



TESTIMONY BEFORE THE
SENATE AND HOUSE REPUBLICAN MEMBERS OF THE
FINANCE, REVENUE AND BONDING COMMITTEE
REGARDING GOVERNOR'S SENATE BILL 946
May 11, 2015

I am Paul W. Brady, Executive Director of the American Council of Engineering Companies of Connecticut (ACEC/CT), representing over 90 engineering firms and the Connecticut Society of Professional Engineers, representing over 250 licensed Professional Engineers in Connecticut.

On behalf of both organizations, I would like to testify in opposition to the expansion of the state's sales tax to include engineering and other professional services as adopted by the Finance, Revenue and Bonding Committee's JFS vote on Governor's Senate Bill 946, AN ACT CONCERNING REVENUE ITEMS TO IMPLEMENT THE GOVERNOR'S BUDGET..

This tax would increase the cost of construction projects and discourage businesses from locating or expanding in Connecticut. The sales tax would also impact the housing market, making housing less affordable for residents in the state or people seeking to relocate here.

The tax would be very complicated to administer for the state and taxpayers, as the multi-state nature of customers and service providers often makes it difficult to determine where, when, and how the services take place. In fact, when Connecticut taxed engineering services about 25 years ago, the Department of Revenue Services recommended that the tax be eliminated in part because of the complexity in administering the tax.

Connecticut engineering firms will also find themselves at a competitive disadvantage. Project owners will find ways to have engineering services performed out of state. Out-of-state engineering firms will not collect the sales tax for Connecticut. The loss of work will mean fewer jobs for Connecticut engineers and support staff and lower income taxes for the state.

The tax discriminates against small businesses because small and emerging businesses often have a need to use outside engineering services that would be taxed, while larger companies with in-house expertise would not be subject to a tax for such services.

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The spreadsheet the Finance Committee used to consider this proposal estimated that the tax on engineering services would raise approximately \$154 million in FY17. That translates to about \$2.9 billion in billable engineering services. I can't imagine how that level of tax revenue would be possible. Our industry isn't that large and about 80% of our services would be exempt because they are performed for government agencies and out of state clients.

Thank you for your consideration and the opportunity to provide information about this onerous proposal.

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