts. Making any changes to the estate and gift taxes in favor of the wealthiest households, including full repeals, would give our most affluent residents a tremendous tax cut, further contribute to our already significant deficit and tie up state dollars that could otherwise be used to make investments that grow our economy.

Connecticut collected \$176.8 million in gift and estate taxes in fiscal year 2015. Where does this committee propose to make up almost \$400 million over the biennium should these bills pass? State employees have made annualized contributions to fund budget shortfalls to the tune of over \$2 billion since 2009. Governor Malloy is seeking \$700 million more in FY 2018. That amounts to almost \$17,000 per state employee. Surely, the most privileged in our society can do their part.

Those who have been fortunate enough to achieve significant wealth have done so through a variety of means, such as birth, inheritance, hard work, innovation and luck. Such success is often, at least in part, derived from public infrastructure investments like public education and higher education, transportation and taxpayer funded incentives. These resources must be preserved so that future generations benefit from the same wealth creating opportunities that today's millionaires and billionaires have enjoyed. The state cannot do that if it cannot afford to continue to fund essential public investments. Eliminating revenue sources puts those opportunities in jeopardy. No one is guaranteed success, but everyone deserves a fair shot to succeed. That opportunity belongs to everyone, not just for the wealthy.

Income inequality is a real and growing phenomenon in the country and in our state. According to the 2016 study "Income Inequality in the U.S. by State, Metropolitan Area and County," published by the Economic Policy Institute, the top 1 percent of families nationally made 25.3 times as much as the bottom 99 percent. In the most unequal states—New York, Connecticut, and Wyoming—the top

1 percent earned average incomes more than 40 times those of the bottom 99 percent.¹ In dollar figures, that means the top 1 percent in Connecticut earned an average of \$2.7 million, compared to an average of \$52,000 for the rest of the taxpayers -- a ratio of about 51 to 1, according to a 2016 report from the Economic Analysis and Research Network.²

Abolishing the estate and gift taxes eliminates a check on growing concentrations of wealth, while generating revenue from those most able to pay. These takes make small steps toward leveling the playing field and creating an economy that works for all.

Make no mistake, the estate and gift taxes are paid by millionaires and billionaires and are among the few levies that try to restore balance to a tax system that already overburdens the middle and working classes. We urge the committee to reject these bills.

Thank you for the opportunity to provide written testimony today.

¹ <http://www.epi.org/files/pdf/107100.pdf>

² <http://s3.epi.org/files/2014/IncreasinglyUnequalStatesofAmerica1917to2012.pdf>