Finance, Revenue and Bonding Committee

MEETING MINUTES

Monday, June 3, 2019

9:30 AM in Room 2E of the LOB

I. CONVENE MEETING:

The meeting was called to order at 9:35 AM Sen. Fonfara J. S01.

The following committee members were present:

Senators: Fonfara J. S01; Leone C. S27; Logan G. S17; Maroney J. S14; Martin H. S31; Moore M. S22; Needleman N. S33; Sampson R. S16; Witkos K. S08

Representatives: Altobello E. 082; Barry J. 031; Butler L. 072; Candelora V. 086; Carney D. 023; Cheeseman H. 037; Concepcion J. 004; Davis C. 057; Devlin L. 134; Doucette J. 013; Elliott J. 088; Frey J. 111; Gresko J. 121; Hennessy J. 127; Hill L. 017; Klarides-Ditria N. 105; Kupchick B. 132; Lemar R. 096; Lopes R. 024; Luxenberg G. 012; Meskers S. 150; Miller P. 145; Morin R. 028; Mushinsky M. 085; Paolillo A. 097; Perillo J. 113; Perone C. 137; Phipps Q. 100; Piscopo J. 076; Rojas J. 009; Sanchez R. 025; Santiago H. 084; Scanlon S. 098; Stafstrom S. 129; Wood K. 029; Wood T. 141; Yaccarino D. 087; Zullo J. 099

Absent were:

Senators: Cassano S. S04; McCrory D. S02

Representatives: Floren L. 149; Polletta J. 068

II. REMARKS BY THE CHAIRS:
There were no opening remarks made.

III. ADOPTION OF REVENUE ESTIMATES:

A motion to Adopt Revenue Estimates was made by Sen. Needleman and seconded by Rep. Santiago.

Sen. Witkos and Rep. Rojas engaged in a back and forth conversation as Sen. Witkos questioned several of the new policies which will go into effect with the passage of the proposed revenue package before the committee today.

Sen. Witkos specifically questioned the proposal to reduce the personal income tax credit for pass-through entity taxes paid. Rep. Rojas explained that the proposal before the committee would reduce the credit from 93.01% to 87.5% resulting in a 50 million dollar revenue gain in the biennium. Sen. Witkos also questioned if the state is going to continue to use bond premium funds to pay down the state’s debt? Rep. Rojas answered, yes. Sen. Witkos and Rep. Rojas also discussed the proposed STF reductions and if they are offset with any other actions within the budget. Sen. Witkos went on to question the proposed surcharge of 10 cents on “certain bags.” Rep. Rojas explained that the proposal is a surcharge that is over and above the current sales tax that is already applied. In closing Sen. Witkos asked if increases in fees and permits which would then be used for the Clean Air Program pertains to boats or motor vehicles? Rep. Rojas clarified that the increase is connected to motor vehicles.

Rep. Davis questioned where the proposed transfer of STF funds in FY 20 would be transferred to?

OFA answered that the funds would go to the Emissions Enterprise Fund.

Rep. Davis also questioned if the conveyance tax involves a mansion tax?


Rep. Davis asked for clarification regarding the “enhanced OTB enforcement capacity” item before the committee. Sen. Fonfara explained that the thought behind this policy is that wagers would be made through accepted portals and not out of state. Rep. Davis then asked OFA how they arrived at the revenue estimate for this item. OFA staff answered that they analyzed other states and used that data as a base line for the number they arrived at under consideration today.

Rep. Davis then questioned if there are policies connected to the proposed transfers from/to other funds specifically for FY 20 to transfer $7 million to PEGPETIA from the General Fund and beginning in FY 22, eliminating the requirement that $3.5 million be transferred to the General Fund each year from PEGPETIA. Rep. Davis noted that it appears we are transferring funds as a revenue diversion in some cases rather than as an appropriation perhaps to stay under the spending CAP.
Rep. Davis also questioned the proposed repeal of the sales tax exemption for vehicular trade-ins and where those new funds would go? Rep. Rojas answered that those new funds would go to the General Fund.

