

## State Tax Panel Public Hearing – 09/16/15

Because I will be unable to attend this hearing, I am submitting my comments in written form with respect to Connecticut's Use Tax, Estate and Gift Tax, and Personal Income Tax.

**Use Tax:** Compliance with this tax is a major time waster and unwarranted by the revenue that the state collects from me. My wife and I spend approximately an hour each month computing the tax obligation and compiling supporting records. The tax owed for most months is under \$40. Relevant transactions include direct purchases in Massachusetts, where the sales tax rate is 6.25%. On a representative \$100 purchase in Massachusetts, the local sales tax collected is \$6.25. The Connecticut tax would be \$6.35, meaning a differential of \$.10 must be paid to Connecticut with our income tax return. **Recommendation:** Repeal this tax and replace it with a version that applies only to transactions in excess of a large threshold, like \$5000.

**Estate and Gift Taxes:** I am informed that Connecticut is one of the minority of states which impose estate or inheritance taxes and that it is one of only two states which impose a gift tax. Such taxes are a strong incentive to move out of Connecticut, or not move here in the first instance. A study prepared by the Department of Revenue Services (DRS) in 2008 reportedly concluded that Connecticut's estate tax regime is the primary reason why residents who are affected by it leave the state. When this happens, they take not only their assets which would have been subject to estate tax when they die but also the income streams and general economic activity which would have been subject to income, sales, and other taxes while living, had they remained domiciled here. The DRS report also reportedly concluded that the economies of states without estate taxes grew much faster and created many more jobs than states with such taxes. **Recommendation:** Members of the State Tax Panel should acquaint themselves with the 2008 report, update it, and use it as the basis for repealing both the estate and the gift tax, thereby removing a strong incentive for people subject to these taxes to move elsewhere.

**Personal Income Tax:** The Department of Revenue Services' compilations for 2012 (the most recent year for which I have this information) reveal a very high degree of progressivity in the state's income tax regime. For that year, the top 31% of filers--consisting of households with adjusted gross incomes above \$75,000 annually--paid 88% of the total income taxes collected from individuals. Of course, few people anywhere are ever happy with the income taxes that they must pay, but the high progressivity of Connecticut's personal income tax regime is a strong incentive for upper-income people to leave the state. The same consequences mentioned above with respect to the death tax also apply to excessive income taxation. Moreover, the personal income tax increases enacted as part of the current budget apply to only a limited segment of the state's population and further exacerbate this problem. **Recommendation:** Flatten the progressivity curve of personal income taxes and diminish it as an incentive for people to leave Connecticut.

Respectfully submitted,

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