

Finance, Revenue and Bonding Committee JOINT FAVORABLE REPORT

Bill No.: HB-7415

Title: AN ACT CONCERNING A SURCHARGE ON CAPITAL GAINS.

Vote Date: 4/30/2019

Vote Action: Joint Favorable Substitute

PH Date: 4/26/2019

File No.:

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SPONSORS OF BILL:

Finance, Revenue, and Bonding Committee

REASONS FOR BILL:

This bill requires the Finance, Revenue and Bonding Committee's chairpersons and ranking members to study possible new revenue streams, including a surcharge on capital gains, and report their findings to the committee by January 1, 2020.

RESPONSE FROM ADMINISTRATION/AGENCY:

[Office of Policy and Management, Secretary, Melissa McCaw](#)

OPM testified in opposition to this bill stating it would be another tax increase on the income tax rate. OPM also indicates in 2017 the General Assembly passed a volatility cap. This revenue source is identified as vulnerable to changes in the economy in general and financial markets.

[Department of Economic and Community Development, Commissioner, David Lehman](#)

The Commissioner testified in opposition to this bill stating it would impose an additional tax. He stated this would be a detriment to the state's reputation as a place to do business and is impediment to investment in our economy.

NATURE AND SOURCES OF SUPPORT:

[State Representative, 49th District, Susan M. Johnson](#)

The Representative stated our current tax structure generates revenue in which the most taxes are paid by those who can least afford it. Representative Johnson views this legislation as the beginning of reestablishing a more progressive tax system.

[AFL-CIO, President, Sal Luciano](#)

Mr. Luciano testified that this legislation would help reduce the income inequality in the state. He believes this is a fairer and more progressive way to raise revenue.

[Center on Budget and Policy Priorities, Senior Fellow, Elizabeth C. McNichol](#)

Ms. McNichol testified that millions of American families have less wealth and fewer opportunities due to the majority of wealth concentrated in the hands of few. The Center on Budget and Policy Priorities stated four reasons for support: 1) Connecticut's wealthy can afford to contribute more, 2) Only a small share of Connecticut's taxpayers—the very wealthiest—would be affected by a surtax on capital gains, 3) Claims of widespread flight by millionaires due to taxes appear unfounded, and 4) An additional tax on capital gains could result in somewhat more revenue volatility but it is manageable.

[AFSCME](#) is in support.

[AFT](#) is in support.

[Connecticut Association for Human Services](#) is in support.

[CT Cross Disability Lifespan Alliance](#) is in support.

[Connecticut Early Childhood Alliance](#) is in support.

[Connecticut Legal Rights Project, Inc.](#) is in support.

[Connecticut State Council of the Service Employees International Union](#) is in support.

[Connecticut Voices for Children](#) is in support.

[Fair Share Connecticut](#) is in support.

[National Alliance on Mental Illness](#) is in support.

[National Association of Social Workers, Connecticut Chapter](#) is in support.

[National Federation of Independent Business](#) is in support.

[New Haven Legal Assistance Association, Inc.](#) is in support.

[State Employees Bargaining Agent Coalition](#) is in support.

[Katie Atkinson](#) is in support.

[Jennifer Bennett](#) is in support.

[Beverly Brakeman](#) is in support.

[Joseph J. Cintia](#) is in support.

[David Gedraitis](#) is in support.

[Carol Grace Gee](#) is in support.

[Brynn Hickey](#) is in support.

[Matthew Rowe](#) is in support.

[Mary-Ann Langton](#) is in support.

NATURE AND SOURCES OF OPPOSITION:

CT Realtors

Connecticut Realtors testified the state of Connecticut needs to find reasons to keep citizens, not drive them away with further taxation.

CBIA, Vice President of Government Affairs, Eric Gjede

CBIA testified that this surcharge may discourage others from investing that may ultimately benefit the state in relations to revenue. This legislation would place Connecticut among the highest capital gains in the nation and one of two states that tax short term capital gains at a rate higher than personal income tax.

Yankee Institute for Public Policy, Policy and Research Director, Scott Shepard

Yankee Institute testified that we cannot save Connecticut by raising taxes on those who have the highest capability to stay in Connecticut. They outlined a loss of 10% of our highest paid families, or just 36 families would be equal to wiping the revenue the state receives from the city of Bridgeport alone.

Jeffrey A. Gordon is in opposition.

Stephen Mendelsohn is in opposition.

**Reported by: Cassandra Gallion
Committee Clerk**

Date: 5/7/2019