Testimony on Proposed Bill 6031
Submitted by Scott Shepard, Policy Director
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Good afternoon distinguished members of the Finance, Revenue, and Bonding Committee. My name is Scott Shepard. I am Director of Policy and Research at the Yankee Institute for Public Policy, and I am writing to testify in support of Proposed Bill 6031: An Act Phasing Out the Estate Tax.

The estate tax drives high tax-contributing residents out of Connecticut, dissuades others from moving into the state, and leaves everyone else to cover an ever-expanding pool of past, present and future government-spending obligations. It does this at great administrative cost for relatively little net return. We therefore support Proposed Bill 6031 and the repeal of the estate tax.

Connecticut’s estate tax hurts everyone – and mostly hurts those who depend on state payments, not those who pay the most in taxes. The primary claim made for the estate tax arises from the tax’s claimed progressivity. The theory is that if small estates are exempted from the estate tax, then the less rich will not be hurt by the tax, leaving only the rich to pay it. In the case of Connecticut’s estate tax, this is not true.

In reality, the tax isn’t paid; instead, it motivates high earners to leave Connecticut. When those high earners leave, they avoid not only the estate tax, but income, sales, and property taxes in Connecticut, all of which are relatively very high. This leaves the rest of us to pick up the difference – raising our taxes.

As is true with most taxes and regulations, the wealthy are much better equipped to avoid the tax by moving or hiring expensive lawyers and accountants to find loopholes. It is therefore in the state’s best interest to dissuade tax flight by the wealthy, and continue to collect income, sales, and property taxes from our wealthiest residents.

The estate tax only grosses about $175 million per year, is highly volatile and unreliable even at that low level, is very expensive to enforce, and drives out untold numbers of residents who would otherwise stay in Connecticut and bear a significant portion of the tax bill.

This bipartisan bill is in the best interest of our state and our citizens. For these reasons, we urge you to support this bill.