



CONNECTICUT

**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
REGARDING
SB-11, AAC CONNECTICUT'S RESPONSE TO FEDERAL TAX REFORM
BEFORE THE
FINANCE, REVENUE & BONDING COMMITTEE
MARCH 2, 2018**

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees. NFIB membership is scattered across the state and ranges from sophisticated high technology enterprises to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, NFIB/Connecticut offers the following comments:

NFIB/Connecticut is very intrigued by the concept and proposal contained in Sections 1 – 6 and 9 of Senate Bill 11, which would attempt to create a new entity-level tax on pass through businesses with a corresponding equivalent personal income tax credit for owners or partners of such businesses. NFIB certainly appreciates the Governor's efforts and for putting forth this important proposal to try to ensure that small businesses do not lose the benefits of the tax cuts and reforms at the federal level. At this time, however, NFIB is still analyzing the specific implications of this proposal and vetting it amongst our small business owner members. Some immediate questions have arisen regarding the administration of this new business entity tax and corresponding income tax credit. Even assuming a true "break even" dollar for dollar scenario, small business owners need to be ensured that any such proposal will not increase their administrative burden or require additional paperwork, filings, or compliance measures. Furthermore, assuming such a proposal is viable and allowable, the personal income tax credit must remain equivalent and intrinsically tied to any new entity-level tax assessment. Should this proposal be adopted, what, if anything, prevents the state from scrapping the personal income tax credit in the future yet leaving the entity-level tax in place? Far too often, small business owners feel that Connecticut has had an unfortunate history of "bait and switch" tax policy. Additionally, much of the rhetoric in Connecticut critical of the federal tax reform bill is confusing for our small business owners, because many if not the bulk will be realizing benefits. Finally, at a macro level, if state policymakers are concerned that the tax burden at the state level is too high, then that is where policy changes need to be focused and made. In spite of federal tax reform, small business owners feel that Connecticut cannot continue its tax and spend ways of the past. NFIB/Connecticut looks forward to working with the Administration, members of the Finance Committee and the legislature as a whole as discussions surrounding this proposal move forward. For any questions or additional information, please contact Andy Markowski, NFIB/Connecticut State Director, at 860-248-NFIB. Thank you for the opportunity to comment.