Legislative History for Connecticut Act

SB 1	PA 173,	1999
SENATE: 2948-3012		65 p.
HOUSE: 4795-4818		25 p.
Finance: 321-325, 369-376, 404		14 p.
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Transcripts from the Joint Standing Committee Public Hearing(s) and/or Senate and House of Representatives Proceedings

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You're very welcome. Senator Jepsen.

SEN. JEPSEN:

Thank you, Madam President. At this time I would direct attention of the Senate to page 32, Calendar 492, currently on the Foot of the Calendar, and ask that it be removed from the Foot of the Calendar.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

I would ask that it be marked Go, and that we take it up at this time. It is the tax package for this year.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Calendar page 32. Calendar No. 492, File No. 695, Substitute for SB1, AN ACT CONCERNING VARIOUS TAX REDUCTIONS, EXEMPTIONS AND CREDITS FOR INDIVIDUALS AND BUSINESSES. Favorable Report of the Committees on Finance Revenue and Bonding, and Appropriations. Clerk is in possession of amendments.

THE CHAIR:

Senator Looney.

SEN. LOONEY:

Thank you, Madam President. Madam President, I move acceptance of the Joint Committee's Favorable Report and passage of the bill.

THE CHAIR:

Question is on passage. Will you remark?

SEN. LOONEY:

Yes, Madam President. The Clerk has in his possession, an amendment, LCO-9789. If the Clerk may please call that amendment.

THE CLERK:

LCO-9789, which will be designated Senate Amendment Schedule A. It is offered by Senator Looney of the 11th district, et al.

THE CHAIR:

Senator Looney.

SEN. LOONEY:

Yes, thank you, Madam President. I would move the amendment and ask leave to summarize.

THE CHAIR:

Question is on adoption. Will you remark?

SEN. LOONEY:

Thank you, Madam President. Madam President, this amendment to SB1 contains what will be our proposed revenue package for the 1999-2001 biennium. It is an amendment which is comprehensive and reflects the work of the Finance Committee and the leadership of all four caucuses in cooperation with the administration to come up with a consensus proposal to move forward with something that is beneficial to the state of Connecticut. And also, extraordinarily progressive in its impact and effect.

There are a number of highlights to the revenue bill that I will discuss as we go forward. I would first like to thank all of those who were intimately involved in the process of creation and hard work that went into all of the work.

I would begin by thanking our extraordinary staff at OFA, Dan Snowbrick, Rob Wysock, Linda Miller, Felix Planis. Our extraordinary LCO, Anne Gnozzo, who drafts all of our bills and amendments.

A special not of thanks to Mary Finnegan, our extraordinary committee administrator, who helps pull order out of chaos at every opportunity. I would also like to thank all of the members in both parties who worked so closely and with such great cooperation.

Especially would like to acknowledge the work of Senator Nickerson. The Senate ranking member. And Representative Belden, also the House ranking member, who worked very closely in a cooperative spirit.

Certainly to my House co-chair, Representative McDonald, I know shares that view. Would also like to thank all of the other members of the committee. Certainly my Senate, certain Senate colleagues.

In particular, Senator Penn, Senator Gaffey, Senator Daily, Senator Fonfara, Senator LeBeau. We have many, much hard work on this. Senator Smith and others that, members of the committee, all both House and Senate worked in good faith throughout.

This bill represents many of the concepts that the committee worked on in various forms throughout many other bills that had been reported out in one fashion or another have been combined into what is now this master amendment to SB1.

Would like to discuss some of the highlights of this proposal, Madam President. First of all, I think the, one of the most important things, and the issue that we have spent a great deal of time on in the last several years is, trying to provide accelerated property tax relief through expanded credits on the state income tax.

And I'm very pleased to report that that is the hallmark of this proposed amendment. There is as the center piece, Madam President, of this proposal, an increase in the maximum property tax credit against the personal income tax which is currently at $350.

It will go to $425 effective January 1st 1999, for fiscal year 2000, for returns to be filed next year. And from $425 to $500 effective January 1st 2000, for fiscal year 2001. So, over a period of several years, Madam President, after beginning with the modest establishment of the principal of a property tax credit of $100, it was then moved up to $215, and then to $350, which is current law.

And we are proposing moving it to $425, and then to a maximum credit of $500. This is very substantial tax relief. Very substantial property tax relief. And very substantial movement toward enhancing the progressivity of our state income tax, Madam President.

Because, the way it is structured, we are building upon the system that was constructed several years ago, and that is, establishing a maximum income level for which a taxpayer is eligible for the maximum credit, and then scaling it down from there.

And that is building upon current law. So that is that joint filers with incomes of slightly over $100,000 will be at the maximum income level to qualify for the maximum credit.

Which will be $425. And then $500. It will then scale down from there to a minimum credit of $100. So that joint filers earning approximately $190,000 or more will still be eligible for the minimum credit of $100.

But the bulk of the tax relief will be concentrated upon lower income taxpayers. One of the key elements of that, Madam President, is that some work done by OFA that points out that since the beginning of our move toward adopting a property tax credit on the income tax, we will have exempted over 300,000 filers from the state income tax liability because of that succession of credits coupled with our series of exemptions with the three percent tax being applied to the first amount of taxable income.

That combination has helped to remove a lot of low income tax payers, now more than 300,000, by the end of this biennium from liability under our personal income tax. In effect also by the time this tax credit is fully implemented, Madam President, OFA estimates that joint filers with incomes under $43,600 a year will be, in effect, exempt from our state personal income tax.

So, it is indeed enhancing the progressivity of our tax policy. And that is something of which we can all be very, very proud. So that is a, that is a hallmark of this proposal, Madam President.

And that is, building on that property tax credit. In addition, other, another important segment of the proposal deals with the issue of the rebate. Which appears in Sections 3 and 4 of the amendment.

And under this proposal, individuals who will be, are eligible for a sales tax rebate of $50, and it will be a much broader universe of taxpayers who will be eligible for this rebate than were eligible for last year's proposal.

Anyone who filed a 1998 residents Connecticut income tax return, or an extension, or Connecticut residents who filed a 1998 federal income tax return. Or who were eligible for the federal earned income tax credit in income year 1998, will be eligible for this rebate.

Or, Connecticut residents who receive benefits under Title II of the Social Security Act of 1998. So we have expanded the universe of eligible taxpayers. Again, this rebate will also be significantly progressive in its benefit.

Because at the lower income levels, where perhaps you have a low income wage earner whose take home pay may be $200 a week or so. We are, in effect, providing for that person a rebate payment which equals twenty-five percent of a typical week's take home pay.

At higher levels of income, perhaps certainly the rebate is not as significant. But it is concentrated where it will mean the most, and do the most good. So I am very pleased to point out that it does establish a marker for low income tax relief by incorporating in their list of eligible people, those people who are not currently liable for Connecticut state income tax, but do receive the federal earned income credit by filing a federal tax return, and receiving a benefit under that program.

That is one of the qualifying thresholds for eligibility for this year's rebate proposal. This will be an item, Madam President, that funds in the amount of $109.5 million are provided for in the budget for the implementation of this sales tax rebate.

Other important provisions of our tax bill, Madam President, are an exemption of the remaining twenty-five percent of Social Security income for joint filers with adjusted gross incomes under 60,000.

And single filers with adjusted gross income under 50,000. In addition, Madam President, we are directing that the Department of Revenue Services conduct a study of other federal pensions to provide guidance for possible implementation in the future of a more expansive credit.

A more expansive exclusion of other federal pensions. So, we are asking DRS to undertake that study, to come back to us next year so that the General Assembly in the year 2000 may have the benefit of that study in looking at further possible expansion of credit for federal pensioners.

Another important initiative in the proposal, Madam President, is one that addresses something that had been of concern for many years. And that is, the inequity of the tax structure as it regards single taxpayers, as opposed to married taxpayers, or joint filers.

Under the bill, or under the amendment, we will be increasing the standard deduction amount for single filers from its current level of $12,000 up to $15,000 gradually, and incrementally, over a period of over eight years.

But beginning in the biennium, so that we will gradually reach parody with the way singles are treated in the federal deduction structure. And that is something that has been a commitment that many of us have made for many years.

THE CHAIR:

Senator Looney, excuse me just a moment, please. Senator Looney, you have the floor.

SEN. LOONEY:

Thank you, Madam President. Moving on from discussing various elements of the personal income tax, we are also addressing the sales tax in this year's tax bill. The sales tax, as we know, has, is inherently more regressive than the personal income tax, because it is not based upon income or ability to pay, it is imposed at any point of purchase.

And in prior years during difficult economic times, we had many expansions of the base of the sales tax when it was our bulwark tax and fortunately, that is no longer the case.

But we have made some changes in the sales tax to provide some exclusions or reductions that support important initiatives for public policy in areas of health and safety in particular.

And also, in areas where we are relating to the needs of consumers. As expressed, it was over the years. One of the things that we are recommending is a phasing out of the sales tax on what is often referred to as the seven deadly sins of home improvement services, paving, painting and staining, wallpapering, roofing, siding, exterior sheet metal work on residential properties.

These are services that are exempt when they are applied to new construction, but are taxable under our current system when they are applied to existing homes. We hear about this from our constituents, from many home owners.

So we are phasing out this tax. It will be reduced to four percent from its current level of six, effective

July 1st 1999. And to two percent on July 1st 2000. Eliminated entirely after July 1st 2001. Other sales tax exemptions are, exempting inclined stairway chair lifts, firearm safety devices.

Including safes, locks, lock boxes, trigger and barrel locks. Exempting bicycle helmets, other items of that nature. Other consumer initiative of exempting shoe repair services. Exempting calibration services, that is of significant benefit to small business.

In addition, we're exempting wheelchairs and other vital life function equipment, and equipment installed in vehicles and repair and replacement parts for persons with disabilities.

That is something that the Finance Committee has had substantial interest in doing for the past several years. And we've also expanded our exemption for non-prescription drugs, and medicine, to include an additional number of drugs that were taxable but were closely related to those that had already been exempt from the tax.

So, working cooperatively with the Department of Revenue Services to help identify those items for us, that is also included in the bill. I would also like to commend the Department of Revenue Services for its hard work. Commissioner Gavin and his staff, for their contributions to this effort as well.

So, we have addressed the sales tax as well as the income tax under major portions of this proposal. In addition, there is a reduction in the, both the sales and gross receipts tax on hospitals.

That has been a significant point of concern for our struggling distressed hospitals. We also exempt the John Dempsey Hospital from the sales and use tax on hospital patient care services entirely.

Moving on to the corporate income tax. One of the things that we have identified as a need for a number of years is, providing additional incentives for the construction and development of low income housing.

And we are increasing the cap for the credit against the corporation business tax for low income housing, from one million to five million in this proposal. And this will be a substantial effort to spur the work of non-profit housing developers and others, in the work of providing additional low income housing in the state.

Which has been a substantial need for many years. We are also establishing a new tax credit for expenses related to rehabilitating historic homes. And there will be an exemption for that under the corporate income tax, the insurance premiums tax, and the public service companies tax.

Again, this will be a credit which will apply to expenses over $25,000, with a cap on the credit of $30,000 for each home. So there is an additional movement toward providing tax credits connected to the needs of older municipalities and older housing structures in particular.

We are also recommending that we modify the credit for research and development expenditures for companies with more than 2,500 employees. And expanding the net operating loss carry forward provisions from five to twenty years.

This again is something that had put Connecticut in somewhat of a competitive disadvantage. As many states had moved to reflect the federal tax code in expanding the net operating loss from five years to fifteen or twenty years.

Connecticut had the shortest period in the nation at five years. So we are, have moved to expand that as well to make us more competitive. And especially to assist businesses that may incur substantial losses in their early years of product development while struggling to bring a new product to market.

We want to make sure that those struggling start up companies have an incentive to locate, and then to stay in Connecticut at the point where they do grow and become profitable. There is also a number of other provisions in the, regarding the corporation tax.

