

House Republican Press Release

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A VIEW FROM THE INSIDE **State Representative Ruth Fahrbach**



Tax cuts can help boost economy

Unfortunately, tax cuts have become a topic of divisiveness between the political parties in this country. These days, political ideology, depending on which side of the aisle you are on, usually dictates where you stand on the idea of tax cuts boosting the economy.

But it wasn't always that way. High profile members of both political parties – Republican Ronald Reagan and Democrat John F. Kennedy, for example – had the vision to realize that high taxes have a punitive effect on the economy and our own opportunities for individual success. Taxes, whether levied by a municipality, a state, or the federal government must be kept down as much as possible for citizens to prosper.

There are a number of examples to support tax cuts as a means to boost the economy, as well as examples of tax increases stifling the economy. The state income tax approved by the legislature in 1991 is one glaring example of how tax increases can hold down and hinder an economy. Since 1991, no other state has had such stagnant, non-existent job growth. Connecticut's median income has fallen, while having grown nationally since the early 1990's, and 18-34 year-olds have fled the state at a greater rate than any other state in the country.

At the time the income tax was imposed, 80 percent of Connecticut residents said in a poll that state spending was "too high," and 49 percent of residents polled suggested that state government was "especially wasteful," according to a report done by the Yankee Institute.

What we have seen since the enactment of the state income tax are pretty strong indicators that taxation and increased government spending are not the way to help our citizens in their pursuit

of happiness. Conversely, tax cuts provide the economy with a stimulus that can benefit those working to better themselves, at the same time can increase government revenues.

How do tax cuts stimulate the economy? Let's use a local restaurant as an example. If the General Assembly passed a state income tax cut or reduced the sales tax, residents would have more disposable income. More disposable income results in more money being pumped into the economy. Using the example of a local restaurant, that would result in more customers for the business owner, which would lead to more taxes being paid to the state, and potentially more employees who would also be added to the tax rolls.

This state and its municipalities have used tax credits and tax exemptions to lure business in an effort to create jobs and increase tax revenue. In recent years, the legislature has enacted tax credits for the film industry (to attract production companies and entice an industry that had virtually ignored Connecticut in the past), reduced the tax on aviation fuel (to encourage the airlines to refuel their planes in Connecticut) and reduced taxes on hybrid cars (to encourage people to purchase them). If tax reductions don't work, why does the legislature pass special exemptions in an effort to encourage some businesses but not realize that everyone can benefit from reduced taxes?

Tax increases, on the other hand, have exactly the opposite effect on the economy. If a small business owner's taxes are increased, that results in higher prices for consumers, and could lead to less sales and fewer jobs. Those living near the Massachusetts border know very well that Connecticut residents will drive north to buy cheaper gasoline and will make other purchases there as well. Connecticut's higher taxes cause the loss of revenue for local businesses as well as the loss of tax dollars to the state. That's certainly no way to help an economy grow. It is clear that we in the legislature must control spending and reduce taxes to make our economy robust once again.

Rep. Ruth Fahrback represents the 61st District, including Suffield, and parts of Windsor and East Granby in the General Assembly she can be reached by phone at 240-8700.