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INNOVATION ECONOMY

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February 27, 2023

The Honorable John Fonfara, Senate Chair
The Honorable Maria Horn, House Chair
Joint Committee on Finance, Revenue, and Bonding

Re: HB 5422 – An Act Concerning the Creation of an Interstate Compact for the Tax Treatment of Certain Investment Management Services

Dear Chair Fonfara, Chair Horn, and Members of the Committee:

I write to express TechNet's opposition to HB 5422, which appears intended to commit the state of Connecticut to a multistate compact increasing the tax rate on carried interest.

TechNet is the national, bipartisan network of technology CEOs and senior executives that promotes the growth of the innovation economy by advocating a targeted policy agenda at the federal and 50-state level. TechNet's diverse membership includes dynamic American businesses ranging from startups to the most iconic companies on the planet and represents over five million employees and countless customers in the fields of information technology, e-commerce, the sharing and gig economies, advanced energy, cybersecurity, venture capital, and finance. TechNet has offices in Austin, Boston, Chicago, Denver, Harrisburg, Olympia, Sacramento, Silicon Valley, and Washington, D.C.

Capital investment is the catalyst that enables founders to turn innovative concepts into the great products and companies of the future. Despite the headwinds of a global pandemic, Connecticut companies in 2020 reached a two-decade high in collective venture capital raised – over $707 million pumped into cutting edge technologies, healthcare firms, and more.

Increasing the tax on the returns on these investments could depress the appetite for the kind of long-term and high-risk investment that is critical to fuel new company creation. With lower investment rates and fund formation, this could ultimately be a net loss for the state in terms of revenue and certainly in terms of competitiveness with neighboring states.

A robust venture capital community positions Connecticut to attract innovative companies from out-of-state and spin up the flywheel of innovation in its native

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startup environment. Increasing the tax burden on the companies and funds that help propel this environment is a self-defeating policy decision.

Thank you for your consideration. Please do not hesitate to contact me if I can provide any additional information or assistance.

Sincerely,

Christopher Gilrein
Executive Director, Northeast
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