We are moving toward an exchange of credits where there is a provision to provide that businesses that have sales of less than $70 million a year will be able to exchange credits that they had not been able to use fully, because they don't have enough profits to offset.

For a 65% of the eligible credit, they will be able to make that exchange with the state. That is something that the revenue impact will begin to affect us beyond the biennium. But it is being enacted now again as a signal of how important it is to provide assistance to start up businesses.

Particularly those that are engaged in high tech research and development. And represent in many ways the future of the state of Connecticut. So that is significant element in our corporate tax.

Another provision of that, Madam President, is that we are establishing a credit against the corporation tax for guarantee fees paid when obtaining financing from the Small Business Administration.

This is something we've heard from quite often from small business owners who find the fees and charges and points and application fees quite burdensome in the SBA loan application process. And this will provide them some relief by establishing a credit against the corporation tax for those fees paid in obtaining financing from the SBA.

And that is a matter of great, of great concern, again trying to establish a niche for Connecticut as being, as being business friendly. Another important consumer element of the proposal, Madam President, is addressing the admissions dues and cabaret tax.

For many years there has been the concern that the cabaret tax in Connecticut had been a disincentive to restaurants to provide live entertainment. It was seen as being unwieldy, awkward in its application, difficult to administer, difficult to explain, burdensome to impose.

And we're happy to be recommending the abolition of the cabaret tax. And also providing some additional exemptions from the admissions tax for the Stafford Motor Speedway, Lime Rock Park, Thompson Speedway, Waterford Speed Bowl, and the baseball stadiums in Connecticut including Harbor Point, Bridgeport, Waterbury Spirits, New Haven Ravens.

So we are looking to try to provide additional relief in that regard. Those are the major, the highlights of the proposal, Madam President. And the fiscal schedule that we have indicates a total revenue, general fund revenue loss for fiscal year 2000 of $104.7 million in additional tax reductions for fiscal year 2001 of $169.1 million.

This is a, the highlights of our proposal, Madam President. It's one of which I think we can all be proud. It does reflect the desire of the general assembly to make our tax code more progressive.

And also to reflect our needs for establishing a competitive niche in regard to our corporate tax policy, taking into account the particular concerns that we hear from our constituents that the local property tax is the most burdensome that they face.

So we are providing tax relief by expanding that property tax credit in a way that probably means more to the individual taxpayers than just about anything else that we might be able to do in our state tax code.

I would certainly also like to commend the leadership of the caucuses in working on shaping and refining the final product. Certainly President Pro Tem, Senator Sullivan, has been a guiding light in the entire process.

Leavened by the hard work and good humor of our Majority Leader, Senator Jepsen. The gracious contributions of Senator Eads, our Minority Leader. The work of Speaker Lyons, and Majority Leader Pudlin, and Minority Leader Ward, also incisive and helpful moving toward resolution of the entire process. Thank you, Madam President.

THE CHAIR:

Thank you, Senator Looney. Senator Nickerson.

SEN. NICKERSON

Thank you very much, Madam President. Madam President, I submit to you that the tax package before us is no less than a triumph. I very rarely use that word, but tonight's the night.

It's a triumph, first of all, of bipartisan cooperation over the temptations of party bickering. It is more importantly a triumph of sound financial planning over the temptations of either exceeding the boundaries of an appropriate tax cut.

Which would impair our ability to fund services should the current prosperity not prevail. Or, the graver temptation of ignoring a tax cut when we have the means to do so. It is indeed a triumph. And I'm proud to join with Senator Looney in recommending it to you.

I start by thanking Senator Looney for his wisdom, his diligence, and his patience in leading the Finance Committee. To my co-ranking member, Representative Belden, another co-chair I had, McDonald, who have led this committee through a long term, and a particularly long week with indefatigable energy.

I thank also the staff of the Finance Committee, led by Mary Finnegan. Like Charismatic who runs for Triple Crown glory at Belmont Park tomorrow, Mary Finnegan is charismatic every day.

I thank the OFA staff led by Dan Schnobrick, Rob Wysock, Linda Miller, and Phoenix Planis. They serve us night and day, as they have tonight. And the office of legislative commissioners led by Anne Gnozzo. All have done an outstanding job.

As is invariably the case, Senator Looney has taken the care to walk us through, not only the highlights, but the details, and I won't duplicate, and wouldn't attempt to do it with the thoroughness with which he did. And I thank him for that.

I will point to some very measurable elements which indicate the breadth and the significance of what we do, particularly in the personal income tax. We have, as we all known, been on a path.

A path set by this Governor, joining hands with this legislature, since he was first elected, in moving relentless towards the combination of property tax relief and income tax relief, through an acceleration of the property tax credit.

Today we accelerate that, as you've heard, to $500 a person effective January 1, 2000. What do those cold figures on an OFA sheet mean outside this building? I'll tell you what they mean.

They mean that over the last five years, 341,000 taxpayers have dropped off the Connecticut personal income tax rolls. That, ladies and gentlemen, is a very large number. 43,000 will drop off as it were tonight, for a total of 341,000.

Secondly, for Mr. and Mrs. Connecticut, a married couple filing jointly, as of tonight they will not pay any Connecticut income tax should they have taxable income below $43,600. That is a sum thought to be unachievable only a few years ago.

It has had precisely as it intended to have, the effect of sharply moving both the progressivity of the tax in terms of dropping, not only low income, but a significant portion of middle income tax payers, off the tax rolls.

This is a signal accomplishment, and one of which we should be proud. Turning to the rebate. Turning to the rebate. There are three ways we could deal with the surplus. Three ways. We could imbed a portion of the surplus into a permanent tax cut. We could alternatively spend it on ongoing programs. Or we could return it to the taxpayers.

We have fortunately rejected the first three courses. We have not imbedded a portion of the surplus in ongoing tax cuts. Knowing full well, knowing full well that the current level of prosperity is most unlikely to continue unabated.

And to imbed a portion of the surplus in an ongoing tax cut would send us to the edge of a financial diving board which could crack at a moment's notice. Similarly we could have, and wisely didn't, imbed the surplus in ongoing spending programs, which could be even more difficult politically and financially to re-tool, and remeasure, and recalibrates against a changed Connecticut economy.

Rather, we chose the third and wiser course. To return a portion, not an insignificant portion, namely 109.5 million of the surplus to the taxpayers in checks. I grant you, there will be those would say that we should have done (a) or (b) rather than (c).

I stand with the rebate as it is. It is fair. It is reasonable. It does not commit us to programs we couldn't fund. It does not commit us to tax revenue that we may need. It is the right step. The right time, and the right place.

I do want to dwell on one other aspect of the tax program which you have before us. And it is the aspect that deals with the hospitals. I believe Senator Looney did. I'm sure he mentioned. But I want to reemphasize the importance of two tax cuts.

The sales tax on hospital taxes reduced from six to 5.75%. And more importantly, the acceleration of the reduction in the hospital gross receipts tax, now under current law being on a path to move from 7.25% to 6.25%.

And tonight accelerating on that path so as it's reduced to 4.5%. This is been little --

THE CHAIR:

Senator Nickerson, excuse me just one moment.

SEN. NICKERSON

Yes, Madam President.

THE CHAIR:

Ladies and gentlemen, please. I know the hour is late. It's probably one of the latest nights we've been this session. But please take your conversations out into the hallway. And please, give the Senator your attention. Senator Nickerson.

SEN. NICKERSON

Thank you, Madam President. So, I would emphasize that while the understandably the press and hallway dialogues have largely revolved around the personal income tax cut, there is a very significant impact on our hospitals.

An area in which I know we all find as a primary concern. Rather, true to my word, I will not try to fruitlessly replicate the detailed and careful work of Senator Looney in moving us line-by-line, and cut-by-cut through this bill. Suffice it to say, I'm very proud to join with him in recommending adoption. Thank you, Madam President.

THE CHAIR:

Thank you, Senator. Will you remark further? Senator Sullivan.

SEN. SULLIVAN:

Thank you, Madam President. This begins the action this evening on the new budget and tax cutting package for the state of Connecticut. And it is as both Senator Looney and Senator Nickerson have remarked, another step in the process that we in this circle promised, going back three years now, and that we have carried forward to this day.

Last year we had the good fortune of unanimously adopting a budget and joining together in a tax package. This year, we once again not have the good fortune, but the good work of Democrats and Republicans, legislature and Governor, to put the politics out of the process.

To put the partisanship aside. To avoid the opportunity to grandstand with amendments. And instead, to focus on what we share, and the commitments we make together.

And for that, to colleagues here tonight and colleagues in the House, particularly Senator Eads and Senator Looney and Senator Nickerson. And all those who put up with the sometimes too intrusive character of their leadership in the House and in the Senate.

We express appreciation for the work that has been done. We promised three years ago a bipartisan approach to budgeting that would control spending, cut taxes, and focus on real priorities for the people of this state.

We as Democrats and Republicans have proudly joined together to do that for three years now in a row. And the people of Connecticut are well served by that process.

Senator Looney has remarked well on each and every ingredient that recommends this package to this Circle. Recommends it to the House. Recommends it to the Governor. But more importantly, recommends it to the taxpayers and the people of the state of Connecticut. $275 million in additional, additional, tax relief, for the taxpayers of the state of Connecticut.

The hallmark, the core, the center of that tax relief, following again on the promise that we made to address the single most significant tax burden in this state, the property tax.

And to do so in a way as Senator Looney and Senator Nickerson have said, that not only recognizes that burden by creating now a $500 credit for every taxpayer by the end of this session, by the end of this biennium. But to join that in a process which also relieves people significantly of income tax burden as well.

That was not always an item that we agreed on as Democrats and Republicans. It was once something we fought over as Democrats and Republicans. But we have seen the wisdom of joining those two messages in one strategy that has delivered tax relief for Connecticut in a meaningful way that focuses on where the burdens are, and who pays those burdens most heavily.

I realize that not everyone loves, and that some people perhaps don't even like, the perhaps too short-term approach of a rebate. But I am proud that in crafting this rebate, we have been able to take not the one we had last time, but in this case quite frankly thanks to the Governor, one that is as broad based as a rebate could be.

And then we took it a few steps further, by assuring that even individuals who have earned income tax credits at the federal level, the poorest of the working poor, all of whom were left out entirely of last year's rebate, this year will be assured of participating in that rebate.

So whether it is a great or a not-so-great idea in and of itself, at least it is one that has been made fairer and more meaningful for the people who will receive that rebate, and who will have the benefit of that check.

There is a small piece of this bill which probably, other than Senator Looney and Senator Nickerson and Senator Jepsen, will not get great note in the next few days.

And it has to do with helping start up companies in this state. To get founded. To get on the ground. And to grow and prosper. We finally, in Connecticut, will leave the ranks of having the lowest level of incentive for start up companies, to being once again in the mainstream of tax incentives for start up companies. That's something else that this bill does. This bill carries one more step. Our promise of the eventual goal of no longer being among the very few states that tax Social Security in this country.

This package finally, and within this biennium, starts Connecticut down the road of correcting the gravest injustice of the income tax, and that is, it was it's constant and singular unfairness to single taxpayers.

We begin at last to move in the direction of tax fairness for single taxpayers in the state of Connecticut. The sales tax. A tax which is critically important to those who are not necessarily at the upper end of income in our state, is addressed in a very meaningful way that helps people reinvest in their homes, and take care of those properties.

The credit that Senator Looney and Senator Nickerson and others put in to encourage in cities like Hartford and Bridgeport, and New Haven, the rehabilitation of properties.

To put those properties back into housing. To fix them up and make them part of the firmament of those communities again. The fact that this proposal will deliver over $50 million of tax relief to urban hospitals and distressed hospitals in the state of Connecticut. To help those hospitals and their patients deal with the loss and the rising loss of support from federal Medicaid and Medicare.

