



Testimony of Eric Gjede
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Before the Committee on Finance, Revenue & Bonding
Hartford, CT
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Testifying on
SB 1136: AN ACT ESTABLISHING A CREDIT AGAINST THE ESTATE TAX, REQUIRING RECOMMENDATIONS FOR THE ESTABLISHMENT OF A SOCIAL IMPACT BONDING PROGRAM AND CONCERNING A CAPITAL GAINS SURCHARGE AND THE USE OF THE REVENUE THEREFROM

Good afternoon Senator Fonfara, Representative Rojas, Senator Witkos, Representative Davis and members of the Finance, Revenue and Bonding Committee. My name is Eric Gjede and I am vice president of government affairs at the Connecticut Business and Industry Association (CBIA), which represents thousands of large and small companies throughout Connecticut.

CBIA opposes SB 1136.

SB 1136 imposes a new one and a half percent surcharge on any capital gains from the sale or exchange of capital assets by any taxpayer paying the highest marginal income tax rate. CBIA opposes this measure out of the concern that it may discourage investment by residents that ultimately benefit the state economy.

Capital gains are the profits investors receive from selling property or investments for a higher price than they initially paid. This profit is taxed differently than other types of income through the capital gains tax, which most states attempt to keep at a low rate to encourage participation in financial markets and provide businesses with access to investment capital. If SB 1136 is enacted, not only would Connecticut have one of the highest capital gains taxes in the country, but it would be one of only two states that tax short term capital gains at a rate higher than ordinary income, and the only state in the country to tax long-term capital gains at a higher rate than ordinary income.

Individuals paying the highest income tax rates are also the most likely to be able to transfer their business activities and residences to states with friendlier taxation policies. By adding an additional surcharge to the capital gains tax, investors are likely to seek to engage in their investment activities elsewhere, or simply time the sale of their investment assets once they are no longer Connecticut residents.

We appreciate this legislation seeking to address the unfunded past service liability for public employee retirement system. However, we are concerned that SB 1136 simply provides another source of revenue that will remove any incentive for lawmakers to reduce spending and apply the savings to fund past and future obligations. Businesses want to see Connecticut get its fiscal house in order before they will make the choice to invest and grow here.

For these reasons, we oppose SB 1136.