

## House Republican Press Release

May 30, 2007

Press Office: 860-240-8700

### Reps Hamzy, Burns: Governor Rell Should Veto Democrats' Tax Package



#### *Tax Package Bad for CT's Economic Future, Jobs*

Governor M. Jodi Rell should veto the tax package approved Wednesday by the majority Democrats as soon as possible to give the legislature time to draft a budget that does not include tax hikes that will dampen economic growth, threaten the business climate and mean fewer jobs for the people of Connecticut, state representatives William A. Hamzy and Ron Burns said today.

“Instead of passing a bill that calls for a net increase in taxes of \$411 million in 2008 and \$319 million in 2009, the Democrat majority should have acted on a budget similar to the one we developed last month which preserves important state services and increases aid to towns like Bristol and Plymouth in a number of critical areas – and does so without increasing taxes,” said Representative Hamzy, R-78<sup>th</sup> District, a Deputy House Republican Leader.

“The tax package they approved today is an unattractive measure that would implement a massive tax increase,” Representative Hamzy said. “Everyone needs to remember their tax proposal is designed to fund several major new spending programs that will cost even more down the road. When those bills come due, even their new, ‘progressive’ tax rates will not generate the revenues needed to pay for them. Then, the tax relief they gave us will be taken away and replaced by tax hikes that will cost middle class and working families more than they were paying before the Democrats’ income tax ‘reforms’ were put in place.”

“The Democrat tax package depends for much of its revenues on a relatively small group of Hedge Fund managers and other affluent taxpayers whose incomes have been inflated over the past few years because the stock market has performed well. In Connecticut, capital gains are taxed as income and that is the main reason income tax revenues have been unusually high for the past few years,” said Representative Burns, R-77<sup>th</sup> District, who serves on the budget-writing Appropriations Committee.

“If the stock market goes south, as it did earlier in the decade, income tax revenues will decline significantly and the surpluses we have been enjoying could turn into deficits. If that happens while the Democrat tax plan is in place, we would have to either cut spending or raise taxes. Since the majority Democrats historically have been averse to cutting taxes, the most likely alternative would be an income tax increase that would fall most heavily on moderate-income taxpayers, which includes many of the people I

represent. The Democrats' tax plan is built on a weak foundation that could collapse at any time – and it would be our overburdened middle class taxpayers who end up being stuck with the bill,” Representative Burns said.

“The Democrats want to impose a major tax increase at a time when we have a surplus that currently amounts to \$846.8 million and have more than \$1 billion in the Rainy Day Fund. For the sake of Connecticut's economic future, Governor Rell should veto this bill as soon as possible to give us the time we need to put together a budget and tax package that will keep our state's economy growing, improve business confidence and help create jobs,” Representative Hamzy said.

“One of the best things that could have happened to the Democrat tax plan would have been for them to have voted for one of our amendments, which would have replaced their entire bill with our proposal to give the people of Connecticut a gas tax holiday from now through Labor Day,” Representative Hamzy said. “It would have been a welcome alternative to a multi-million dollar tax hike that could cripple our economy and usher in another recession.”