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Senate Bill 1143, An Act Establishing a Payroll Tax
Finance, Revenue and Bonding Committee
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My name is Mark McGoldrick and I live in New Canaan, Conn. Comfort Keepers provides non-medical, in-home care services for seniors and other adults in need of assistance with daily activities. Ten Comfort Keepers territories in Connecticut employ several hundred caregivers throughout the state caring for hundreds of elderly and disabled consumers. I own five of the offices in the state.

Senate Bill 1143 establishes a new payroll tax in Connecticut that requires employers of employees paid more than $40,000 a year to pay a quarterly tax on payroll expenses of increasing amounts up to 5% of the payroll expense in excess of employees' base compensation.

Comfort Keepers is **opposed to Senate Bill 1143 and I urge you to reject the bill** because it will create another burden for employers and businesses in Connecticut and it fails to address the fundamental fiscal and economic challenges confronting the state.

Senate Bill 1143 may be modeled after legislation in New York State that is designed to help address the limits on state and local tax deductions (SALT). Under such a scheme, the employer would pay a tax on an employee's wages and employers would adjust the employee's gross pay downward to account for the tax to keep his wage cost neutral. Unlike withholding, there is no deduction to an employee's wages. The employee would then claim a credit for the tax paid against the Connecticut personal income tax. The net result is that the employer ends up in the same position with a combined wage and tax deduction (as opposed to just a wage deduction) while the employee does not have his or her income tax deduction limited on the federal tax return.

However, under SB 1143, an employer explicitly may not deduct from the wages or compensation of a covered employee any amount that represents all or any portion of the payroll tax imposed on the employer. This is fundamentally unfair and contradictory to the policy to providing relief to address the elimination of the SALT deduction.

Day after day the news in Connecticut is negative for the state's ability to attract and retain companies, grow jobs and improve the business climate in the state. The real estate market continues to decline, month after month and year after year. The average price of homes, if they sell, continue to drop. Connecticut, unlike most other states, has not regained all the jobs it lost in the recession, which technically ended ten years ago! The state's credit rating has improved slightly, due in part to structural changes to debt financing addressed as part of the bipartisan budget adopted 18 months ago. People and companies continue to leave the state. Shortfalls in tax revenue continue to be a drag on the economy because high net-worth individuals – many of whom are job creators – are leaving the state and being replaced by younger, less affluent workers who do not generate the same income or revenues.

A new payroll tax is not going to solve the state's fiscal challenges. In fact, it will continue to foster the image of a state that is unfriendly if not hostile to businesses. Before adopting any such tax, if ever, the state needs to address its fundamental problems, including structural changes to the state budget. Policy makers should focus on efforts that will attract and retain businesses and grow the economy, including by balancing the state budget and reducing the tax burden on businesses and taxpayers.

Please contact Mark McGoldrick at (203) 924-4949 if you have any questions or visit www.comfortkeepers.com for additional information.