TESTIMONY OF 
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB) 
REGARDING 
HB-7410, AAC CERTAIN TAX RECOMMENDATIONS OF THE COMMISSION ON FISCAL STABILITY AND ECONOMIC GROWTH AND ESTABLISHING A STEM SCHOLARSHIP PROGRAM 
BEFORE THE 
FINANCE, REVENUE & BONDING COMMITTEE 
APRIL 10, 2019

NFIB is the leading small business association in the nation with thousands of members in Connecticut representing a cross-section of the state's economy. For more than 75 years, NFIB has been advocating on behalf of America's small and independent business owners, both in Washington, D.C., and in all 50 state capitals. NFIB is nonprofit, nonpartisan, and member-driven. Since our founding in 1943, NFIB has been exclusively dedicated to small and independent businesses and remains so today. On behalf of those small- and independent- job-providers in Connecticut, NFIB offers the following comments:

While NFIB in Connecticut supports some of the tax policy changes in HB-7410, there are others that are of concern and could adversely impact small business owners and therefore NFIB opposes; particularly those provisions that rely on increased revenue collections through new or expanded taxes on small businesses, especially in light of recent economic & jobs data facing Connecticut.

Business Entity Tax Repeal – Support
NFIB strongly supports full repeal of the Business Entity Tax ("BET") as contemplated in this bill. The Business Entity Tax started following a special session in 2002 as a “temporary” $250 annual tax on small businesses simply for their existence in the state of Connecticut, whether profitable or not, to help defray past budget deficits. It was intended to be “sunset”, recognizing that it was particularly burdensome and an affront to Connecticut’s small businesses. This tax is one of many that is heaped upon small businesses and makes it difficult for individuals to own, operate or grow a small business. The BET is levied on top of the numerous other taxes and fees that small businesses must pay in this state, including costs associated with state and local permits and licenses related to the business, sales taxes for goods and services, property taxes and personal income taxes – taxes and fees that are considerably higher than most other states. While some might be dismissive of the BET as being “nominal”, to most small business owners – who operate on very thin profit margins – an extra $250 back in their pocket would be more than welcome and is useful. For a small business, it could pay for a monthly utility bill, fund some advertising or marketing, or purchase a new printer or piece of office equipment, etc.

Beyond the cost savings, fully repealing the BET would be notable for the message that it sends to small business in Connecticut and outside our state as well. And while NFIB has certainly appreciative of the legislature and the former Governor for making the annual tax into a biennial tax as part of the 2011 special session on “jobs”, the burden and negative perception
surrounding this tax remain, and as such, now is the time for a full repeal of the BET, just as both the Governor and members of this Committee have called for.

Sales Tax Changes to Services – Various Sections
Concerning the proposed changes to or “broadening” of the sales tax to certain services, it is worth remembering that small businesses often struggle with compliance issues, including state tax compliance, and any expansion of the sales tax to more services could make things even more complicated or worse for certain small businesses. Some small businesses are concerned that any tax increases on their customers could adversely affect sales or send customers out of state. NFIB hopes that the legislature will think carefully about some of these proposals and work with small businesses to create an environment where they can expand and create jobs.

Estate Tax Repeal – Support
NFIB supports repeal of the estate tax in Connecticut. Eliminating the estate tax would provide some much needed certainty and future tax relief to certain small businesses in Connecticut. This repeal could help with succession planning for many of Connecticut’s closely-held small and family businesses and farms. As it is, the estate tax provides no incentive for some small and family-owned businesses to expand their businesses in Connecticut or create new jobs. In fact, it taxes the family right out of business in many cases. And in other cases, the mere threat of this tax actually forces small business owners to pay for expensive estate planning if they want to keep their business in their family. Much of the cost of the estate tax occurs before the tax itself is levied. This tax applies to property transferred at death if the value of the property exceeds the estate tax exclusion. While the owner of the estate is responsible for the tax, their heirs often are responsible for the payment of the tax upon the death of the owner. For many small businesses, the value of the estate is the physical assets of the business, which means to pay the estate tax they often have to sell actual parts of the business. Or in other cases, as is often the case with regard to farming, the value of the estate is also tied to land. In a state with high land costs like Connecticut, this can certainly be the case for family farms and small agri-businesses. NFIB encourages the Committee and the legislature as a whole to move forward with legislation to address the estate tax in order to protect small business from the negative effects of this tax and more significantly, to keep family businesses in business in Connecticut for future generations.
Personal Property Tax Exemption – Section 21 – Support

NFIB is supportive of the increase to the exemption on business personal property as a first-step, common-sense attempt to provide some much needed tax relief to a wide swath of small businesses in Connecticut. This proposal would result in an “exemption” from the local personal property tax for small businesses for their personal property with an original value of less than $25,000. It should be noted that in order for any exemption to work for small business owners, any paperwork or forms that may be necessitated in order to obtain the contemplated exemption would need to be clear and simple. For example, any forms should not require a small business owner to have to in any way itemize their property or spend their time inventorying property or equipment they have on hand, but rather, in essence, it should be nothing more than a simple declaration that in the small business owner’s best estimate they do not have personal property originally valued at $25,000 or more. Furthermore, for many small businesses, the $25,000 threshold is simply not high enough, especially given the value of a typical small business’ taxable personal property, despite depreciation.

Thank you for the opportunity to comment and for your consideration of NFIB’s perspectives on behalf of small business. For any questions or additional information, please contact Andy Markowski, NFIB’s State Director in Connecticut, at 860-248-NFIB.