



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

TESTIMONY PRESENTED TO THE FINANCE, REVENUE, AND BONDING COMMITTEE APRIL 20, 2021

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Testimony Opposing Senate Bill No. 1106

AN ACT ESTABLISHING THE CONNECTICUT EQUITABLE INVESTMENT FUND AND DEDICATING CERTAIN REVENUES TO SAID FUND

Senator Fonfara, Representative Scanlon and distinguished members of the Finance, Revenue, and Bonding Committee, thank you for the opportunity to offer testimony on Senate Bill No. 1106, An Act Establishing the Connecticut Equitable Investment Fund and Dedicating Certain Revenues to Said Fund.

This bill establishes several significant new tax increases and other revenue policy changes and would dedicate the revenues generated from those increases into a new Connecticut Equitable Investment Fund. The fund would provide targeted investments across the state to address underserved communities, reduce income inequality, increase venture capital, and reduce municipal reliance on property taxes. The tax changes are as follows:

- A new 2.0% surcharge on capital gains for those in the state's highest tax bracket.
- A new consumption tax ranging from 0.1% to 1.5% beginning with filers above \$140,000 of adjusted gross income.
- A new digital advertising tax.
- A new employee - elective wage compensation program with a corresponding personal income tax credit which would operate as a voluntary payroll tax along with an income tax deduction for Roth IRA contributions for employees who elect to take advantage of this program.
- A 50% estate tax credit for investments by a decedent in a private investment fund which invests in the newly established Connecticut Equitable Investment Fund.
- Directs all revenue generated from the tax of legal use of recreational cannabis and online sports wagering to be deposited into the Connecticut Equitable Investment Fund.

The administration cannot support the significant tax increases outlined in this bill. The Governor, through his proposed Budget, has made it clear that he intends to avoid tax increases so as to not hamper Connecticut's economic recovery. Connecticut is turning the corner in regards to our state's finances and attractiveness to both businesses and individuals. The tax proposal contained in this

bill would send the wrong signal that our state is unable to build on the progress we have made together.

I respectfully request that the committee oppose Senate Bill No. 1106. I would like to again thank the committee for the opportunity to present this written testimony. Please contact me or my staff if you have any questions.