



State of Connecticut

SENATOR KEVIN C. KELLY
SENATE REPUBLICAN LEADER

21ST DISTRICT

LEGISLATIVE OFFICE BUILDING
300 CAPITOL AVENUE, SUITE 3400
HARTFORD, CONNECTICUT 06106-1591
www.SenatorKevinKelly.com

HARTFORD: (860) 240-8800
TOLL FREE: (800) 842-1421
FAX: (860) 240-8306
Kevin.Kelly@cga.ct.gov

Testimony
Senator Kevin Kelly
Finance, Revenue & Bonding Committee
March 3, 2022
Senate Bill 22

Senator Fonfara, Representative Scanlon, Senator Martin, Representative Cheeseman, and members of the Finance, Revenue, & Bonding Committee, thank you for raising Senate Bill 22 AN ACT TEMPORARILY REDUCING THE RATES OF THE SALES AND USE TAXES AND THE MEALS TAX and the opportunity to testify in support of temporarily reducing the sales tax and eliminating the meals tax to return the state's inflation related windfall to Connecticut taxpayers.

Connecticut families are struggling. Every day it is getting more and more expensive to take care of our loved ones and keep our family budgets balanced. Our state must do everything it can to drive down costs wherever possible and that includes cutting taxes now. A sales tax cut is the most direct way to provide immediate relief to all families and to give back the windfall tax revenue the state receives as a result of inflation.

On Friday, February 25, 2022, the U.S. Commerce Department released data revealing that prices rose at their fastest level in decades, reaching a nearly 40-year high. The Personal Consumption Expenditures index data also shows that inflation is speeding up on a monthly basis. Rising prices of oil, gas, and other commodities tied to Russia's invasion of Ukraine are expected to further increase inflation.

At the same time, Connecticut's state budget is benefitting from inflation as the state sales tax and gas tax brings in new, unplanned for revenue – a result of surging prices.

Meanwhile, CT residents are struggling to balance their own family budgets with no relief in sight as inflation drives up the costs of everything, from food to energy to home heating oil.

The state must not keep a windfall at a time when our residents demand relief. This temporary sales tax cut would direct the influx in tax revenue back to residents and provide immediate relief as families struggle with the crushing impact of inflation.

Senate Republicans are proposing to temporarily reduce the sales tax from 6.35% to 5.99% and eliminate the additional 1% meals tax to return the windfall to taxpayers.

The state budget remains whole even with this tax reduction, and historic contributions to the state's rainy day fund would be preserved under this plan.

The bill before the committee reflects the proposal first made by Senate Republicans at the start of the year that would provide this tax relief through December 31, 2022. It is important to note that since this proposal was first calculated, consensus revenue has since been updated by state budget analysts which indicates further growth in the state's sales tax and gas tax collections. The increase as reported in the January consensus revenue report would allow for this tax cut to be **extended another six months**. This means we can provide relief to families **through the end of fiscal year 2023**.

This proposal will provide relief today when people need it most.

By utilizing only the excess revenue collected above and beyond projections relied upon in the budget, we can reduce taxes for Connecticut residents by \$511.8 million (\$136 million in FY 22 and \$375.8 million in FY 23), while maintaining a balanced budget and contributing a record amount to our budget reserve fund to make historic investments in the state's unfunded pension liabilities.

Taxpayers need relief now and Senate Bill 22 is one important way to responsibly provide that relief now when people are struggling most.

Kevin C. Kelly
Senate Republican Leader