

Appropriations, Commerce, Finance, Revenue and Bonding, and Planning and
Development Committees

March 21, 2018

**Testimony regarding the Report of the Commission on Fiscal Stability and
Economic Growth**

by Art Perlo, Connecticut Communist Party, USA
17 Hobart St., New Haven, CT

Committee Chairs and distinguished members:

Thank you for the opportunity to testify.

The proposals of the Commission on Fiscal Stability and Economic Growth would further shift the burden of Connecticut taxes onto the backs of low- and middle-income residents, in a state that is already among the richest and most unequal in the country. Taken as a whole, the report is an extension of the class war being waged by Congress and the Trump administration against working people. It does not serve the interests of the overwhelming majority in Connecticut and should be rejected.

The heart of the commission's report lies in cutting the personal income tax by \$2 billion -- at least 1/3 of that cut goes to households with incomes above \$250,000 (1), and increasing the sales tax -- a regressive tax whose burden is highest on low and moderate-income families. A 2014 study by Connecticut's DRS concluded that state and local taxes fall most heavily on the lowest income residents, and pose the lightest burden to high incomes. These proposals will worsen that imbalance.

The commission calls for \$1 billion in cuts to General Fund spending. Over the last year, we have seen the extreme pain and difficulty of making far smaller cuts. These cuts will especially aggravate, rather than alleviating, the problems of our large cities. They will particularly increase racial inequities that hurt the entire state.

For the rest, the commission addresses real fiscal problems primarily at the expense of state and municipal workers, and of construction and maintenance trades workers.

The commission's framework for its proposal is competitiveness. The report portrays Connecticut in competition with other states, especially our neighbors. The goal of the competition is for Connecticut to make itself the most attractive state to rich people and large, profit-driven corporations.

Of course, our neighboring states face similar challenges. But New York has a top income tax rate of 8.8%, almost 2 points higher than ours. In New York City it is more than 11%.

New Jersey's top rate is 8.97%, and its governor has proposed raising it to 10.75% for millionaires. Massachusetts' flat rate of 5.1% is lower than ours, but the legislature voted overwhelming to allow voters to approve a 4% surtax on incomes over \$1 million. (2) If passed, this will bring the top rate to 9.1%.

These proposals face opposition, often using the same language of competitiveness (3), and their fate is uncertain. But at least in those states, the political leadership is willing to put on the table increasing revenue from those who can most afford to pay. If Connecticut adopts the regressive proposals from this commission, we undercut the positive efforts in other states and encourage them to compete in a race to the bottom.

In the workplace, we sometimes find people who try to get ahead by making other workers look bad. They work through their lunch break or unpaid overtime. They ignore safety rules that are in the way of "getting the job done." This kind of behavior is called, charitably, sucking up to the boss. More pithily, it is called scabbing.

Connecticut can do better. We should work with other states for a common approach that avoids competing for the favors of the already-wealthy. For example, a 2% surtax on the portion of incomes over \$350,000 would only partially recover the \$2 billion windfall those taxpayers will receive in 2019 from the federal tax cut (4). Other proposals such as the low-wage employer's fee and closing the hedge fund manager's loophole would increase revenue without increasing inequality.

The report includes useful points and proposals. Many have been raised elsewhere with stronger language and should be adopted, including raising the minimum wage and repealing the disastrous bond lock.

The laudable goals espoused by the commission, including improving infrastructure, education, and urban centers, cannot be achieved without increased revenue. Solutions for CT to succeed economically have to be based on closing the economic and racial and gender inequality gaps which this report would make worse. Therefore, taken as a whole, the report and its proposals should be rejected.

----- footnotes ---

(1) My calculations, based on CT DRS data from 2015.

(2) <http://www.wbur.org/news/2017/06/14/millionaire-tax-initial-vote>

(3) In Massachusetts, "Critics say it [the millionaire's tax] would drive away jobs and hurt businesses in the state." -- <http://www.wbur.org/news/2017/06/14/millionaire-tax-initial-vote>. In New Jersey, one editorial warns of competition from Connecticut! -- "hiking the top rate to 10.75 percent will inevitably lead at least some high-income job holders in New York City to choose Fairfield County (6.7 percent) or Westchester (8.82 percent) over northern New Jersey when it comes time to move out of the city to accommodate a growing family." <http://www.njspotlight.com/stories/18/03/11/opinion-trenton-s-circular-firing-squad/>

(4) <https://itep.org/finalgop-trumpbill-ct/>, with detailed tables here: <http://itep.org/wp-content/uploads/CT-Final-GOP-Trump-Bill-2019-and-2027.xlsx>