

KOHLER RONAN, LLC
ENGINEERING ARCHITECTURE

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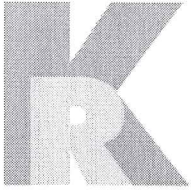
Good Afternoon. My name is Rory Ronan and I live in Bridgewater, CT. I am a professional engineer registered in the state of Connecticut and 12 other states. I am a partner in the engineering firm Kohler Ronan, with offices in Danbury, CT and New York, NY. We have 35 employees in our CT office and 20 in our NY office. We provide engineering services to architects and building owners for new construction or renovation projects both within the state and nationally.

If the state of Connecticut implements a sales tax on architectural and engineering services it will put our firm, and all CT engineers and architects, at a competitive disadvantage when compared to firms located outside of CT. New York and Massachusetts firms will not charge sales tax. For a project located in CT we would need to charge 6% less just to meet a competitor's fee. And it will be even worse when we are competing for national work. What building owner will want to pay CT sales tax for engineering services for their building that is not even located in CT?

It is a widely accepted principle that when you tax something you get less of it. That is why we have high taxes on cigarettes, to reduce smoking. Our firm can be a microcosm for what will happen to the architectural and engineering industry in CT as a whole. We can begin to shift design projects to our NY office to avoid additional revenue in CT. Maybe even transfer some employees to the NY office. Some of our Danbury employees live in NY anyway. I don't know where the revenue projections in the Governor's budget came from but I am sure they do not include lost revenue from decreased employment and everything that goes along with that including lower income tax revenue, reduced home values, increased unemployment costs, etc.

I read a comment from a legislator that if someone has to pay an extra \$10 on their \$150 veterinary bill for their cat that it is no big deal when compared to property tax on a car in Waterbury. This is comparing apples and bananas and really minimizes what will be a very destructive tax. If you assume half of our \$8 million dollars of gross revenue is generated in CT, it is probably more, that translates in to \$240,000 of sales tax. We are a small business. We do not have an extra \$240,000 lying around. And this does not even include compliance costs. If you think that this cost is borne by our customers then you do not understand how business works. They don't have an extra pot of money for sales tax. Our fee must be competitive with out of state engineer's fees. The cost will be borne by the 55 of us that work at Kohler Ronan, in either reduced income or reduced benefits. This, of course, ultimately makes it more difficult to add jobs in CT. And it is at a time when CT is supposed to be trying to add Technology jobs.

Can you imagine if you manufactured a product in CT and you charged sales tax on sales both within the state and outside the state but if that same product was made in NY that it could be sold in CT or NY tax free? How long would the CT manufacturer



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stay in business? This is what is being considered right now for architectural and engineering services. Our industry was hit harder than most by the recession, since we are tied to the construction industry. We had architectural clients go out of business over the past 6 years, some owing us money. According to the Bureau of Labor Statistics, there are still over 2,000 fewer architectural/engineering jobs in CT now that there were in 2008. Our industry's recovery has been very slow and weak. This sales tax will absolutely make it worse.

Everyone here should be aware that this idea was tried back in 1989. It did not last long as the Department of Revenue Services stated that it was a very difficult tax to manage.

And if I can ask one question before I leave? Is it just a coincidence that another professional service, legal fees, was not included in the new sales tax program? I understand that there a quite a few attorneys in the state legislature.

Thank you.

The Partners of Kohler Ronan

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