An Open Letter to Governor Malloy

Dear Governor Malloy,

My name is David Bohn and I am a resident of Redding Connecticut. I was born in Connecticut and have lived here most of my life. I am the president of Preferred Utilities Manufacturing Corporation which has been based out of Danbury, CT since 1946 and currently employs almost 90 people.

I am writing this letter as a Connecticut employer who has kept his family business here despite the oppressive and stifling atmosphere including overwhelming taxes and regulations. I am now especially outraged at Connecticut's FUTA tax on all employers because of the state government's inability to responsibly manage our federal loan, and the illegality of a tax on businesses who do not vote or have a say in government. When a resident of this state does not meet their loan obligations they lose their house or car but when Connecticut doesn't meet its obligations it can just put a gun to the head of businesses and taxpayers and tell them to pay up or go to jail.

The standard FUTA (Federal Unemployment Tax Act) tax rate is 6.0%, less the 5.4% Credit, or 0.6% on the first $7,000 of wages subject to FUTA. Because Connecticut has irresponsibly defaulted on the loan from Washington, Connecticut employers are taxed an additional 1.7%, or $119 per employee. State and Federal governments feel they are being sly by passing these hidden taxes on entities that cannot vote, but the reality is that they are killing jobs at home and shipping them to places that exercise some degree of fiscal responsibility.

According to the IRS.gov website, "A state is a credit reduction state if it has taken loans from the federal government to meet its state unemployment benefits liabilities and has not repaid the loans within the allowable time frame. A reduction in the usual credit against the full FUTA tax rate means that employers paying wages subject to UI tax in those states **will owe a greater amount of tax**." Because Connecticut could not responsibly handle their own funds for unemployment benefits or even a loan from the federal government, the employers of the state are paying extra tax to bail out the state for being fiscally irresponsible.

Our small business had to pay approximately $10,000 for the pleasure of being an employer in Connecticut. In essence, Preferred Utilities had to pay the State of Connecticut's penalty for its out-of-control spending and fiscal incontinence. Employers are punished for employing Connecticut residents who perhaps would otherwise be unemployed, and in turn recipients of federal unemployment loan funds that the state already cannot pay back. I can only image what the State's larger employers like IBM or UTC are paying.

Other credit reduction states that passes penalties on employers are California (1.2%), Indiana (1.5%), Kentucky (1.2%), North Carolina (1.2%), New York (1.2%), Ohio (1.2%), and Virginia (1.2%). Connecticut, of course, takes the lead in fiscal irresponsibility and tax punishment on employers with a rate of 1.7%.

Businesses can not vote; and therefore, I understand how tempting it is for politicians to force them to "pick up the tab" for their own political gain. I believe this is why it is easy for politicians engaged in demagogy to cry for higher corporate taxes and regulations. The truth is: businesses are composed of people that politicians hurt with this kind of rhetoric and public policy. The irresponsibility of Connecticut's government has not only hurt our employees, but also the employees of many other companies.

Several times a year I get attractive packages from states that are friendly to businesses and manufacturing in particular. These states want employers and job creators to move to their states, and their public policy, tax structure and fiscal integrity speak louder than their words. All the packages I am sent from employer friendly states point out the taxes that Preferred Utilities Manufacturing Corporation is now paying the State of Connecticut that we would not have to pay if we move to their state. All of these packages point out that if we moved to their business friendly state our employee's tax rates would drop significantly because they do not have a state income tax like Connecticut and their property taxes in many cases are a third of what many of our employees pay to live in their CT homes and own their cars. These "incentive to move" packages also have interesting information, like the fact that Connecticut's total gasoline tax is the 3rd highest in the nation at 67.7 cents per gallon and many other like facts showing how oppressive the tax burden and regulations are here.

Governor Malloy, wouldn't it just be easier for you and your party's controlled legislature to write the employers of CT a note and tell us directly to get out and that you do not care for our kind of people in your state. This beating around the bush, back-stabbing and slow, bleed-out method of making us feel unwelcome isn't driving us out as fast as I am sure you would like us to leave. The one question you might want to ask yourself before you get rid of the last of us is: what will the state be like when all the contributors are gone and all those who voted for you, and the takers, are all that remain in the Constitution State?

The statistics show that the state is unfriendly to businesses and taxpayers alike.

A **2013 Gallup poll** showed that "Forty-nine percent of Connecticut residents polled responded that they would leave if they could, compared to a 33 percent average across all 50 states. Illinois residents, at 50 percent, are slightly more interested than Nutmeggers in leaving their own state. Maryland, Nevada, and Rhode Island round out the disenchanted top five." Fred Carstensen, an economist at UConn, is quoted in the article saying "My quick take on it is that Connecticut is a state that is struggling -- a real laggard on job growth; lots of problems with the K-12 system in our larger cities; lousy transportation infrastructure; little sense that it is a state moving forward. We seem obsessed with unfunded liabilities... and other things that have nothing to do with bringing vitality back to the state."

The Yankee Institute for Public Policy echoes Mr. Carstensen's thought in its Tax Foundation Study. This study shows that "although state officials like to claim that the state has a friendly business tax environment because of its 7.5% corporate income tax rate, which places it about in the middle of other states, our state's very high property taxes and relatively high taxes across the board account for Connecticut's rank toward the bottom."

Other cited factors that affected the state's placement include:

- Connecticut has the second highest per capita property taxes in the nation;
- The state levies sales taxes on many business-to-business transactions;
- Several other states don't have at least one of the major taxes (corporate income tax, personal income tax, sales tax), which significantly improves their ranking;
- We are worst in the nation for our capital stock tax rate, which is a tax on business wealth;
- We are the only state with a gift tax, which significantly effects small businesses;
- Our alternative minimum tax for personal income taxes is also detrimental to small businesses, many of which are taxed at the personal income tax rates.
- Internet sales tax.

According to the **United Van Lines Annual mover's study of 2014**, the Northeast is experiencing a moving deficit with New Jersey (65 percent outbound), New York (64 percent) and Connecticut (57 percent) making the list of top outbound states for the third consecutive year.

Forbes Magazine also complied the information from the United Van Lines Company, in which the company "analyzed a total of 125,000 moves across the 48 continental states and the District of Columbia in 2013 and came up with a picture of migration patterns across the U.S." From the complied information, Forbes determined that 59% of Connecticut residents move out versus how many move in.

The statistics do not mislead. They prove that Connecticut is unfriendly to businesses and residents, levying such heavy taxes on corporations and individuals does nothing but drive them from the state and continue the slow bleed of the state's economy and residents.

Sincerely,

David Bohn

Preferred Utilities

President & CEO