April 10, 2019

STATEMENT OF THE WATERBURY REGIONAL CHAMBER OF COMMERCE TO THE FINANCE, REVENUE & BONDING COMMITTEE IN SUPPORT OF HOUSE BILL 7377, AN ACT EXTENDING THE MANUFACTURING APPRENTICESHIP TAX CREDIT TO AFFECTED BUSINESS ENTITIES, AND SUPPORTING & OPPOSING CERTAIN SECTIONS OF HOUSE BILL 7410, AN ACT CONCERNING CERTAIN TAX RECOMMENDATIONS OF THE COMMISSION ON FISCAL STABILITY AND ECONOMIC GROWTH AND ESTABLISHING A STEM SCHOLARSHIP PROGRAM

Senator Fonfara, Representative Rojas, and members of the Finance, Revenue & Bonding Committee, my name is David Krechevsky and I am the Director of Public Policy for the Waterbury Regional Chamber of Commerce, which serves 14 communities in Greater Waterbury and represents the interests of more than 1,000 member businesses in matters of public policy.

Thank you for the opportunity to submit testimony today.

The Chamber and our members strongly support House Bill 7377, which seeks to extend the existing Apprenticeship Tax Credit to smaller manufacturers, including pass-through entities such as S corporations and limited liability corporations. Training apprentices is costly, especially for smaller manufacturers, and the tax credit is a way to help them develop the trained workforce they need to survive. It does not seem logical to allow larger manufacturers to take advantage of this tax credit while excluding smaller manufacturers from the same opportunity. We understand there is a cost associated with this bill, but we argue that the financial return from the new jobs created will outweigh the initial cost in tax revenue.

In the past two legislative sessions, both houses of the legislature seemed to agree, approving a bill to extend the tax credit to smaller manufacturers. Yet, each time, the bill was vetoed. We hope the General Assembly will once again approve this legislation and send it to our new governor for approval.

The bottom line is that HB 7377 will help small businesses expand and create jobs, two results that we hope are important to this committee and the General Assembly as a whole.

The Chamber and our member businesses also support the section of House Bill 7410 that would create a STEM Scholarship Program. Anything the state can do to promote a career in Science, Technology, Engineering and Math to our students is vital if we are to fill the jobs being created, both now and in the future, by manufacturers large and small across the state.

Our Chamber does not make this statement lightly; in fact, we have put our money where our mouths are.
Our affiliate, the Watertown Oakville Chamber, provides a $1,000 scholarship each year to a student graduating from Watertown High School who plans to pursue a career in a STEM-related field. (We also provide a separate $1,000 scholarship for a graduate planning to pursue a career in business.) We do this because we understand the importance of promoting STEM careers as vital to our state’s economy and lucrative to those who choose them. Our Chamber therefore supports and welcomes the scholarship program proposed in HB 7410, since it will afford this opportunity to thousands of additional students in Connecticut.

On the other hand, our Chamber consists of the owners of numerous professional service and repair organizations who are extremely concerned about the negative effects of expanding the state sales tax to include professional services, as proposed in HB 7410.

As economists note, a sales tax is regressive because it takes a larger percentage of income from low-income taxpayers than from high-income taxpayers. The result of expanding the sales tax to many of the services highlighted in HB 7410 will be to increase taxes on already over-burdened low- and middle-income taxpayers. For example, it is already quite expensive to have a car repaired. Depending on the vehicle and the work being done, it can run into the hundreds, if not thousands, of dollars. Expanding the sales tax to include auto repair services will increase the cost by 6.35%. Worse, as the bill proposes, this will be true for any repair, whether a car, a washing machine or a home furnace, making it more financially difficult for low- and middle-income consumers.

Perhaps the most aggravating proposed expansion of the sales tax is to include professional tax preparation services, since many taxpayers will consider that as being taxed to pay their taxes.

This proposed expansion of the sales tax to professional services also will harm Connecticut’s economic competitiveness with its neighboring states, which do not collect sales tax on these services. In fact, just three states — Hawaii, New Mexico and South Dakota — broadly tax professional services. Unlike Connecticut, however, these three states are geographically isolated and have small populations (2 million for New Mexico, 1.4 million for Hawaii, 882,000 for South Dakota), forcing them to explore all options for revenue.

The Chamber and our members therefore urge you to oppose expanding the sales tax in this way.

Thank you for your time and consideration.

Respectfully submitted,

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Waterbury Regional Chamber