



CONNECTICUT

**TESTIMONY OF
NATIONAL FEDERATION OF INDEPENDENT BUSINESS (NFIB)
OPPOSING
JFS SB-946, AAC REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET
BEFORE THE
SENATE & HOUSE REPUBLICANS OF THE FINANCE, REVENUE & BONDING COMMITTEE
MAY 11, 2015**

A non-profit, non-partisan organization founded in 1943, NFIB is Connecticut's and the nation's leading small-business association. In Connecticut, NFIB represents thousands of members and their employees. NFIB membership is scattered across the state and ranges from sophisticated high technology enterprises to "Main Street" small businesses to single-person "Mom & Pop" shops that operate in traditional ways. NFIB's mission is "To promote and protect the right of its members to own, operate, and grow their businesses." On behalf of those small- and independent- job-providers in Connecticut, NFIB/Connecticut offers the following comments:

NFIB Connecticut strongly opposes the latest proposal (JFS SB-946) to increase taxes. Increasing Connecticut taxes again by billions of dollars and making some tax hikes retroactive back to January 1 of this year is unfathomable to small business owners who have to balance their books annually and unlike the state, are not able to capture seemingly endless and retroactive sources of revenue. The proposed tax increases in this bill now include a major expansion of the sales tax to numerous services, many of which will impact and cost small businesses directly including accounting, engineering, direct mail advertising, website development and hosting, veterinary services, dry cleaning and many more; a hike in the income tax; a new capital gains tax surcharge on investment; a 400% increase in the state's annual filing fees for businesses; and a reduction of the use of net operating loss carryforwards; and many other revenue raising measures. If this revenue package becomes law, these massive tax increases and new taxes, on top of \$6.4 billion in tax increases over the last four years, will continue to erode small business confidence, discourage investment, and chase entrepreneurs out of this state.

Connecticut is already a high-cost state for employers with energy costs, development costs, unemployment insurance costs, regulatory compliance costs, health insurance premiums, and employee salary and benefit costs at or near the highest in the nation. These costs as well as even the possibility of the several tax increases outlined in this bill are reflected in our state's slow job growth over the past several years, particularly in the small business sector which has traditionally been the state's job incubator. Small business owners are not a bottomless pit. Now is not the time to impose additional tax increases that will hit small business owners especially hard, and further make the state less economically competitive.

Small business feels that lawmakers focus only on the problems they and their immediate colleagues create for small business owners. While Congress only looks at the federal tax structure; the state legislature looks only at Connecticut taxes; and municipal bodies only consider the local taxes that they impose. No one, except the small business owner who must pay all the taxes, looks



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at the accumulation of levies. Owners see the tax problem as a whole and do not distinguish among the problem's sources.

The problem that seemingly no policymaker until recently has seemingly wanted to address is the long-term fiscal problems of state government. While huge state deficits are not directly a small business problem, the taxes required to fund government are, as are the programs those taxes pay for. Small business therefore has a huge stake state in fiscal policy. But to return current troubling fiscal trends to a rational course of reduced spending will require difficult political decisions that lawmakers seem abhorrent to discuss, let alone make.

Income Tax Increases

Increasing the income tax on some may seem like a quick and viable solution to capture much needed additional revenue, however it will do absolutely nothing to stimulate the economy and provide immediate relief to small business owners—something desperately needed especially during the current difficult economic times. Providing economic relief and certainty to Connecticut's job creators should be the number one goal of the legislature this session. Tax policy should be used to help stimulate, not stymie, job growth and the state's economy.

Sales Tax Increases

Any expansion of the sales tax to numerous services will adversely affect many small businesses in the state, making Connecticut less competitive than other states, particularly those surrounding states which do not tax these services and/or have lower rates. Furthermore, passage of the proposal would only serve to generate yet another revenue stream funded on the backs of Connecticut's small businesses and their customers but would do nothing to curb the insatiable spending appetites of both the state and our cities and towns. Rather than allowing municipalities, or even worse, un-elected, unaccountable regional authorities, the ability to "manage" new/additional sales tax revenue, eliminating wasteful spending and improving fiscal transparency and accountability at both the state and local levels, as well as eliminating costly unfunded state mandates on municipalities, should be the priorities of the legislature.

Small Business Annual Filing Fees

NFIB has concerns with these sections, which would significantly increase various business filing fees for small businesses when making such filings with the Office of the Secretary of State. A 400% increase in annual filing fees for small businesses would nearly negate the impact of the repeal of the Business Entity Tax contained in Section 21.

Corporate Tax Climate

Regarding the corporate tax surcharge, NFIB is concerned from a macroeconomic perspective about what permanently higher corporate tax rates will mean for business and the economy as whole in



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the state of Connecticut. For business owners, small or large, consistency and stability within the tax code and the state budget is essential for proper planning and investment. Unfortunately, the tax changes in JFS SB-946 (all those previously mentioned as well as those not mentioned) will do nothing but discourage planning, investment, and cause harm to the state's economic viability.

As such, NFIB/Connecticut urges the legislature and the Governor to reject consideration of the damaging proposals for small businesses as currently contained in JFS SB-946.

Thank you for the opportunity to comment.