That's in here, too. For hospitals and hospital patients throughout the state. And last, two little pieces that are not directly tax pieces. But we should note their presence in this proposal.

And I want to thank Senator Penn, and Representative Stillman in particular, for their help. And Senator Ciotto, in assuring that we will move once more to go from the level of support we are putting aside out of Lottery proceeds for chronic gambling addiction and prevention. To an unprecedented level of investment to turn money back from that Lottery fund to help people with their gambling addiction and their gambling problems.

And last, for all of you who have focused on and had concern expressed about the failure of the fisheries fund, the Department of Environmental Protection, to adequately or even effectively provide for a fisheries resource in this state.

Thanks to Senator Daily. Thanks to the Finance Committee. We will, over the next two years, and every year thereafter, intercept an additional $1.5 million to restore and build fisheries programs in the state of Connecticut. This is without question, the best revenue package that has been here in this state Senate. And I thank every person who has been a part of it.

THE CHAIR:

Thank you, Senator. Senator Freedman.

SEN. FREEDMAN:

Thank you, Madam President. It's very nice to be here when we can talk about surpluses, and we can talk about cutting taxes, and we can talk about acting responsibly. And I would just like to associate myself with the remarks of Senator Sullivan and Senator Looney, and Senator Nickerson.

I think, for those of us who remember the very dark days of no money. Of debt, of deficits, and trying to continue along the road with the state of Connecticut. This is a bright star for us.

And as Senator Sullivan mentioned, we're into our third year of working together. And I think we have proven, not only to ourselves and the people in this building, but to the people in the state of Connecticut that we have put their best interest at heart first.

That we are trying not to spend all of those excess dollars onto things that will cost us money in the future. But that we will take care to provide what we need to provide, while at the same time assuring that we are acting responsibly with the left over dollars.

So, I am grateful to be a participant tonight in something that I never thought, in the twelve years I have been here, saying this is something we can finally go back and be proud of folks.

We've done our job. And we've done it well. And I'd like to thank everybody that was involved. Thank you, Madam President.

THE CHAIR:

Thank you, Senator Freedman. Senator LeBeau.

SEN. LEBEAU:

Thank you, Madam President. I'd also like to associate my remarks with the previous speakers, and congratulate Senator Looney, Senator Nickerson, on a great tax package.

This tax package, and I just want to remark on Senator Freedman's remarks also. The, I remember darker days, also. We were here in 1991. I was in the House, and I remember talking about that time, the budget, and how it would take some time before we could turn the state around.

That it was sort of like trying to turn around a large aircraft carrier. You just couldn't go off on a ninety-degree different direction. It would take turning, and turning, and turning, until you got off into that different direction, by degrees.

And I would think that we pretty much accomplish that with this budget. And I am just really pleased with this. I mean, I'm looking at this budget, and I see that it's friendly to homeowners.

It's friendly to families. It's friendly to single filers. It's friendly to Social Security recipients.

And it's also friendly to business. And I want to reinforce the words of Senator Sullivan. I'm happy that recommendations that came from the commerce and exportation, the Commerce Committee, extending the net operating loss carried forward from five to twenty years.

That's going to help small businesses. It's going to particularly help small businesses that they're trying to get started. They may not have a, they may not be making a profit as they're first getting started.

They may be running losses and running losses. And this is going to allow them to carry that forward so they can make a profit. Also, along the same lines, is it permits companies with less than 70 million in gross sales to sell unused research and development credits back to the state at 65% of their value. Both of these initiatives again are going to help small businesses.

And they're going to help the kinds of businesses, this isn't just any business. But we're looking at research and development credits. What kind of jobs do we want in this state?

We want high tech jobs. We want high value added jobs. We want research jobs. And this is the kind of credit that is specifically targeted at bringing in those jobs. And I feel that we have done a good job.

I'm proud of this document. I'm proud to be a member of the Finance Committee and Commerce Committee. And again, I want to thank Senator Looney and the members of the all, the entire membership of the Finance Committee for bringing this bill forward. Thank you.

THE CHAIR:

Thank you, sir. Senator Eads.

SEN. EADS:

Thank you, Madam President. I almost feel like I'm at the Oscar event with the mutual admiration society in thanking everybody. And I do want to thank everybody that had anything to do at all with this revenue package.

And I, except for my family, unfortunately I can't thank them. They didn't have a dog gone thing to do with it, except wonder when I was coming home to do laundry. I do think that this has been a non-partisan document.

And I think we should be proud of it. And as Senator Nickerson said, it is a triumph. Maybe the words a little bit too large for what we've done. But we worked hard and long. And true to the government time schedule, we never started on time.

But we did the best we could. And there were a few nights that the words got a little bit rough and the atmosphere got slightly icy. But when we went out that door and we met the next day, we were all calling each other by our first names, and nothing else.

And also able to sit down once more and try and do what I think is a package that has been well ironed out, that is going to be best for everybody in the state of Connecticut. I guess that Senator Sullivan can certainly tell you that I acted like a little gnat regarding the distressed hospitals.

And we did get it, and he's nodding his head. We did get accomplished quite a good deal, I think, compared to what they had before. So I am pleased with it. And I do want to thank all the chairs and the ranking members. But I particularly want to thank Senator Sullivan and Speaker Lyons, because they were very receptive, and very cooperative.

And we were there sounding out what we wanted. They'd look and smile and nod. Eventually we would meet in the middle of the road. Pardon me. So it really worked out. And I have to say, I've got to thank our Governor.

He was very understanding. He stood his ground, we stood ours. And the art of politics is a compromise. And I think that's what we have here. So, I thank you muchly.

THE CHAIR:

Thank you, Senator Eads. Will you remark further? Will you remark further? Senator Looney.

SEN. LOONEY:

Thank you, Madam President. At this time I would ask for a roll call vote, Madam President.

THE CHAIR:

Thank you, sir. Will you remark further? Senator McKinney.

SEN. MCKINNEY:

Thank you, Madam President. I rise tonight in support of this tax package. And am very happy that, as Senator Looney described it, the hallmark of this tax package is a $500 property tax credit against income tax. I had thought some time ago that that idea was dead.

I had introduced an amendment in the Finance Committee to increase the property tax credit to $500 over this biennium budget, which was defeated. And I am very happy that the powers that be have seen that this is the right thing to do for the people of the state of Connecticut.

I am not overjoyed with this tax package, however, because I think, although it does much good there is more we can and should be doing in terms of tax relief for the people of the state of Connecticut. However, we will live to fight another day. And I will support this.

THE CHAIR:

Thank you, sir. Senator Smith.

SEN. SMITH:

Thank you, Madam President. As with the previous speaker, I too rise in support of this bill and acknowledge much of the hard work that the Finance Committee underwent. I think that all of the things that have been said about this tax package are true as far as they go.

I only wish that this tax package were a first step and not the end product. In fact, as was noted there was a lot of, a lot of debate. Some of it not so easy. And some of it actually got passed and then rescinded. I mean, there was a whole storied history to a variety of this tax package.

And what you see here is not exactly everything that passed in the Finance Committee, but everything that got out. I think the amendments there, particularly there was a property tax credit amendment for a thousand dollar property tax credit, as opposed to five hundred.

I wish we could have had that here in this tax package. It's not here. And to the extent that we have all this great surplus, and times are better. Thinking back to when times were worse, I wish that we could do more now.

Because when time comes that the economy turns down, we're clearly not going to be able to do more. And now is our time to do that. And so what I'd like to do is, I would like to offer my colleagues one last opportunity here tonight to enact meaningful tax relief. And towards that end, I would like to ask the Clerk to call LCO-9202.

THE CHAIR:

Excuse me, Senator Smith, we are on Senate Amendment A at the present.

SEN. SMITH:

Good point.

THE CHAIR:

If you'll let us adopt that one first, we'll discuss another one.

SEN. SMITH:

Is that what you were signalling me over there? Thank you, Madam President.

THE CHAIR:

Thank you, sir.

SEN. SMITH:

I'll hold my fire.

THE CHAIR:

Will you remark further on Senate Amendment A? Senator Prague.

SEN. PRAGUE:

Thank you, Madam President. Madam President, I'm pleased as a whole with the tax package. It does some very good things. But there's one aspect of the tax package that bothers me.

And that is the Governor's proposal for the tax rebate. I had said that I would never vote for another tax rebate because I think it's very poor public policy. However, because there are so many other good things in this tax package that I sincerely support, that I will vote for the package.

But I hope that I never again have to deal with an issue of a tax rebate when there are so many other places that we could spend this money. Each person getting fifty dollars doesn't amount to a great deal.

But $109 million in the aggregate is a huge sum of money that we could do tremendous things with. On the basis of the fact that there are lots of good things in this tax package to offset this piece of the tax package that I find unacceptable, I'll vote for the package.

But just let me repeat for the record. I hope I never see another tax rebate up here.

THE CHAIR:

Will you remark further? Will you remark further? Senator Handley.

SEN. HANDLEY:

Thank you, Madam President. I would like to rise again to rise to support this tax package. But also to associate myself with Senator Prague in my concern about the rebate. I am not a supporter of rebates.

And I am sorry that it is part of this package. But there are particularly two things that I wanted to speak about in the tax package that I'm very happy about. One is the increased property tax relief, which is a very serious issue for a great many people in this state.

And giving relief in property tax is so important that I think, that I know that my reluctance to deal with the rebate is overcome by the property tax relief. I also want to congratulate the committee for its support for the historic tax credit, for the tax credit for historic home renovation.

This is a wonderful piece of legislation which will help the downtown districts of a lot of towns and cities in Connecticut to find ways to bring back to livable status, the older houses in the downtown districts.

And I'm very delighted to see that piece in the tax package. So, in spite of my concern about the rebate, I'm very happy about property tax and historic tax relief.

THE CHAIR:

Thank you, Senator. Will you remark further? If not, would the Clerk please announce a roll call vote. The machine will be open.

THE CLERK:

Immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber. Immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

THE CHAIR:

Have all members voted? If all members have voted --

THE CLERK:

The Senate is still voting by roll call. Will all Senators please return to the Chamber. The Senate is still voting by roll. Will all members please return to the Chamber.

THE CHAIR:

If all members have voted, the machine will be locked. Clerk, please announce the tally.

THE CLERK:

Motion is on adoption of Senate Amendment Schedule A, LCO-9789.

Total Number Voting	36
Those voting Yea	36
Those voting Nay	0
Those absent and not voting	0

THE CHAIR:

The bill is passed. Will you remark further on the bill as amended? Senator Smith.

SEN. SMITH:

Thank you, Madam President. Now, I will give us one last opportunity by asking the Clerk to call LCO-9202.

THE CLERK:

LCO-9202, which will be designated Senate Amendment Schedule B. It is offered by Senator Smith of the 14th district, et al.

THE CHAIR:

Senator Smith.

SEN. SMITH:

Thank you, Madam President. I would urge adoption of the amendment and seek leave to summarize.

THE CHAIR:

Please proceed.

SEN. SMITH:

Thank you, Madam President. Madam President, in the Finance Committee we had a fairly rigorous debate on an amendment substantially similar to this one which takes one-half of one percent off the top marginal rate of the income tax brackets, providing substantial income tax relief for the taxpayers in the state of Connecticut.

We've seen recent releases that Connecticut is still the highest tax state in the United States of America. In this time when we can do it, now is our time to do it. Now is our time to begin making meaningful, material reductions in the income tax. I know that somebody's going to ask me anyway, so yes I do, in fact, have a fiscal note.

And it notes that in the first year of the biennium, 00, there will be a $310 million fiscal impact. And in the second year, a $325 million fiscal impact. These are material fiscal impacts.

But you need them in order to make material tax cuts. And I feel that when we have our fiscal house in order, I remember that was one of the reasons why we suggested 1991 that the income tax ought to be implemented.

Once we have that fiscal house in order, once times are good, now is the time to begin reducing our dependence upon that. And I know that I've heard tonight that with the surplus where it is, we spent it prudently in certain ways.

