

# **CONNECTICUT CORPORATE TAXES OVERVIEW & GUIDING PRINCIPLES**

---

Presented to the Commission on Connecticut's Leadership in  
Corporation and Business Law

May 15, 2015

# HISTORICAL PERSPECTIVE

---

## Business Tax Task Force Report (Sept. 27, 2012)

“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

Sandy Coombes, Senior Tax Director, Aetna

Harry Im, State Tax Counsel, United Technologies Corporation

Stephen LaRosa, Senior Director, State & Local Tax, Alexion Pharmaceuticals, Inc.

Gerard Maher, Tax Director, Boehringer Ingelheim