



Testimony of Eric Gjede  
Vice President of Government Affairs, CBIA  
Before the Committee on Finance, Revenue & Bonding  
Hartford, CT  
April 29, 2019

**Testifying in opposition to:  
SB 1143: AN ACT ESTABLISHING A PAYROLL TAX**

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 is opposed to SB 1143.

SB 1143 attempts to establish a *mandatory* employer compensation expense tax like the *voluntary* Employer Compensation Expense Program adopted in the state of New York to overcome the recent limitation of certain state and local tax (SALT) deductions. The New York proposal, like all state efforts to minimize the impact of the limitation of SALT deductions, is currently under review by the Internal Revenue Service.

The desire goal of this proposal in New York is to shift a portion of employee tax burden on to employers who may be able to circumvent SALT deductions limitations via tax deductions for business tax purposes. Theoretically, this proposal only works if employers can reduce employee wages in an amount that corresponds to the tax increase. Absent a wage deduction, which appears specifically disallowed, this proposal is little more than a tax increase on employers and a tax refund windfall for employees. It is our understanding there may have been a drafting error that has created this confusion.

Even if a wage deduction is allowed under this proposal, it creates a host of unanswered questions, including:

- How can we expect employers in this state, particularly small employers working on tight margins, to incur the cost of this tax increase?
- Would this not encourage employers to hire more part-time, low-wage employees in lieu of full-time employees to minimize the exposure to this tax?
- If we do allow for employee wage deductions, what happens to employee benefits tied to gross wages?
- How will this proposal treat employees that work out of state, but live in Connecticut?
- Would this new tax be another reason for Connecticut businesses to flee to a state where businesses and individuals were less impacted by the loss of state and local tax deductions?

In conclusion, SB 1143 appears to be another tax on Connecticut businesses that they simply cannot afford at this time. We urge the committee to reject this proposal.