And some of us would like to revisit that and rethink that. So I would urge my colleagues to vote for this, to enact it, to help the people of Connecticut to perhaps make Connecticut not the highest tax state in the United States. Thank you, Madam President.

THE CHAIR:

Thank you, sir. Will you remark further? Senator Looney.

SEN. LOONEY:

Thank you, Madam President. I would rise in opposition to the amendment. Certainly I think that the fiscal note does speak volumes for itself. A $310 million revenue loss in the first year. $325 million in the second year.

I think clearly what one of the byproducts of what the amendment points out is, how important the state income tax has become to the revenue structure of our state, at the very moderate rate that we have it.

It is important to keep in mind that at the 4-1/2% marginal rate, it is in fact among states that do have state income taxes, already one of the fairest and most moderate.

Clearly, if this amendment were to be adopted, it would wreak havoc with the rest of what we have proposed in SB1 as amended. And in terms of the appropriations act that there is such broad based support for, as well, as I'm sure when Senator Crisco takes us through that it will be greeted with great enthusiasm.

And, of course, it is very much connected to the revenue stream that we have agreed to support to balance it. One comment also. I think that it is certainly true that to get a true picture of Connecticut's tax status among is peers in the country, we have to look at several factors.

First of all, Connecticut is the state with the highest per-capita income. We also have high per-capita taxes. That seems to be, to go by nature of the comparison in a way that is certainly rational.

However, if you look at taxes as a percentage of income, we are actually moderate among our peer states. So it does not give an accurate and fair picture to just look in isolation at taxes per capita, or anything unconnected to the broad array of looking at taxes and income together in our overall picture as a state of moderate effective taxation, when income levels are balanced against taxation levels.

So I would urge rejection of the amendment, Madam

President, for the fact that it would in a sense, unhinge what I think has been put together, and delicately balanced, and demonstrating broad based support. Thank you, Madam President.

THE CHAIR:

Thank you, Senator Looney. Senator Sullivan.

SEN. SULLIVAN:

Thank you, Madam President. A question first through you to the proponent of the amendment. I'm going to assume, and you can indicate yes or no, that that which you're staff just handed you is your writing for this amendment?

THE CHAIR:

I'm sorry, Senator, I didn't hear the question.

SEN. SULLIVAN:

You will recall, as we all do, that a writing is required in offering this amendment to identify the nature of the impact beyond the fiscal note. I noticed staff just handing the Senator something. I just wanted to make sure that was it and give him a chance to read it.

THE CHAIR:

Senator Smith.

SEN. SMITH:

Thank you, Madam President. I assume the Senator means the statement per Senate Rule 30?

SEN. SULLIVAN:

Yes, Madam President.

THE CHAIR:

Senator Sullivan. Senator Smith.

SEN. SMITH:

Yes, Madam President. That is, in fact, what was handed to me.

THE CHAIR:

Senator Sullivan.

SEN. SULLIVAN:

Would Senator Smith, for the record, just share it with us so that we can honor that rule?

THE CHAIR:

Senator Smith.

SEN. SMITH:

Thank you, Madam President. The fiscal statement indicates that it is anticipated that the revenue loss, indicated by the fiscal note on Senate Amendment LCO-9202 can be offset by a reduction of approximately $310 million in fiscal year 00.

And 325 in fiscal year 01. And such other reductions as may be necessary in said fiscal years. Through you Madam President.

THE CHAIR:

Senator Sullivan.

SEN. SULLIVAN:

Thank you, Madam President. I thank you, Senator Smith. I noticed that Dell Eads, Senator Eads is out of the Chamber, so I say this for her and her colleagues that nothing in this moment, I hope, will take away from what I believe was otherwise a largely shared effort in this Circle.

That many people, Democrats and Republicans have joined to this point to make this budget and this tax package possible. I suppose, and I look back in my opening remarks that I was perhaps premature in observing that responsible positions would prevail overwhelmingly and unanimously tonight.

And that there would not be the usual opportunities for random incoming amendments. That clearly was not correct. So let us deal with this one while it is here. And let us not, though Senator Looney has done a profoundly good job of attempting, or not attempting, of speaking to what would otherwise be the merits of such a proposal.

Let us not for one moment get involved in that meritorious debate. Because that would be unnecessary in dealing with and, I guess disposing of this amendment. What we have done over the last few months is what legislatures do well.

They get together. They work together. They think together. And as Senator Eads said, occasionally they even fight together. But to come out of that process together with something that is good for the state of Connecticut, and does not require any one of us to stand up here and in a sense be politically holier than though, on that point.

This is an utterly irresponsible proposal. It is one that has no foundation in any discussion, debate, or proposal that has been put forward before this legislature by Governor, or by leadership, or by committee leadership, Republican and Democrat alike.

Let me just focus on that again. By the Governor of this state, the Republican leadership, the Democratic leadership, and the committee leaderships bipartisan of the principle working committees of this legislature.

So what it is, is one of those random thoughts that we sometimes confront in a partisan moment. But fortunately, fortunately, the remarks that Republicans and Democrats which preceded this moment, ought to make it clear that once this is pushed out of the way, that we will get back to the business of governing for the people of the state of Connecticut.

And governing on the basis of what Democrats and

Republicans know to be a good tax package that did not require any one of us to stand up here and offer what is, in effect, a last minute cheap shot.

THE CHAIR:

Senator Jepsen.

SEN. JEPSEN:

I would ask that when this vote be taken, it be taken by roll call.

THE CHAIR:

Roll call vote will be ordered, sir. Senator Smith.

SEN. SMITH:

Thank you, Madam President. I, too, find it unfortunate that any democracy and deliberative body, when an individual feels that certain ideas have not had an airing, and a debate.

And when they offer those on the floor of a deliberative chamber, that they undergo certain personal attacks. That appears to be where our Senate is going. That is unfortunate, too. This proposal was, in fact, debated and voted on in the Finance Committee.

It didn't make it out. Certain of us do feel that substantial tax cuts are important. And the fact that we offer them as amendments is not done out of utter responsibility or random thoughts.

Some of us have been working on this for seven years since we've been here. And to ask for a debate and a vote is in no way inappropriate. Is in no way irresponsible. Is in no way random.

And frankly, I take personal offense to the comments of that nature. We were denied a hearing. Even a hearing on this proposal. We couldn't even convene committees to listen to it. A serious tax proposal was denied even that.

And now we're saying at the last minute, it's a random surprise thought. I think not. I would urge my colleagues to think about tax relief. There's nothing wrong with the underlying bill as a start point.

I'm not trying to unravel any of that. I'm merely saying that in a deliberative body, people can have a different point of view on these things, and do. And that the time will come when material tax cuts are important enough that people will vote for them.

That time may not be today. This may get swept aside. But at least it will have its hearing today. People can reflect on what's going on. And when it comes back, and it will come back again and again, we can reflect on it another time.

And perhaps have our hearing so that we don't have to have the debate like this. Sprung on people, as it were. We can have the full hearing that this deserves. Thank you, Madam President.

THE CHAIR:

Thank you, sir. Will you remark further? I would caution members to keep their comments to the amendment at hand. Senator Colapietro.

SEN. COLAPIETRO:

Thank you, Madam President. I would only just like to point out the fact that I, too, commend all parties involved and what they just did. And I believe we just voted thirty-six to nothing on a package that had already been through Approps. Already been through Finance, on the amendment.

THE CHAIR:

Senator Colapietro, excuse me. I think I prefaced your comments by saying, stick to the issue of this amendment, Senate Amendment B.

SEN. COLAPIETRO:

I believe, Madam President, I am. And I think I'm pointing out the fact that there's a $300 million hole what that would cause in something we just voted on, would be pertinent to the task at hand.

I will sit down. But I do want to point out the fact that we all voted on a package that now would create a $300 million hole that would have to go back through the process in order to pass the bill as it stands. That's all I'm saying, Madam President. Thank you, Madam President.

THE CHAIR:

Thank you, sir. Will you remark further? Senator McKinney.

SEN. MCKINNEY:

Thank you, Madam President. I rise in support of this amendment. I voted for this amendment when it was introduced in the Finance Committee. A few minutes ago I stood to rise in support of the amendment to SB1, and I said that it was good, but that we could do more.

With the budget surplus in excess of a half a billion dollars, and five straight years of large budget surpluses, we need to tell the people of the state of Connecticut that we can make significant, major reductions in their taxes.

We are the highest taxed people in the country. And we need to do something about that. We have an income tax. I wish we never did. This would be a major step of tax relief for the people of this state.

THE CHAIR:

Will you remark further? Senator Crisco.

SEN. CRISCO:

Thank you, Madam President. In regards to the amendment, I think it's important for the Circle to realize how we spend our surplus, Madam President. We keep hearing that we have some $500 million worth of surplus, but where has that money gone, Madam President?

We made accrual for the corporate business tax for six million. We have a 27th payroll obligation that's close to $90 million. We have state employee health insurance liability close to $65 million. We provided more money for higher education endowment matching grants.

We provided money for law suits that were an obligation of this state. We provided more money for town relief in various ways. So, I think Madam President, to speak about dollars that don't exist, is an accurate statement and we should relate to what we have really done for the fiscal responsible position. Thank you, Madam President.

THE CHAIR:

Thank you, sir. Senator Sullivan.

SEN. SULLIVAN:

Thank you, Madam President, for the second time, if I may to the proponent of the amendment?

THE CHAIR:

Please proceed.

SEN. SULLIVAN:

Through you Madam President to Senator Smith. I now look at LCO-9789 previously adopted as Senate Amendment Schedule A, which notably struck all of the underlying bill and substituted therefore the entirety of 9789.

I look at your amendment, Senator, and I am confused, and I will ask your forgiveness for that confusion. In line 756 you would insert a new section, which appears to be inserted in the middle of a table of income taxation. Could you explain further, please?

THE CHAIR:

Senator Smith.

SEN. SMITH:

Thank you, Madam President. The amendment that we have called is the amendment that was drawn to original SB1. The strike everything amendment has changed the numeration of the underlying file copy.

THE CHAIR:

Senator Sullivan.

SEN. SULLIVAN:

I guess, through you Madam President, then the question is to whether the amendment is properly before us?

THE CHAIR:

Senator Sullivan I, assuming this question may come up as I was reading the amendment myself, it is my understanding that in previous years LCO has always been able to incorporate new amendments into existing amendments that have been adopted in this case.

So the answer is, I believe it is currently correctly before us. You asked for a parliamentary inquiry, sir.

SEN. SULLIVAN:

Yes, Madam President. I am, therefore, at a loss if I can, back to Senator Smith, because this leads us down a lengthy inquiry as to how to read these two bills together. A proposition that I don't think we have ever had before us.

But, of course, I always respect the opinions of the Chair. Senator Smith, would you please explain to me the impact on Section, oh we'll get it in a moment. Section 6 of LCO-9789, to the extent that you would insert in that table of income tax, a table of taxation rather, the provisions that are herein indicated as being Section 16?

THE CHAIR:

Senator Smith.

SEN. SMITH:

Thank you, Madam President. The amendment states that there will be changes to Connecticut General

Statute Section 12-700, Subsection A. As was indicated, LCO has been able to incorporated changes of this nature into prior bills.

THE CHAIR:

Senator Sullivan.

SEN. SULLIVAN:

How would you then, Senator, have me read these provisions, and the provisions of 12-700 as amended by 9789?

THE CHAIR:

Senator Smith.

SEN. SMITH:

Thank you, Madam President. I would read this as amending Connecticut General Statute Section 12-700 Subsection A. And not the line that the Senator is referring to.

THE CHAIR:

Senator Sullivan.

SEN. SULLIVAN:

Through you Madam President to Senator Smith. I do not see provision in your amendment with respect to the phase down of taxation of single taxpayers under the income tax. May I conclude that that is not part of your amendment since it does not amend those sections that are amended in the underlying amended bill?

