

House Republican Press Release

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A VIEW FROM THE INSIDE
State Representative Ruth Fahrbach



Entity tax contributes to state's anti-business climate

Last week at the Legislative Office Building in Hartford, legislators joined with Connecticut business leaders calling for the full repeal of the \$250 Business Entity Tax, a nuisance levy that businesses have opposed for several years since it was first put in place in 2002 to close a revenue gap in the state budget. The tax is currently paid by all limited liability companies, limited liability partnerships, limited partnerships and S corporations.

The state legislature adopted the tax in 2002 during a downturn in the state's economy. The tax was intended as a temporary fix to raise about \$30 million to offset a billion-dollar plus deficit. Six years later, the tax remains on the books. The tax currently raises about \$35 million per year and affects tens of thousands of Connecticut businesses.

In addition to the House Republicans, many groups in Connecticut, including the Small Business Coalition, which includes members of the National Federation of Independent Business (NFIB) and Chambers of Commerce and various trade associations, have advocated for the removal of this punitive tax for the last several years, citing its negative impact on commerce and economic activity in our state.

If we were to treat existing Connecticut businesses as well as we treat the film industry (offering tax credits as an incentive), maybe they would have a better chance of surviving, remaining in Connecticut and even expanding. One of the major problems with the business entity tax is that even those businesses that show a loss or no profit must still pay the levy. It amounts to nothing more than a nuisance tax for many small businesses. It is important to remember that taxes on businesses are passed along to consumers in the form of higher costs for products and services.

The very existence of business entity tax sends the wrong message to Connecticut's small businesses. Currently, the General Assembly is considering Senate Bill 400. Senate Bill 400 (*An Act Eliminating the Business Entity Tax*) was unanimously approved by the Commerce Committee on March 11.

Expansion Management Magazine, which is a publication that serves the site selection and business development industry, now ranks Connecticut dead last at No. 50 among the

states in overall business friendliness. In other words, Connecticut is the worst place in the entire United States of America to move your business. This is especially disconcerting in the face of a looming economic downturn.

Lower taxes and less regulation are the answers to spur a stagnant economy. For too long, Connecticut has been practicing policies the other end of that spectrum. Without changing the generally oppressive business climate in our state, whether it is perceived or real, we will be staring down the barrel of a recession and stagnation in Connecticut. It is my hope that the majority party members of the General Assembly come to this realization, too, sooner rather than later. And we shouldn't stop with business tax relief, rather we should seek tax relief for individual taxpayers across the board.

State Rep. Ruth Fahrbach represents the 61st District, including Suffield, and parts of Windsor and East Granby, in the General Assembly.