



Testimony on House Bill 5801 and Senate Bill 114

Good afternoon distinguished members of the Finance, Revenue, and Bonding Committee. My name is Isabel Blank. I am Manager, External Affairs at the Yankee Institute for Public Policy, and I am writing to testify in support of House Bill 5801: An Act Exempting Small Businesses from Penalties for Nonpayment of Estimated Taxes on a Quarterly Basis and Senate Bill 114: An Act Concerning the Waiver of Certain Penalties and Interest Incurred by Affected Business Entities. For questions or follow up, please contact me at isabel@yankeeinstitute.org.

Nearly every small business owner is required to make quarterly estimated tax payments, but that process is complicated and difficult to comply with.

If you underpay your estimated tax, you may be penalized. Unlike most tax penalties, the underpayment of estimated tax penalty is calculated and assessed separately for each quarterly payment period. This means that you can owe a penalty for an earlier payment period even if you later paid enough to make up the underpayment. So, if you didn't pay enough tax by the due date of each of the four payment periods, you may be penalized even if you are due a refund when you file your income tax return.

Penalizing small businesses up to four times a year for nonpayment puts unnecessary hardship on individual businesses and requires unnecessary bureaucratic red tape. House Bill 5801 would provide relief to small businesses while simultaneously simplifying the taxation process.

Similarly, Senate Bill 114 would relieve businesses of penalties related to nonpayment of the business entity tax. We have submitted testimony supporting the exemption of certain businesses from the tax and would more broadly support a complete repeal of the tax—as recommended in the Governor's budget proposal.

Certainly, if a business struggles to pay a \$250 fee or cannot pay an accountant to effectively calculate their estimated taxes, chastising them with even more fees will only further harm their business.

Connecticut—now more than ever—should create a safe-haven for the small businesses we have, not hit them while they're down with additional red tape and taxation. **Let's make Connecticut a business-friendly state by ensuring our laws allows businesses to thrive here.**

We urge you to protect our small businesses by passing House Bill 5801 and Senate Bill 114.