THE CHAIR:

Senator Smith.

SEN. SMITH:

Thank you, Madam President. It's not the intention of the amendment to amend other sections of Senate A.

THE CHAIR:

Senator Sullivan.

SEN. SULLIVAN:

Thank you, Madam President. Is the intention of the amendment to amend the same sections of Senate A?

THE CHAIR:

Senator Smith.

SEN. SMITH:

Thank you, Madam President. The intention of the amendment is to amend the Connecticut General Statutes 12-700A.

THE CHAIR:

Senator Sullivan.

SEN. SULLIVAN:

So that, thank you very much. And thank you, Madam President, Senator Smith. In that case we do need to be clear since both sections are dealt with differentially in the two amendments, that for all else that is claimed for the amendment, it is clear that this amendment does not commence the business of tax fairness for singles in the state of Connecticut, something we just accomplished in the prior amendment.

Therefore, that proposition clearly rejected by this amendment.

THE CHAIR:

Was that a question, Senator Sullivan?

SEN. SULLIVAN:

No, that was the facts.

THE CHAIR:

Will you remark further on Senate Amendment B? Will you remark further? If not, would the Clerk please -- excuse me, I'm sorry. Senator Gaffey.

SEN. GAFFEY:

Thank you, Madam President. Very quickly, Madam President, having served on the Finance Committee this year, and worked on this tax package, and also have been there when this amendment was debated in committee.

I said then, and I'll say now. You have a concomitant obligation when you propose an amendment to take away substantial amount of revenue, such as this amendment does, to identify how you're going to pay for that.

We have a tax package that is a wonderful tax package. It's a bipartisan tax package. It provides tax relief for single people that they have long been warranted to receive.

And I think at this point in time, while any Senator, of course, should take the floor if they feel so strongly as my friend, Senator Smith, does, to provide for more tax relief. And as Senator McKinney said, that we'd always like to do more.

But we'd all like to do more. But the fact of the matter is, we have a consensus tax package that does a great deal to reduce the taxes paid by the people of the state of Connecticut. And that is not even counting the fifty to $60 million of tax cuts that are going to come on line that we've already passed through previous legislatures.

So, with that, Madam President, I would oppose the amendment and ask that we get on with the business of adopting one of the best tax packages I've ever had the pleasure to vote for. Thank you.

THE CHAIR:

Thank you, sir. Will you remark further on Senate Amendment B? Senator Smith.

SEN. SMITH:

Thank you, Madam President. Senator Gaffey raised an interesting point here. And one which I think we need to rethink up here. Whenever we come up with meaningful tax reductions, we frequently hear, you have the obligation to show where you would make cuts.

Why is it that spending policy must drive tax policy? Where is that written in stone? In my opinion, we should determine what the right level of taxation is for our citizens, as every other household does. Determine what we can live on. And then determine what we can spend.

Why is it the unique province of government that it decides what it desires to spend, and then and only then, decides how much it's going to tax, or raise as it were. That is backwards thinking.

That's what gets us into trouble in the first place. That's what led to the income tax. What I am suggesting here is that we set an appropriate tax policy. A material income tax cut.

And once we determine the correct tax policy for the state of Connecticut, let the spending policy follow from that. It should not be the other way around. So I would respectfully disagree with my friend, Senator Gaffey, and suggest that this is the correct first step. But only that first step in that process. Thank you.

THE CHAIR:

Thank you, sir. Senator Looney.

SEN. LOONEY:

Thank you, Madam President. For the second time in opposition to the amendment. There is always a danger when we focus on one particular issue, Madam President. And I think that we tend sometimes to look at things in a vacuum, rather than at the entire relevant universe.

And I think if we are going to look at the entire relevant universe of tax reductions, we have to recognize that we have been in a tax reducing mode since 1993 in this General Assembly.

And as mentioned earlier, the total revenue loss, or the total tax cuts for the two years of the upcoming biennium are $104.7 million in General Fund in fiscal year 2000. $169 million in the second year.

So, that alone is $275 million. But, Madam President, to look back at information provided to us earlier in the session from OFA, to get a picture of what the General Assembly has done in a tax cutting mode going back to 1993, a sum total figure for fiscal year 2000 of $540 million in previously enacted tax cuts.

If you look at their aggregate effect coming up to the year 2000, and $592 million for fiscal year 2001. So this has been a massive change in state tax policy. Not just as we stand here on the evening of June 4th 1999, but going back '98, '97, '96, '95, '94 and '93.

In all of those years we have been substantially changing our revenue structure to provide tax relief for the people of Connecticut. So it is in many ways a distortion to stand here and look at one issue and one evening in a vacuum, when we have been engaged in an entire pattern of changing our entire structure for seven years.

With an aggregate amount of $540 million to which we're now adding another, a hundred, and another $275 million added to 592. So, we are talking about a total aggregate amount of over $800 million in total revenue reductions in all of the policy decisions that we have made affecting the income tax, affecting the corporation tax, affecting the inheritance tax.

Our whole tax structure going back to 1993 has been about nothing but providing relief, responsibly, incrementally, year by year. So, in that context, Madam President, I would urge rejection of the amendment, and urge us to continue the course that we have been following successfully. Thank you, Madam President.

THE CHAIR:

Will you remark further? If not, would the Clerk please announce a roll call vote. The machine will be open.

THE CLERK:

Immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

Immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

THE CHAIR:

Have all members voted? If all members have voted, the machine will be locked. Clerk, please announce the tally.

THE CLERK:

Motion is on adoption of Senate Amendment Schedule B, LCO-9202.

Total Number Voting	36
Those voting Yea	7
Those voting Nay	29
Those absent and not voting	0

THE CHAIR:

Senate B, fails. Will you remark further on the bill as amended? Will you remark further? Senator Penn.

SEN. PENN:

Thank you, Madam President. This is going to be very brief. And I got a lot of talking to do later. But I just wanted to take this opportunity too, to thank Senator Looney and the ranking members, Anne McDonald, all those folks who worked so hard to put a package together that the state could be proud of. And particularly keeping in mind the working poor.

Trying to put in place an earned income tax credit. Try to put things into place that makes the burden a little easier on those who can least afford it, and also spend a lot, particularly on sales tax and other efforts.

And I hope more we can do next year trying to raise the bar on clothing and foods and other things that they still pay a tax on. As I say, I just want to be very brief and thank the Finance Committee.

In particular, Senator Looney for his leadership and his thoughtfulness in trying to make it a collaborative effort and keeping on putting a good tax package together. Thank you, Madam President.

And without a doubt, our own president, President Sullivan, for working very diligently to make sure that all those other numbers were in place. Thank you.

THE CHAIR:

Thank you, sir. Will you remark further on the bill as amended? Senator Looney.

SEN. LOONEY:

Yes, thank you. Thank you, Madam President. There is one additional entirely technical amendment that I would ask the Clerk to call at this time. And that is if the Clerk would please call LCO-9543.

THE CLERK:

LCO-9543 which will be designated Senate Amendment Schedule C. It is offered by Senator Looney of the 11th district.

SEN. LOONEY:

Thank you, Madam President. I would move adoption and ask leave to summarize.

THE CHAIR:

Question is on adoption, please proceed.

SEN. LOONEY:

Yes, thank you, Madam President. This is indeed purely technical. It just corrects an improper year reference in one place. And an improper grammatical choice of word in another. Would move adoption.

THE CHAIR:

Question is on adoption. Will you remark further? Will you remark further? If not, I will try your minds. All those in favor indicate by saying aye.

SENATORS:

Aye.

THE CHAIR:

Opposed nay? The aye's have it. Senate C is adopted. Will you remark further on the bill as amended? Senator Looney.

SEN. LOONEY:

Yes, thank you, Madam President. The bill and the amendment which became the bill have been discussed at great length. I would urge the Chamber to support the bill as providing a good revenue policy for our state for the next two years. Thank you, Madam President.

THE CHAIR:

Thank you, sir. Will you remark further? Senator Nickerson.

SEN. NICKERSON

Yes, simply to say, as we did at the opening of this debate, it's a pleasure and matter of pride to stand at the closing of this debate with my colleague, Senator Looney, in urging adoption of this bill. Thank you, Madam President.

THE CHAIR:

Thank you, sir. Will you remark further? If not, would the Clerk please announce a roll call vote. The machine will be open.

THE CLERK:

Immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber. Immediate roll call has been ordered in the Senate. Will all Senators please return to the Chamber.

THE CHAIR:

Have all members voted? If all members have voted, the machine will be locked. Clerk, please announce the tally.

THE CLERK:

Motion is on passage of SB1, as amended.

Total Number Voting	36
Those voting Yea	36
Those voting Nay	0
Those absent and not voting	0

THE CHAIR:

The bill is passed. Senator Jepsen.

SEN. JEPSEN:

Madam President, I move for suspension of the rules for immediate transmittal of this item to the House of Representatives.

THE CHAIR:

Without objection, so ordered.

SEN. JEPSEN:

Madam President.

THE CHAIR:

Senator Jepsen.

SEN. JEPSEN:

The Clerk, I believe, is in possession of -- Chamber will stand at ease for one moment.

THE CHAIR:

Senate, please come to order. Senator Jepsen.

SEN. JEPSEN:

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CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
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suspension of our rules for its immediate consideration.

SPEAKER LYONS:

The question before the Chamber is for suspension. Hearing no objection, would the Clerk please call Senate Bill Number 1.

CLERK:

Senate Bill Number 1, AN ACT CONCERNING VARIOUS TAX REDUCTIONS, EXEMPTIONS, AND CREDITS FOR INDIVIDUALS AND BUSINESSES. Favorable Report of the Committee on Appropriations.

SPEAKER LYONS:

The Honorable Representative Ann McDonald. You have the floor, Madam.

REP. MCDONALD: (148TH)

Thank you, Madam Speaker. Good evening, Madam Speaker.

SPEAKER LYONS:

And good evening to you.

REP. MCDONALD: (148TH)

Madam Speaker, Senate Bill 1 is referred to as the tax package. I have a strike everything amendment which I would like the Clerk to call. I move acceptance and passage of the Joint Committee's favorable report and passage of the bill.

SPEAKER LYONS:

The question before the Chamber is on acceptance and passage. Will you remark?

REP. MCDONALD: (148TH)

I'm sorry. It's the hour, Madam Speaker.

The Clerk has amendment number LCO 9789. Will he please call and I be allowed to summarize?

SPEAKER LYONS:

The Clerk has in his possession LCO Number 9789. Would the Clerk please call and the lady has asked leave of the Chamber to summarize.

CLERK:

LCO Number 9789, Senate "A" offered by Senator Looney and Representative McDonald.

SPEAKER LYONS:

Representative McDonald, you have the floor.

REP. MCDONALD: (148TH)

Yes, thank you, Madam Speaker. Before I go into a description of some of the items in this tax package, I would like to say that before this session started we already had many tax cuts that will go into effect next year.

For the first year of the biennium we had $128 million worth of tax cuts. These are referred to as the phase-in. For example, in the next year of the biennium, 1999, we will have a $50 million cut in the corporate income tax. Also in that year we'll have a cut of $37 million in the inheritance tax. I mention this not because it's part of the bill, but I want you to understand that before we started, we already had projected $128 million of cuts.

So the cuts that I am mentioning tonight are in addition to those cuts that are being phased in. There are quite a few of them. Some were very small ones, but I'm going now to the cuts that we're making in this year's tax package.

If you want to follow along, you have the OFA fiscal note and you can see in fiscal 2000 the general revenue loss is $104 million and in fiscal 2001, it's $169 million. Then it's carried down to the out years of 2005. And then you have the transportation net revenue loss of $1.5 million in both years of the biennium and it goes down through the conservation funds, the gamblers' fund and various other small funds that we have in the government.

