Testimony of Brian Montanari
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Before the Finance, Revenue & Bonding Committee
Hartford, CT
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Testifying in support of
HB 5488: AN ACT CONCERNING A RESEARCH AND DEVELOPMENT EXPENSES TAX CREDIT FOR PASS-THROUGH ENTITIES

Good afternoon, Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman and members of the Finance, Revenue & Bonding Committee. My name is Brian Montanari, President & CEO of HABCO Industries located in Glastonbury, Connecticut.

HABCO Industries supports HB 5488.

Many small to mid-size manufacturing companies are structured as S corporations, limited liability companies, and limited liability partnership companies, which collectively are referred to as pass-through entities. Due to the current tax structure, these companies are unable to take advantage of the research and development tax credit which can only be applied to the corporation tax.

Despite having a relatively minimal cost to the state, the R&D tax credit has proven to attract entrepreneurs, foster startup businesses, and promote private sector investment in Connecticut. As a CBIA member company, we as small to mid-size businesses wish to take advantage of this credit to offset some of the cost of developing new products and services in the state. Utilizing this credit would put us on a level playing field with larger corporate competitors throughout the nation.

Connecticut's R&D tax credit requires that costs claimed by companies be thoroughly vetted to ensure there is a direct link between the costs and legitimate research and development activity. Further, the credit has demonstrated time and again to generate a substantial return on investment and create jobs in the state. In fact, a 2015 report by the nonpartisan Office of Legislative Research stated that the state earned between $1.24 to $2.36 in net revenue for every dollar of R&D credit claimed. Further, the report indicated that there were between 1,406 to 3,648 jobs added every year attributable to the credit.

Amending the law to allow pass-through entities to take advantage of this credit will not only improve the economic condition of the state, but it will help position the state to be a leader in key, high tech industries of the future.

In conclusion, we urge the committee to support HB 5488.