note: this testimony replaces that previously sent for the 3/21/18 public hearing

Testimony of William Buhler for the 3/23/18 for Appropriations, Commerce, Finance, Revenue and Bonding and Planning and Development Committees

My name is William Buhler and I oppose the package of recommendations from the Fiscal Stability and Economic Growth Commission (aka the tax panel). The panel is composed largely of wealthy business leaders who may be unable to separate their own interests from those of the general population.

1. The tax panel's report is fundamentally flawed by its failure to deal with the extensive loss of revenue growth. It does not explain why, since 1989, annual revenue growth fell from 10% to 0%. This is a key reason for the state's chronic budget shortfalls and, in large part, the impetus for the tax panel itself.

2. Despite this troubling circumstance the panel finds reasons to warn against restoring revenue on Page 23-"As the state considers ways to address these fiscal challenges, it should be wary of attempts to do so by relying on revenue increases." The panel goes on to justify their position: "Connecticut's overall tax burden is already one of the highest in the nation, driven by high personal income and property tax rates." This is an exaggeration. The US Census bureau places CT as 14th highest in state and local taxes as a share of personal income and 12 states, NYC and DC have higher income tax rates. Property tax rates are high in general but low in areas with wealth concentration. For a state with the highest per-capita income in the nation and high living costs top income tax rates should be much higher.

3. The panel does not address the ways revenue source amounts have changed or disappeared over the last 28 years. They do not mention that corporate tax contributions represented 24% of the general fund in 1984 but only 5% today. They do not address the fact that over the last 28 years Sales and Use Tax receipts have not exceeded inflation. Understanding how the state arrived at its current fiscal condition is necessary in order to improve it.

4. Why does the panel recommend **more** tax breaks for the wealthy? They would not spur the economy because wealthy individuals typically save and invest rather than spend. Reducing revenue from the Estate, Gift and Income taxes would cut funds needed for essential state services. Income tax rates for the wealthy should be raised closer to those in New York State (8.8) and New Jersey (8.97) to finance tax cuts for low and middle income families, invest in infrastructure and pay down long term debts. Economic growth comes from broadly based spending, not from wealth accumulation.

5. Ignoring New York and New Jersey, the panel is needlessly concerned with income tax rates being "competitive" with Massachusetts even though compiled research finds a "very limited response" on migration due to rate differences. See "The Evidence on Millionaire Migration and Taxes," by Kurt Wise and Noah Berger 4/27/17, updated 1/18/18. Note: Massachusetts has a referendum vote this fall on a 4% surtax on income over one million.

6. The tax panel claims that "state expenditures have been growing at a rate exceeding revenue growth since the Great Recession." The reality is that revenue growth itself has been falling since 1989 and bottomed out as of 2017. Also, Connecticut government spending is rated as 45th out of 50 states in relation to Gross State Product according to a study done by Connecticut Voices for Children, so the quoted assertion is highly misleading in both respects.

7. The panel makes a point of framing Connecticut's taxes as "higher than the national average" but neglects to note all the states which have higher corporate, sales, property and income taxes and the fact that Connecticut has the highest per-capita income in the nation.

8."State Overall Competitiveness Indices" on page 18 should be entitled "State Overall *Business* Competitiveness Indices." That said, such ratings can be cherry picked to achieve a desired result. For example, even though a Ernst and Young Accounting study rates Connecticut's business taxes as lowest in the nation, Moody's still rates Connecticut 's Cost of Doing Business poorly. Another rating agency which is critical of Connecticut is the Beacon Hill Institute. This is a conservative "free market" think tank partnering with the Charles Koch Institute.

9. The tax panel suggests a direct link between high income residents leaving the state with tax increases. This reinforces a false narrative promoted to deter legislators from increasing taxes on the wealthy. Again, a compilation of research shows a "very limited response" between tax increases and migration. See "The Evidence on Millionaire Migration and Taxes, Kurt Wise and Noah Berger 4/27/17 and updated 1/18/18." While a handful of wealthy residents may move out during any given year, Connecticut has seen a **net gain** of over 3,000 millionaires and multi-millionaires since 2004 according to annual income tax reports on the DRS website.

10. There are many options available to raise revenue and restore revenue growth. See "Reforming Connecticut's Tax Code" by nationally recognized tax expert Michael Mazerov from the Center on Budget and Policy Priorities. Or see the package of

recommendations offered by Connecticut Voices for Children; “Revenue Options are Key to Addressing Budget Shortfalls and Supporting Thriving Communities, Derek Thomas, M.P.A., January 2017.

11. A Sacred Heart University Institute for Public Policy study in October found that most people prefer increased taxes over cuts to basic social services (60% vs. 33%). The same study says that 75% of CT residents support raising taxes on those with incomes over $500,000. High income residents in Connecticut organized by Responsible Wealth asked Governor Malloy to raise their taxes to promote economic health and keep the social safety net intact. The Patriotic Millionaires, Hedge Clippers and Strong Economy For All are also pushing for higher taxes on those at the top.

12. On July 1, 2018, 113,000 seniors and people with disabilities will lose some or all of their Medicare Savings Program Eligibility and many will end up in hospitals or nursing homes due to unaffordable premiums and cost-sharing. There are also planned, or already implemented cuts to other parts of the Medicaid program, including HUSKY A parent eligibility, adult dental services and primary care provider rate cuts. On January 1, 2019, about 13,300 very low income working parents will lose all of their health insurance under Husky A and the vast majority will be will be unable to find affordable options, so they will go uninsured.

For these and many other reasons, I urge you to restore revenue growth by raising taxes on those most able to pay.