One of the things that I would like to mention and I think that will please all the legislators is the personal property tax credit. The Governor had proposed that we have a $400 property tax cut for joint filers. You know presently it's $350. But we have changed that so that in first year of the biennium, we're going to have a property tax credit of $425 and the second year of the biennium of $500 on the property tax credit. This should help many of your constituents.

We also - presently we tax 25% of social security with incomes over $36,000. We are changing that and not taxing any social security income for joint filers under $60,000 and for single filers under $50,000.

The next thing we're going to do is a lot of people have complained that the single filers are not properly provided for in our taxes and we're going to phase in over an eight year period the threshold for taxation for single filers. We're going to raise it up to $15,000. In the second year of the biennium that's a tax loss of $12,900,000.

We have and if you have the fiscal note in front of you and in the interest of time, I'm not going to go through the 20 sales tax deductions that we have. Many of them are very small items. And you can all read them and I'd be willing to answer your questions after the presentation if you wanted to go into detail on them.

You'll notice on the fiscal note in the left hand column they have listed all the sections that they're talking about for those sale tax credits.

The only one that I'm going to mention right now is the one they call the "Seven Deadly Sins" which puts sales tax on remodeling expenses such as painting, roofing, aluminum siding, all of those kinds of remodeling expenses. People do not pay taxes if it's new construction or a brand new home. But they had to pay taxes on the remodeling. That will be eliminated.

We will eliminate the taxes on non-prescription drugs and if you look at your fiscal note you can go right down through many, many sections where we're going to eliminate many sales taxes and I'm sure you will find in the list things that will very much please many of your constituents.

We have, in various places in the tax deductions a credit on corporation tax, service tax, and insurance tax, money that they contribute to renovations of historic housing. They are in three or four areas of the tax package.

There are other small - many, many other small deductions of $200,000, $300,000, etc. which I think some of you will find very boring, but if you want to talk about them afterwards, we can talk about it.

Let me see if there is anything else that would really - well - oh, one of the biggest taxes that we changed and we talked about it in our caucus. I'm sure the republicans talked about it in their caucus, is the drastic cut in the gross receipt tax of hospitals. We also reduced the sales tax to 5.75%. Those tax cuts plus the projected cut that we were are already phasing in for the hospitals will save the hospitals $51 million in taxes this year.

You know, those taxes went to the uncompensated care pool and that $51 million deduction should go a long way to make up for the cuts that are in the other part of the budget on the Medicaid co-payment so hospitals won't be in such dire distress later on.

It also includes an $8 million loan fund for distressed hospitals. That is also in the package.

Just a moment, Madam Speaker. We have some other taxes here that will help acquire open space. One of them, for example, is $1 million for farmland which will help us access some federal money for acquisition of farmland.

Right now we also have gotten rid of the cabaret tax. That presently is an 11% tax. The cabarets will continue to be taxed at 6% sales tax the same as all restaurants, but it was a very archaic tax in the sense that if you had a piano player in your restaurant, you didn't have to play it, but if two violin players arrived right in the middle of dessert then you had to shift into a cabaret tax and they charge them 11%. It's very difficult for the Department of Revenue Services to monitor it. So we've done away with that 5% extra tax.

Madam Speaker, I think I will stop there because everybody has a fiscal note and I would be very happy to answer any specific questions that they have and if anybody wants to address any of these issues.

Thank you, Madam Speaker.

SPEAKER LYONS:

Thank you, Madam.

Will you remark? Will you remark on the bill that is before us?

Representative Belden.

REP. BELDEN: (113TH)

Thank you, Madam Speaker. Madam Speaker, before I get into discussion on the amendment before us, let me just take this opportunity to thank Representative McDonald, Senator Looney and Senator Nickerson for the great cooperation that we have shared during this process and certainly all the members of the Finance Committee who also share in the product before us today.

Madam Speaker, you know we're in the kissie-huggie phase right now this evening. It's a lot of -- but let me explain why we're at that phase because I think it's important. It's not that significant issues haven't been discussed that aren't in this package, things such as a half a percent reduction in the income tax. It was debated at length in the Finance Committee. A $1,000 property tax credit was debated significantly in the Finance Committee.

And the will of the members at that point and many other issues that have been discussed bring us to where we are today which is a package that has many tax cuts that are advantageous for our citizens in the State of Connecticut, for probably every member in this Chamber has something else or some other way that they would rather have seen something in this package put together.

So through the process we have now come to where we are generally in agreement with a package that certainly serves our citizens well, both in the long term and short term and I'm not going to get into the details because Representative McDonald indicated the material in minute detail has been available for the last eight or ten hours.

But I would like to, perhaps, go back just a little bit and commend this body for what we did in the past because we could have, two or three years ago, when we first began to have some surplus, we could have said okay, let's get into some of these programs that we'd like to have. But we chose at that point in time to bite the bullet and in terms of my philosophy which is let's get jobs in Connecticut and if we had jobs, these other problems go away.

So when we, in fact, passed the bill which reduced the corporate income tax, phased it out, at that time a very challenging move because we weren't sure where we were going to get that income, where the economy is going to go. We did things two, three, four years ago that helped to set the stage for the resurgence of the Connecticut economy at the expense of, perhaps, some of the things that we would have liked to do at that point in time. And I believe we see today - we can't take all the credit here in Connecticut because the national economy is good, but we're well on our way in Connecticut of really realizing that if we have an appropriate business climate where our business can be competitive, we can have jobs in Connecticut and some of our other problems get resolved.

And if they don't because people are working, our revenues go up which gives us the money to do some of the things that are in this budget package today and to allow some of the tax reductions for our citizens in the varied ways that they are to happen in this session.

I would just to mention this one little thing here which is a very positive thing. It's a revenue loss and it says that we're not going to charge a sales tax for boat repairs and we're not going to charge a sales tax if somebody buys a boat in Connecticut and they live in New York. Now, that's got a $1.5 million revenue loss attached to it. Nowhere does it show that our businesses are going to repair a lot more boats, that our businesses can now compete and sell boats to people in New York and Rhode Island and on the other side of that ledger we're hopefully going to see more repairs in Connecticut, more business generated in Connecticut for Connecticut people which will generate other types of revenue to make this up. That doesn't show here.

But these are the kinds of things that cost us a little money now that are going to reap greater rewards in the future and there are also in this package, along with the very significant property tax credits and the rebates and those types of things.

Madam Speaker, I believe we have a package here today that generally everybody is fairly happy with. We would all like to do certain things a little differently, but I hope tonight that we will all unanimously endorse this package.

Thank you.

SPEAKER LYONS:

Thank you, sir, for your remarks.

Will you remark further on the amendment that is before us? Will you remark further on the amendment that is before us?

Representative Newton.

REP. NEWTON: (124TH)

Thank you, Madam Speaker. Being a person who has served on the Finance, Revenue and Bonding sense for nine years and having come to this General Assembly when we had $1 billion deficit, and I can remember the times when we had to raise taxes in this state for a long time. I would be remiss if I did not stand up and say how proud I am of the Finance, Revenue and Bonding Committee, our leaders, our chairman, both in the House and in the Senate, on both sides of the aisle that I would guess this would be a historical moment.

As a person who has always fought for property tax relief, we finally do some of those things in this tax package.

Do I agree with everything that's in it? No. Did I agree with everything that was in the budget? No. But I think that Connecticut is a lot better off today than it was in 1989 when I got here in this General Assembly and those were some tough times. I'm glad, as Representative Belden said, we seem to be in a love fest, but I can remember those dark days when this side of the aisle had to make those tough decisions to raise taxes.

So I would be remiss to not take some of the credit, being one who had to raise those taxes to be able to stand here today to say how happy I am with the Finance Committee. That since 1983 up until the present time we will have cut over $1 billion in some form of tax for the State of Connecticut and that we've done a great job to encourage businesses to stay in this state.

I'm sad today that the earned tax income tax credit wasn't in there. But yet we still help those who file a federal income tax and not a state income tax, but still receive some of the benefits that this state is prospering in.

So, I think we did a good job. And I think the Finance Committee along with both sides of the aisle, House and Senate, Governor, ought to be commended and I hope that the newspapers will print how friendly we have been to corporate America in this state to bring us in line with other states in this union.

So I would assume that this is a historical day today where we can stand and feel a little good about some sort of property tax relief for those people who pay enormous property tax that this General Assembly is beginning to move in the right direction.

So it's with that that I rise in support and recognize, having been here going on a number of years in this General Assembly, that you might not get everything you want, but eventually things do work out. And I hope that the State of Connecticut will continue to prosper and that we continue to do all we can to help the residents of this fine state.

Thank you, Madam Speaker.

SPEAKER LYONS:

Thank you, sir.

Will you remark further on the amendment that is before us?

Representative Samowitz.

REP. SAMOWITZ: (129TH)

Thank you, Madam Speaker. And I too want to add my thanks to Ann McDonald and the Finance Committee and also to emphasize and let the word go out that not only is Connecticut in a position to be equal to other states, but there are things in this package, ideas that have been generated from the Commerce Committee that have been incorporated into the tax package that will make Connecticut a leader because not only are we having our tax carried forward going from five to twenty years, but for small start-up and research firms that come to Connecticut under $70 million, there's a 65% purchase of the tax credits that are in this bill which will make Connecticut a center and a great place to do research and development and it is important that we know that for our constituents that we will be the leaders in promoting this type of development.

And I'd like the members of -- Ann McDonald and the members of the Finance Committee for incorporating this idea that came from the Commerce Committee.

SPEAKER LYONS:

Thank you, sir.

Will you remark further on the amendment that is before us? Will you remark further on the amendment that is before us?

Representative Ward.

REP. WARD: (86TH)

Thank you, Madam Speaker. Madam Speaker, first before speaking to the merits, I'd like to thank the members that worked on this, Chairman McDonald, but most particularly, Representative Dick Belden who, in this budget, negotiated and the others is the steady hand at the wheel throughout it to make sure that all the numbers work, that make sure that we're being appropriate in revenue estimates that were attached to the other, to make sure the numbers work on this side. It is always a steadying influence through it and I would just like to thank Representative Belden for his assistance and guidance in this process.

That assistance and guidance has left us with a very good tax package, probably the part of the budget process I like the most where we get to return money to taxpayers.

With regard to the income tax, it's not quite where I wanted to be at the start of the negotiation. I wanted to see $1,000 property tax credit. That didn't phase in into the out years. I was wiling to accept the compromise that we go substantially there and just deal with this biennium. So there is a $500 property tax credit.

In quick checking, it's likely now that for most people, presumably who either own a home or a car with up to $500 in taxes due on it, a married couple - $43,000 in income will be now the income tax is repealed for them for about $43,000 and below for a couple.

When this income tax was first passed that couple paid about $900 in taxes. With the rate relief in the property tax reduction from before, it was reduced. With this $500 credit and with the rate reduction that was done by previous General Assemblies, they will have little or not tax exemption. So, indeed, for a number of folks that were the hardest hit by the double whammy of property taxes and income taxes at that middle to lower middle income level where that $900 or $1,000 in liability really hurt them and their living, their standard of living, we've given them relief. We've repealed the income tax for over 300,000 people and this continues us in that direction.

If we can get to, in another year or two, the $1,000 we will have achieved that for that many more families.

It has targeted sales tax relief in those areas, as the Chairman pointed out that for the most part, although these show tax losses, that we believe in some ways in some of these technical changes you really won't lose that much revenue because they weren't being collected. They weren't being collected uniformly, particularly in the Seven Sins areas. You will have some of the folks that were paying the taxes and cooperating and being undercut in the business by those that weren't following the rules and weren't paying appropriately. So we level that playing field and treat our tax paying citizens correctly. And because we kept the budget under control spending, we can afford to make those changes.

Most importantly, is what we're doing to attract new business within this budget. As was stated before by others, the Cluster Initiative, the start-up company that wants to come to Connecticut and we're particularly trying to attract those in pharmaceutical and bio-tech.

