
“Business Tax policy is cumulative, legacy-based, revenue driven, insufficiently aligned with economic policy, & inadequately reflects the emergent marketplace (global, mobile, virtual, contingent employment, intangible goods & services).”

- No defined policy
- Developed over time
- Driven by revenue needs
- Successful projects in targeted areas
- No overall alignment with economic policy or marketplace
OVERVIEW - CURRENT CORPORATE TAXES

Tax types – Not Just Corporate Income Tax
- Income taxes – Personal and Corporate
- Special industry taxes, e.g. insurance premiums
- Sales & use tax
- Local property tax
- Unemployment insurance tax

Common tax credits
- Research & development
- Investment – property & people

Analysis
- CT appears similar to most other states
- Differences relate to the implementation
- Volatility
- Complexity
- Expanded bases
TRENDS IN CONNECTICUT

Trends

• Sharp decline in corporate taxpayers
• Total corporate income tax revenue remained constant
• Significant portion of other taxes, e.g. S&U and property
• Proposals to limit critical provisions, e.g. credits, NOLs, sales tax exemptions

Analysis

• Corporate tax policy must extend beyond the corporate income
• Provide a level playing field across all taxes for corporate and other business taxpayers
• Should follow universally held tax principles, e.g. do not tax business inputs
POLICY PRINCIPLES

Tax policy principles
- Revenue stability & sufficiency
- Balanced revenue sources
- Structural stability
- Predictability
- Ease of compliance
- Fair, efficient and cost effective administration
- Consistent application of law and timely guidance
- Reflect the global and local marketplace

Analysis
- Sound policy “anchors” businesses and encourages investment
- Permits long-term investment and location planning
- Avoids short-term instability that creates budget crises
- Administrable by taxpayers and DRS
GOING FORWARD

Guiding principles
• Define who you are as a state
• Decide what you want to be
• Develop the detailed policy – no one size fits all
• Stay the course
• Avoid taxing business inputs
• Maintain an outward looking view
• Bottom line – Competitive

Analysis
• Sound tax policy will shape revenue decisions
• Ease revenue insufficiency and volatility
• Foster a predictable and growing business climate
• Make investment and location decisions easier
• Bottom Line - Maintains competitiveness for the state
CT CORPORATE TAX POLICY

Q&A

Thank you!

Panelists – CBIA Tax Committee Members

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