



Testimony of
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Finance, Revenue & Bonding Committee
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***SB 821 An Act Concerning the Reformation of Certain Taxes and Tax Equity
HB 6187 An Act Concerning the Restructuring of Certain Taxes and Tax Equity***

Good morning Senator Fonfara, Representative Scanlon and members of the Finance, Revenue & Bonding Committee. My name is Sal Luciano, and I am proud to serve as the President of the Connecticut AFL-CIO, a federation of hundreds of local unions representing more than 220,000 members in the private sector, public sector, and building trades. Our members live and work in every city and town in our state and reflect the diversity that makes Connecticut great. I am here today to testify as a member of the Recovery For All Coalition, a network of faith, community and labor organizations committed to reducing income inequality that impedes economic growth. Thank you for the opportunity to testify on legislation that will transform our state.

It is a sad distinction that Connecticut leads the nation in income inequality, leaving the poorest residents to deal with education gaps, health disparities, unattainable home ownership and other hardships. Years of austerity and disinvestment have worsened inequities and hampered economic growth. Austerity delayed our recovery from the Great Recession and limited the state's ability to help our most vulnerable residents and communities.

The coronavirus pandemic-induced recession has exacerbated the pain. This crisis is greater and felt more widely than the Great Recession. Vulnerable populations who struggled to make ends meet before the pandemic now battle just to survive. The lessons we learned from the Great Recession remind us that we must take bold action or risk damaging our communities and our economy for years to come. Governor Lamont's proposed budget chooses to ignore these lessons by making cuts and freezing spending. We can't afford to go down that road again.

The coronavirus has shown us that we pull through by pulling together. Communities across Connecticut have come together, determined to help each other and leave no one behind. Now we need a state tax policy that does the same thing, allowing us to invest in our future, not just respond to emergencies or fill holes. We need a tax code that allows us to make significant investments in equitable preK-12 public education, robust public colleges and universities, access to affordable healthcare and realizing affordable housing goals. These investments will create equal opportunities for everyone, regardless of race, gender, income or zip code. SB 821 and HB 6187 would generate the relief and resources needed to make these investments while building an economic recovery that is fair, far reaching and long lasting.

Our poorest residents pay an effective tax rate more than triple of someone making over \$680,000 per year. That's just not right. SB 821 and HB 6187 provide much needed relief in the form of a one-time direct payment of \$500 to those who have lost their jobs during the pandemic, doubling the maximum property tax credit and expanding the earned income tax credit (EITC) while extending it to undocumented workers. These measures will provide a little breathing room for our lowest earners, but SB 821 and HB 6187 also add fairness to the tax code by:

- Creating a two percent statewide property tax on the portion of the market value of homes in excess of \$1.5 million;
- Reducing the estate tax exemption to \$2 million, eliminating the payment cap, and enacting estate tax rates similar to the rates in effect before the Great Recession;
- Increasing the base corporation business tax rate to 11.5 percent for corporations with gross income of \$100 million or greater and extending and increasing the current surtax to 20 percent;
- Imposing a surtax of five percent on capital gains, dividends, and taxable interest for individuals with income in excess of \$500,000/year (\$800,000 for joint filers); and
- Making Connecticut's personal income tax rates fairer and more in line with neighboring states by raising the rate on individual income in excess of \$500,000 per year (\$800,000 for joint filers/heads of household) and on income in excess of \$1 million per year.

These aren't "broad based" tax increases. On the contrary, they are narrowly focused proposals that restore fairness to fund essential services and jumpstart economic recovery. SB 821 and HB 6187 provide a balanced approach with diversified proposals and relief for those who need it the most.

With your indulgence, I ask the Committee to look closely at the proposal to create a tax on digital advertising. Similar to HB 5645 sponsored by Ranking Member Representative Cheeseman, it would tax large Big Tech companies like Facebook, Google and Amazon on revenue derived from digital advertisements they place in the state. For decades, these companies have grown exponentially by collecting personal information and availing themselves of state infrastructure without contributing anything to Connecticut taxpayers. They profit from surveilling and collecting data from Connecticut users and then employing that data to target their advertisements.

It's time Big Tech joined Connecticut taxpayers in investing in Connecticut. A 10% tax on digital advertisements placed in Connecticut by companies with revenue of more than \$10 billion would generate approximately \$140 million annually for investments in public education, higher education, workforce development, affordable housing, affordable healthcare or any vital public service that has been under-resourced by COVID-19. Unlike corporate income, this revenue is not mobile. The digital ad tax is attached to a user with a location in Connecticut. As a result, firms have little room to use accounting conventions to change the origin of this revenue and avoid taxation.

Two of our three pending crises – COVID-19, racial inequities and the pandemic-induced recession – will not disappear as vaccination rates increase. The systemic racial and economic inequality will remain long after we return to visiting relatives and planning summer cookouts. We must take decisive action to turn our state around and make the best use of the opportunity presented to us today. Connecticut's future depends on a comprehensive, equitable approach to investing in the essential services that reduce economic and racial inequality and set us on a path to robust economic recovery, I urge the Committee to have the courage to take that path with HB 6187 and SB 821.

Thank you for the opportunity to testify.