The start-up company that knows that it will lose money for several years as it's working on new projects, they can now come here. We'll have a favorable environment that between the net operating loss carry forward and the exchange, really an innovative way to deal with the tax credits with the exchange, an opportunity to do business here and to be here and not be attracted away to North Carolina or some of the places with the better --with a far better climate for that kind of business.

So I think this tax package in those areas does very good things.

For those of us that remember being here at a time in order to have the DISH payment system work, we were forced to talk about raising hospital taxes. We've now completely eliminated the new tax that was put on when DISH was put in place and gone much deeper than that so that I believe the number is in excess of $40 million in tax relief. Actually, I think $50 million in tax relief to hospitals. There is no more new tax on those that got sick. That money is returned to the hospitals. They've said their affected by things on the appropriations side. We did what makes sense. We addressed it on the tax side. We said the hospitals across the board that they should be relieved. And for the John Dempsey Hospital we adopted a policy that said a hospital that is part of our state university system that is part of the training of the medical profession that is subsidized by tax dollars, we shouldn't be subsidizing them out one hand and then taxing them in the other. So we eliminated that tax, as well. Again, because we have the room within our tax policy to do that.

So, I would urge the members to support this because it is broad based tax relief, particularly significant tax relief for, again, the middle class taxpayer stuck with double the income tax and property taxes.

It's a good package. And we should be proud to support this tonight, Madam Speaker.

Thank you.

SPEAKER LYONS:

Thank you, sir, for your remarks.

Will you remark further? Representative Pudlin.

REP. PUDLIN: (24TH)

Madam Speaker, the Minority Leader's speech sounded a bit like a summation. And so I figured I ought to do the same on this side.

I would like to start out by praising our Chair, Ann McDonald, and from the minority, Dick Belden, for having produced a very responsible document.

And I say that because they're in the awkward position of having to estimate revenues well into the future based on a wild and a booming economy of the present and that's a very awkward situation they find themselves in.

So they are spending money and making decisions based on the greatest moment in history in terms of our economy.

It was a difficult challenge and I think they handled it quite responsibly.

They were able to handle it responsibly, in large part, I think, because an income tax which produces nearly half of our revenues has been working at a fevered pitch in recent years and has produced revenues that have made some of their decisions doable.

I praise them and I praise that structure for making all this possible this year.

There are very specific individual aspects of this package that have been listed, I think, in a very serious way by our Minority Leader. I also am very proud of the changes in the hospital tax structure that have enabled us to preserve urban and distressed hospitals. And the number of other aspects of this package. The phase-out of the penalty for single taxpayers and many others. I think that is a very, very positive aspect of this package.

But the truth is that most citizens in our state don't have an unreasonable income tax burden. In fact, for nearly the majority of them, there's no income tax burden at all that is very specifically the property tax burden that I think that most of our citizens are belabored by.

There were steps taken in this package and as we said in the Appropriations debate earlier, this is the unfinished business that has to be pursued in the years to come.

I think that very small and very positive steps were taken to alleviate by the through the Appropriations package and this Finance package the property tax situation that I've spoken of.

This is fundamentally a responsible package. It does not, as we did in the mid 80's cut taxes in a reckless way in a time of a boom so that we find ourselves hoisted on that a year or two later. But that where, if there is a negative side, we fall short is understanding the necessity of relieving that property tax burden in distressed municipalities.

Madam Speaker, it is on the amendment, but I think I speak for the bill itself. It is a very decent and proper package and I anticipate its success in passage.

Thank you.

SPEAKER LYONS:

Thank you, sir.

Will you remark further on the amendment that is before us? Will you remark further?

If not, I will try your minds.

All those in favor, please signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER LYONS:

Those opposed, nay. The ayes have it. The amendment is adopted.

Will you remark further on the bill, as amended? Representative McDonald.

REP. MCDONALD: (148TH)

Yes, Madam Speaker. I'm sorry, I have to get my glasses on here.

The Clerk has an amendment, LCO Number 9543, designated as Senate "C". Would he please call and I be allowed to summarize?

SPEAKER LYONS:

The Clerk has in his possession LCO 9543, previously designated Senate "C". Would the Clerk please call? The lady has asked leave to summarize.

CLERK:

LCO Number 9543, Senate "C" offered by Senator Looney.

SPEAKER LYONS:

Representative McDonald.

REP. MCDONALD: (148TH)

Yes. This is a very technical amendment. It changes in one line the date from 99 to 98 -- no. It's supposed to be 99 and it says 98 in the budget. And the other item is in the area about lawn bowling clubs exemption. It was in the singular due and it supposed to be dues, d-u-e-s tax.

Madam Speaker, I move adoption.

SPEAKER LYONS:

The question before the Chamber is on adoption. Will you remark? Will you remark on the amendment that is before us?

If not, I will try your minds.

All those in favor, signify by saying aye.

REPRESENTATIVES:

Aye.

SPEAKER LYONS:

Those opposed, nay. The ayes have it. The amendment is adopted.

Representative McDonald.

REP. MCDONALD: (148TH)

Madam Speaker, before the vital vote on this tax package, I would like to thank a lot of people who helped the Finance Committee, especially our drafting attorney who is sitting in front of us, Ann Gnazzo who has done a wonderful job.

And our three consultants from Fiscal Analysis. I mentioned them before. Dan Schnobrich who is the Section Chief of Fiscal Analysis. Rob Wysock and Felix Planas and our bonding fiscal analyst, Linda Miller. Those are all people from the Fiscal Analysis Office.

And then I would like to look at our own office. The first person, of course, if Mary Finnegan who is our administrator and without whom we could not operate. Mary keeps track of everything for everybody. And we have other members of a very, very loyal and hard working staff, John Blair, Diane Slopak, Andrew Clark, Mike Shonta and Tim Nonamaker. So I would like the House to extend a warm round of applause to all of the loyal employees.

SPEAKER LYONS:

Thank you, Representative McDonald.

Will you remark? Will you remark further on the bill, as amended? Will you remark further on the bill amended?

If not, would staff and guests please come to the

Well? Will members take your seats? The machine will be opened.

CLERK:

The House of Representatives is voting by roll call. Members to the Chamber. The House is voting by roll call. Members to the Chamber, please.

SPEAKER LYONS:

Have all the members voted? Would the members please check the board to make sure that your vote is accurately recorded? If all the members have voted, the machine will be locked and the Clerk will take a tally.

The Clerk will please announce the tally.

CLERK:

Senate Bill Number 1, as amended by Senate Amendment Schedules "A" and "C" in concurrence with the Senate

Total Number Voting	144
Necessary for Passage	73
Those voting Yea	144
Those voting Nay	0
Those absent and not Voting	7

SPEAKER LYONS:

The bill, as amended passes.

Is there any further business on the Clerk's desk?

CLERK:

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1999

already been stated. Therefore, I do not wish to go over it in toto. However, it's worth noting that 63 percent of Connecticut's families living in poverty have a working parent.

If you work full time and earn a minimum wage your salary is a little bit over $11,000. That certainly is now a large amount of money. We are a high cost state. As the families transition off welfare there is a sudden decline in the family income.

The earned income tax credit will work because it rewards work. It's based on the total income and the family size. It also enhances the equity of Connecticut's state and local taxes.

The poorest families in our state pay a much larger proportion of their income in state and local taxes than do the wealthiest of our families.

The progressivity of the state income tax is not sufficient to offset the greater burden that is placed on low income families by the sales and property taxes which are very regressive. The earned income tax credit would reduce the tax burden for some of these families.

A ten percent earned income tax credit would cost approximately $20 million and the administrative costs are minimum. It would help so many of Connecticut's children out of poverty and we urge you to pass this legislation. And once again, thank you for the opportunity to be heard.

SEN. LOONEY: Thank you very much for being with us. Next is Sholom Bloom and then Joseph Lombardi then Reed Smith and Matthew Boyle.

BOB CORNELL: I am Bob Cornell and I'm replacing Sholom Bloom who is the president of SWHAT, Senior West Hartford Advocacy Team. I'm a member of SWHAT and I'm also co-chairman -- legislative chairman of West Hartford AARP Chapter 2142.

And I'm here to support SB No. 1. I have addressed this committee every year, starting in 1994 with regard to correcting and eliminating the state income tax on social security income which should have been exempted when the income tax was adopted in 1991.

The national AARP public policy agenda states social security cash benefits should not be subject to state income tax. Thirty five states, or 70 percent and the District of Columbia have abided by the initial policy of no state taxation of social security income and have never imposed such a tax.

In 1994 I addressed the committee to make sure Connecticut did not tax the extra social security income resulting from the ominous budget Reconciliation Act of 1993 you listened and passed a bill limiting the state social security income to tax of 50 percent and since then you have wisely reduced it to 25 percent.

During the last four years I have addressed this committee requesting the complete removal of the social security income for state taxation per the initial social security policy.

This would make things fair for seniors and make Connecticut competitive with the 70 percent of the states which include 24 states east of the Mississippi River except for three. Two of those have piggy back taxes, so that's why they aren't included.

Because of Connecticut's past tax policy, many of our middle and upper middle income seniors have fled to more friendly states, taking with them their talents, community service and assets.

Also, the lower income seniors as well as the affluent seniors are being squeezed financially by inflation, low interest rates and new federal policies and taxes, such as reducing the social security this year by 30 percent and another ten percent next year, making social security income taxable up to 85 percent and not indexing the threshold for taxing social security income.

The following two examples show how senior citizens are being squeezed financially. Between 1991 and 1998 the CPIU, that's the general CPI, has increased 25 percent. But for seniors the CPIE has increased 32 percent. First, a senior -- a single senior with state tax -- for a gross income of $31,000 had an IRS tax of $2,000 and no state tax in 1991 for a gross income of $29,000.

In 1998 the senior citizen's income would have grown to 35 with a net income of $32,740 after taxes. Thus, this senior citizen had his income -- I just -- please, support this bill because we are really getting a squeeze. We have lost about 17 to 24 percent of our income in eight years because of all these things.

So we really need some relief and it really impacts the lower income people as well. You think it's the affluent. It isn't just the affluent. It's all of us. Thank you very much.

SEN. LOONEY: (INAUDIBLE -- NOT USING MICROPHONE.)

REP. BEALS: Thank you, Mr. Chairman. Your testimony is all addressed to the social security income but the bill also talks about income from other federal pensions. Do you support that as well?

BOB CORNELL: Yes. I have a little note on my written thing pointing out that 40 states -- I think it's 40. It might be 42 -- have such relief. Not completely. In other words, they give credits of like $20,000 of pension income from federal pensions and so forth. So it's in a table. I gave one copy of that table in my package. So, yes, we support that too.

SEN. LOONEY: Thank you very much.

BOB CORNELL: Thank you.

SEN. LOONEY: Next is Mr. Lombardo.

JOSEPH R. LOMBARDO: Good afternoon. My name is Joseph R. Lombardo. I live at No. 1 Royal Oak Drive in West Hartford. I am a veteran of World War II and a life long resident of Connecticut. I am co-legislative chairman of the West Hartford AARP chapter and a founding member of the Senior West Hartford Advocate Team, which represents all of West Hartford's senior groups.

I was a member for six years of the Hartford Board of Education and served part of that time as vice president of the board.

It has been said that civilization is judged by how it treats its children and how it treats its elders. I believe that this is true.

I am here to ask for your support for SB No. 1, which eliminates the state income tax on social security benefits. By so doing you will helping over 100,000 Connecticut seniors.

Those who pay this tax are for the most part middle income and lower middle income seniors. They are veterans of World War II, those whom Tom Brokaw's current bestseller calls the greatest generation.

These are folks who worked hard and saved for their old age. They paid their taxes throughout their working lives and are paying their own way now, many with difficulty.

Their taxes are primarily for the benefit of others who require taxpayers support through such programs as CONPACE and Medicaid.

