

## House Republican Press Release

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### Repeal the Business Entity Tax



#### *Opinion By State Representative Vincent Candelora*

The legislative committee process is underway at the Capitol and we've been holding public hearings where state and municipal officials and residents can provide input on proposed bills. I find this part of the process most important. We receive different perspectives and are educated in order to appropriately change or create a law for the betterment of Connecticut's residents. I recently sent out surveys which gave people an opportunity to discuss some hot topics in the legislature. Some questioned whether I read them. The answer is: yes, I read every one of them. I also find these surveys and accompanying comments very helpful in formulating decisions when I vote on proposed legislation.

On March 6, we addressed a bill in the Commerce Committee that would eliminate the business entity tax, which is an annual \$250 fee on all business entities. These businesses already pay taxes on their income, whether it be as a pass through on a K-1 tax form or the 7.5 percent corporate tax rate. The tax was "temporarily" imposed in 2002 in order to make up a budget shortfall. Despite years of continued surpluses, the tax was not repealed. In recent months, as the economy is beginning to slow and health insurance, worker's compensation insurance, and energy costs begin to rise, there has been an increased call to repeal this tax. Most people seem to favor the elimination of the tax, but some ask the question, 'what about me?' What about the seniors and families that are also having a hard time making ends meet? Generally speaking, our problem is not one of revenue, but one of spending. The legislature's propensity to spend is restricting the quality of life for every person and every business.

The main problem with the business entity tax is that it serves as a barrier to entry in the market. Many people begin a dream of owning a business on a shoestring budget. This entity tax hits the mailbox before they even make their first dollar. This tax also is imposed regardless of income and regardless of the intent of creating the entity. It serves as another barrier for businesses to form in Connecticut, and the administration cost of collecting the tax makes it inefficient.

The most disconcerting part of the process, however, was the testimony and inclination of some legislators to, rather than debate whether to eliminate or keep the tax, create a progressive income tax on limited liability companies, corporations, and partnerships. Juxtapose this suggestion with Secretary of the State Susan Bysiewicz's testimony indicating that we had the highest number of business termination filings in 2007 and

Business Advocate Rob Simmons' testimony that the Connecticut legislature ranks last in the country for being business friendly. (A statistic that actually somehow surprised legislators!)

I found it ironic that proponents suggested that this new proposed tax revenue could be used for workforce retention and job creation. Businesses in Connecticut will drive the future health of our state. We rely on them to create good paying jobs and wealth for Connecticut. Nationally, employers this past February slashed 63,000 jobs, the most in five years. Connecticut does not need to even suggest the imposition of yet another tax. We must work on helping our business community to thrive so that all of our residents can enjoy a better quality of life.