Rep. Davis then asked if the increases in the various sales tax and income tax revenue estimates is due to projected growth or are a result of new policies/taxes? Rep. Rojas and OFA staff both clarified that the increases in sales tax are a result of policy changes and also a projected 2.4% growth in each year of the biennium that was established during consensus revenue. As far as income tax increases OFA staff explained that there is expected to be a growth rate in income tax through increases in withholding. Rep. Davis expressed hope that these increases take into account how the economy and small businesses in particular will be negatively affected by the many tax increases being opposed this session which may result in lost jobs or a decrease in hours for employees.

Rep. Candelora expressed concern for what appears to be a double tax on vaping products. He is concerned that the projections are not factoring in the people that may buy their vaping paraphernalia on-line or out of state in order to avoid subjecting themselves to these taxes in Connecticut- similarly to how people purchase alcohol out of state. He explained that the proposal today goes against an ongoing effort to bring parody to our tobacco taxes. OFA staff explained that they did not factor in consumers behavioral adjustments regarding this issue when make their projection.

Rep. Altobello and OFA staff discussed the fact that the figures related to the Pass Through Entity Taxes Paid may differ due to the fact that the tax was passed retroactively thus the state did not capture all the months in a given year- yet those months would be collected in the next year in addition to the other 12 months.

Rep. Yaccarino expressed concern for the proposed reduction in the R&D tax credit as well as the automatic sales tax collection and how these policies would be bad for businesses that are already hampered by many of the un-friendly business taxes in the state.

Rep. Cheeseman questioned if the funds from the additional 1% tax on restaurant meals would go to the General Fund or municipalities? Sen. Fonfara answered that this money would go to the General Fund. She also questioned the reasoning for the decrease in federal grant money. OFA staff explained that these decreases are driven by changes to the appropriation piece of the budget and not the Finance Committee's responsibility.

Rep. Miller asked if people have to currently pay sales tax on paper or plastic bags that they purchase. Sen. Fonfara answered- no.

Similar to Rep. Candelora, Rep. Meskers expressed concerns with the excise tax on vaping products yet he is confident that the volume of usage will certainly increase over time.

Rep. Carney questioned how the formula for revenues from the municipal gaming account takes into effect the East Windsor casino? Rep. Rojas answered that while that is a question more suited for the Appropriations Committee leaders, he did explain that in the previous biennial budget several contiguous towns were given money that would be impacted by such a casino.
Rep. T. Wood asked if there would be a sales tax on the sale of paper bags that are sold for ten cents. Sen. Fonfara answered, no and OFA opined that this bill supersedes any municipal act.

Rep. Devlin engaged in a conversation with the co-chairs expressing her concerns with several of the proposals including proposed STF diversions especially given the fact that Connecticut citizens voted for a constitutional lock box to be created for such funds to avoid a possible sweeping of the money. Sen. Fonfara clarified that today’s proposal does not involve sweeping any STF funds rather revenues will go into the fund at a lower rate than is current law. Sen. Fonfara also confirmed Rep. Devlin’s comment that the phase out of income tax on pensions and social security is being maintained in today’s proposal. After commenting on the proposals regarding the business entity tax and the R&D tax credit reduction Rep. Devlin closed by expressing concern with the increasing number of anti-business policies in the state.

Rep. Frey expressed concern for what he believes would be a decrease in the conveyance tax revenue if it wasn’t for the new mansion tax. He also voiced his support for a proposal that did not make into the budget which would have made driver’s license’s valid for 8 years and registrations for 3 years.

Rep. Davis closed the meeting by noting that he will not be voting for today’s revenue estimates as he believes that they underestimate how these policies will affect the overall business climate in the state- he believes that both citizens and businesses alike will more seriously contemplate relocating due to some of these policies.

Roll Call Vote: 29 Yea, 18 Nay, 4 Absent and not voting

IV. ANNOUNCEMENT OF TIME AND DATE OF NEXT MEETING:

No announcements were made.

V. ADJOURNMENT:

Sen. Fonfara announced that the votes will remain open until the start of the first session.

A motion was duly made and seconded to adjourn the meeting.

The meeting was adjourned at 11:07 AM.

Tom Spinella
Administrator

Cassandra Gallion
Committee Clerk