



Testimony on House Bills 5194 & 5265 (acts concerning the reduction of the business entity tax)

Submitted by Scott Shepard, Policy Director

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Good afternoon. My name is Scott Shepard. I am the Policy & Research Director for the Yankee Institute for Public Policy, Connecticut's free-market think tank. I submit this note in support of **House Bills 5194 & 5265**.

The business entity tax ("BET"), for a small tax, carries a number of significant and negative unintended consequences. It charges \$250 every biennium to every business in the state, without regard to whether the business charged turned a profit in that biennium or even whether it has begun or continues to operate. This design makes it highly regressive, with its burden necessarily falling most heavily on the newest, smallest, frailest and hardest-pressed businesses.

Because the tax is so unfortunate in its design, it should not just be reduced, but abolished altogether. Straight abolition would be a big assistance to Connecticut's most vulnerable businesses and a hand up for all those who seek to start small businesses on little capital in this state.

The governor's budget proposes such an elimination, and we support that measure. We do not support, though, the related measure which is in itself another metaphor for Connecticut's economic crisis – the proposal to quietly take back almost all of the benefit of BET abolition by pushing up annual business filing fees from \$20 to \$100.

In purely mathematical terms, this move pulls back all but \$90 of the already small tax reduction for struggling businesses achieved by elimination of the BET. In symbolic terms, though, it is worse: it suggests that Connecticut's government is unable to meaningfully reduce any burden of government on its citizens. Even when the taxman is, in just one small way, shown out the door, Connecticut's government will let him back in through the window.

That's hardly the message that Connecticut needs to send to its skittish citizens and businesses, who are already packing up and leaving in record numbers, and to potential entrants, who are staying away in droves.

Let's eliminate the BET – honestly, cleanly, completely and without any "in through the window" subterfuge. It's a first, if tiny, step back toward the path of prosperity.