

Please submit this to the FINANCE, REVENUE AND BONDING COMMITTEE for
MONDAY, MARCH 8, 2021 meeting on HB5857

Thank you
Walter C Saddig Jr.

Regarding Proposed H.B. No. 5857 AN ACT PHASING OUT THE PERSONAL INCOME
TAX ON CERTAIN INDIVIDUAL RETIREMENT ACCOUNT INCOME

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As I enter my golden years in Connecticut, it is sad to see so many of my ex-coworkers, friends and neighbors leaving our state for greener pastures. These greener pastures are states with lower property taxes, lower or no income tax but mainly states that have no taxes on Pensions, Annuities and IRAs/401k. It is great that the state of Connecticut did take steps to eliminate the taxing on Pensions and non-IRA type Annuities but this only helping a small percentage of retirement folks. There are so many large and small businesses in Connecticut that only offer 401k retirement plans, very few offer pension anymore, and for example, my former employer ATT stopped offering pension to new hires in 2014. Since the 1980s, employers have shifted away from offering defined-benefit pensions; instead, employers now favor 401(k) accounts. As of 2017, only 16 percent of Fortune 500 companies offered a traditionally defined benefit pension plan to its new hires, according to a Willis Towers Watson report. That's a dramatic drop from the 59 percent of that same group of employers that offered pensions in 1998. The percentage of workers covered by a traditional defined benefit (DB) pension plan has been steadily declining over the past 25 years. The only form of retirement plans for employees without company provided pensions will be their IRA/401k saving plan, which today will be subject to state income tax.

After retiring from SNET/ATT I took my retirement investments and put them into a lifetime guaranteed annuity. Unfortunately this type of annuity is classified as a retirement IRA (Form 1099-R, Box 7 = X) which now does not qualify under the existing Connecticut state income tax 2019 Pension/Annuity tax phase out plan. Many of my co-workers did the same thing and have moved to other states to take advantage of better tax credits.

One of the biggest items on all retirement budgets are taxes. People are leaving our state and are considering one of the 12 states that don't tax distributions from pensions or defined contribution plans such as 401(k) plans.

Nine of those states that don't tax retirement plan income simply have no state income taxes at all: Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas,

