



Testimony on House Bills 5261 & 6459 (acts concerning/abolishing the capital base/stock tax)

Submitted by Cassidy Martin, Policy Intern

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Good afternoon. My name is Cassidy Martin. I am a Policy & Research Intern for the Yankee Institute for Public Policy, Connecticut's free-market think tank. I submit this note in support of **House Bills 5261 & 6549**.

Connecticut is in a crisis. Businesses are fleeing Connecticut at a rapid rate, and so are the people. Connecticut is the only state since 2010 that has not had growth in its gross state product. From 2007-2017, New York saw a rise of 11.5 percent in GSP and Massachusetts saw a 14.3 percent rise, while Connecticut saw a 3.3 percent decrease.¹ This cannot continue. Everything in the state's power must be done to encourage businesses to establish themselves in Connecticut and to remain here. Sixteen states have a capital base (or stock) tax, but Connecticut's is the highest. Businesses must pay the highest of 0.31% of capital base (up to \$1 million), 7.5% of net income or a \$250 minimum.² Leading the nation in yet another category of taxation surely hurts the state.

When business leave so do the people. Connecticut towns and cities are experiencing population decreases. In 2017, Connecticut ranked fourth among states with the highest percentage of outbound moves.³ Something must be done to stop this. With the recent departure of so many corporate headquarters from our state, things need to be reconsidered so we do not risk losing companies that hire our citizens and send their tax dollars to the state, such as Pfizer, United Technologies, Charter, Aetna, and Cigna.

Exempting corporations with less than \$500,000 in revenue from the capital base tax, as proposed in **House Bill 6459**, would allow smaller businesses to feel welcomed in our state and will bring new people here to set up shop. Hitting them with taxes before they can even make a profit for themselves is not very welcoming. We want people to feel good about the place they choose to start and conduct their business.

By reducing the apportionment formula to a single factor, as that bill also proposes, Connecticut can ensure that businesses will not feel that they are being attacked under the “highest possible” rule that we currently have in place. It will be one standard apportionment for all the businesses that make over \$500,000 with no confusion.

Phasing out the capital stock tax entirely, as proposed by House Bill 5261, would go even further in renewing Connecticut’s place atop the leaderboard of welcoming and dynamic business locations. It would also match Connecticut’s reforms to New York’s, ensuring at the very least that Connecticut does not fall even further behind in regional competition for business and family migration and retention.

With these changes people will feel more comfortable and welcome to make business investments within Connecticut, something we desperately need.

^{1,2} See <https://www.cga.ct.gov/2018/rpt/pdf/2018-R-0093.pdf>

³ See <https://www.courant.com/news/connecticut/hc-people-leaving-connecticut-20180103-story.html>