As all of you know, there has been an exodus from Connecticut of some of our best taxpaying seniors. Elimination of the tax on social security benefits will help Connecticut retain some of these seniors and the taxes they pay and the good that they do in their communities through their volunteer activities.

They've tried to live on a pay as you go basis. Government loans and grants for college aid did not exist for them. They paid their taxes when federal marginal rates were as high was 91 percent.

And they paid ever increasing social security payroll taxes, starting in 1937, with the expectation that their social security benefits would be secure.

But then federal and later state income taxes were imposed on these benefits resulting in a loss of approximately three monthly social security payments each year for a middle income, 28 percent bracket senior.

Most significant is the squeeze on senior citizens from substantially reduced returns on their bank accounts, CD's and savings bonds where they have most of their savings.

And the federal government is putting further downward pressure on interest rates as it seeks to balance the budget.

We're not asking for a departure from reason. Only that Connecticut join the other 35 states which do not tax social security. Thanks for your attention. I'll be happy to answer any easy questions you might have.

SEN. LOONEY: Thank you. Thank you, Mr. Lombardo. If you were here earlier today, Senator Sullivan at the beginning of the hearing certainly made the case for this proposal. So I'm sure you're aware of his testimony also.

JOSEPH R. LOMBARDO: Yes.

SEN. LOONEY: Okay. Any questions from members of the committee? If not, thank you very much.

JOSEPH R. LOMBARDI: Thank you.

REP. McDONALD: The next person on the agenda is Reed Smith, followed by Matt Boyle. Mr. Smith.

REED SMITH: Good afternoon, Senator Looney and Representative McDonald and members of the committee. My name is Reed Smith and I live in New Haven. I want to speak to you today about your Raised Bill No. 1173.

As coordinator of Interfaith Cooperative Ministries

The EITC though can help alleviate the effects of this dramatic decrease in their monthly benefits. Because the income of those moving from welfare to work will likely remain low, many will not have any tax -- state tax liability.

Therefore, we feel it's extremely important that the state EITC be refundable. If the state EITC is not refundable I don't feel it's going to have the positive effect of helping those transition from welfare to work.

REP. McDONALD: Thank you. Are there any questions? Senator Looney.

SEN. LOONEY: Thank you very much and thanks for being here this afternoon. Based on your experience as a preparer do you see are there many people who are eligible for close to the maximum federal credit? In other words, do you believe -- the maximum EITC federally is a little over $3,000. Do you see many people who approach that maximum?

MARIA MORELLI-WOLFE: Like I said, Senator, our tax clinic really is in it's beginning stages. We did have someone who was eligible I believe for about $2,400. That was the person I spoke of who received 3,100 total. The childcare was about $600, $700 for that client.

SEN. LOONEY: (INAUDIBLE -- NOT USING MICROPHONE.)

MARIA MORELLI-WOLFE: Yes, it was.

SEN. LOONEY: (INAUDIBLE -- NOT USING MICROPHONE.)

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

CATHERINE NASIN: Good afternoon, Senator Looney and Representative McDonald. My name is Catherine Nasin. I'm the federation president for the National Association of Retired Federal Employees.

I request your support of the committee bill No. 1. This bill provides the Connecticut senior citizens who work for the federal government who do not receive exemption of their retirement annuity from

Connecticut income tax.

They all worked for the federal government most of their adult life. We wanted to serve our country and in doing so sacrifice greater income potential, thus retirement income.

Because of this we are on a fixed and limited retired income. No opportunities for stock options, bonuses, profit sharing or similar financial income found mostly common in the private industry.

I doubt most people do not realize that almost all current federal retirees were never covered by social security but were required by law to contribute significant larger deductions to a separate retirement system.

I say that because social security recipients receive a major exemption from federal and state income tax from which we are totally excluded.

Federal retirees in the State of New York and Massachusetts, on each side of Connecticut, pay no state income tax on their federal annuities.

There are, in fact, 13 states that are totally exempt from federal annuities from state income tax, in addition to nine states that have no personal income tax.

Adding Connecticut to this list would strengthen and retain federal retirees to stay and not seek a friendlier location stimulating the economy. Making Committee Bill No. 1 law will show us you want us to stay here. Helping us to stay in Connecticut provides an economic and cultural boost to the state as well as recognized stability. Thank you.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

CATHERINE NASIN: Yes, ma'am.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

CATHERINE NASIN: That would be separate.

REP. McDONALD: (INAUDIBLE -- NOT USING MICROPHONE.)

SEN. LOONEY: Do you have any idea approximately how many federal retirees there are in Connecticut?

CATHERINE NASIN: Approximately 14,000 including survivors. Amongst those would be those that have been hired also after 1984. Those employees came under FRS, which is the Federal Retirement System and they received social security. We do not have a breakdown between the 14,000 who is under the civil service retirement and also FRS.

SEN. LOONEY: That also includes military retirees too?

CATHERINE NASIN: No, sir.

SEN. LOONEY: It does not. That's a different category?

CATHERINE NASIN: That's a different category. Their fight their own way.

SEN. LOONEY: I see. Okay.

REP. McDONALD: The second category that you mentioned, however, don't get the same federal pension if they get social security. It was cut back substantially, wasn't it? So in the long run they get --

CATHERINE NASIN: You mean the survivors.

REP. McDONALD: -- almost equivalent.

CATHERINE NASIN: The survivors. If they worked they would not be able to receive both some of the retirees.

REP. McDONALD: I thought you said some federal workers are now covered since 1986 under social security.

CATHERINE NASIN: Yes. Those are.

REP. McDONALD: Well those people would get just social security?

CATHERINE NASIN: No, they get social security and --

REP. McDONALD: They get both. But they don't get both in the sense of double.

CATHERINE NASIN: No. They pay into both.

REP. McDONALD: But their income doesn't double.

CATHERINE NASIN: But we're not representing that group.

REP. McDONALD: Okay. But I just wanted to say when they gave them social security they didn't keep up the same income level if they had just a federal pension. It was cut back, correct?

CATHERINE NASIN: Yes.

REP. McDONALD: Yes. Okay. Thank you.

FRANK CIPARELLI: My name is Frank Ciparelli. I'm the president of Chapter 154 of the National Association of Federal Retirees. We have some 600 members.

Before I go on, I listened -- after listening to Kevin Sullivan's support of his own Bill 1, we checked with his office and he asked to have the records corrected to show that he cost of equity to federal retirees is $300,000, not $3 million.

The members of this committee received a complete package from our organization. And if you refer to the letter out of the Office of Fiscal Analysis, April 2nd, '97 to Representative Melanie Currey from Felix Pandis, the subject was state income taxation and federal pensions.

This is where this $300,000 figure came from. This is your figure. This didn't come out of the air. This is your figure. So it you get a chance, if you check your package you'll find that that's a letter dated April 2nd, 1997.

I recently retired from the U.S. Postal Service after serving for 40 years and like most federal retirees it's kidn of difficult to make ends meet now without some form of tax relief.

Many of them are not paid particularly high wages and, therefore, are in need of any tax benefits they may secure.

Well Mr. Chairman, we submitted a complete package to all of your members of this committee. I won't go into it now but if you want to ask some questions later we'd be glad to answer them.

We believe that including the federal with social security retirements for the state tax exemption could not sufficiently burden the state.

We also believe any reduction in state taxes for social security retirees should also include federal retirees.

To repeat what Cathy said, we respectfully request that the state representatives provide the equal treatment for similar retiree taxpayers. We just feel as though we should be treated like the people under social security. That's all we're asking for.

I'd like to thank the committee for allowing us to take your time and our time to testify. If you have any questions I'd ask you to direct them to our legislative officer, Joseph Donohue. Do you have any questions?

REP. McDONALD: Thank you. Are there any questions? Thank you. There are no questions. Thank you. Mr. Donohue.

JOSEPH DONOHUE: My name is Joseph Donohue and I'd like to respond to the question that was asked by Representative McDonald on the federal employee retirement system.

The employees that retire after 1986 are covered by social security and a thrift account. There are three elements to the thrift account. Government bonds, stock index and a bond index.

The employees choose to invest five percent of their income into either one or all of those different vehicles.

Their retirement is based on the performance of that thrift fund as well as supplemental social security. That's how the new federal retirees get their annuity since 1986.

REP. McDONALD: Supplementary? SSI?

JOSEPH DONOHUE: No, no. Just --

REP. McDONALD: You said supplementary social security.

JOSEPH DONOHUE: No. Supplement their annuity by social security. I didn't mean social security supplement, no. So in 1984 is when that requirement was put in and that's why in the bill it shows employees prior to 1984 are the only ones that will benefit.

It is also a sunset bill because the civil service retirees are dying off. And once the last civil service person is gone that's the end. So we feel that the bill is modest in cost, $300,000, and that it would give us some equity with the social security system and the people that paid into a trust fund the same as we did. And that's it. Any questions?

REP. McDONALD: When Mrs. Nasin was talking about you she said -- were you head of -- what is your position in the organization?

JOSEPH DONOHUE: I'm the legislative officer.

REP. McDONALD: You're the legislative officer. I had mentioned the railroad pensions and I was wondering, just because you're general knowledge of this pension fund stuff, how many other groups will be coming to us knocking on our door that have some sort of annuities of this kind. My thought went to the railroad. I know the railroad has something but it's not social security.

Do you have any knowledge of how many other groups besides the federal civil service -- because the teachers in this state, for example, they don't get any social security. There's other people that don't get social security. So I was wondering --

JOSEPH DONOHUE: I don't have a number but this bill is drawn very narrowly.

REP. McDONALD: I know that. But that doesn't matter because people will come and they will knock on our doors and they want equity and fairness and even Steven with everybody. I'm not talking necessarily this year. Even this year they'll be there with amendments and everything else.

So it doesn't matter about how narrow the bill is. I just want to know if you know of any other groups.

JOSEPH DONOHUE: No.

REP. McDONALD: I mentioned the railroad people but I don't know how many other groups that are not part of social security.

JOSEPH DONOHUE: No, I don't.

REP. McDONALD: You don't. The military. There's another bunch.

JOSEPH DONOHUE: I know there's an organization in Bridgeport that does represent a group of other retirees.

REP. McDONALD: Because everybody that comes here says this is what we're asking. It's only going to be this much. $300,000. Some say a million. And all year they come in to see us in the office. You're old enough. You're older than I am to remember Ed Derkson. Do you remember him?

JOSEPH DONOHUE: Who's that?

REP. McDONALD: Ed Derkson, the senator from Illinois.

JOSEPH DONOHUE: Oh, yeah.

REP. McDONALD: The senator with the golden voice who said a million here and a million there and pretty soon you end up spending real money. I've been quoting that to a lot of people. But I do have -- I think it is a matter of fairness with you but I can just tell you it just goes on and on and on. It doesn't end.

JOSEPH DONOHUE: I understand. I think we're the first group in here asking for something less than a million dollars.

REP. McDONALD: See, he's not going to give up on that. Are there any questions? No questions. Thank you. Steve Hodgetts, Alana D'Amato and Bob Cornell. He already testified. So it's Steve Hodgetts, Tony Homicki and Alana D'Amato. Steve Hodgetts. Gentlemen, would you introduce yourselves?

STEVE HODGETTS: Yes, good afternoon. My name is --

REP. McDONALD: Steve Hodgetts and Tony Homicki.

STEVE HODGETTS: If I may beg the chair's indulgence, perhaps myself and Mr. Homicki and also Mr. Kosofsky can probably squeeze our testimony into the same three minute period.

REP. McDONALD: Well that would be wonderful. Come up. Join him. If you can squeeze three into one it would be wonderful.

STEVE HODGETTS: Good afternoon, Senator Looney, Representative McDonald and Altobello and other members of the committee. My name is Steve Hodgetts. I'm the president of the Connecticut Assessor's Association.

REP. McDONALD: We've been waiting for you people.

STEVE HODGETTS: We're the assessors that were coming after Mr. Brennan. But a number of bills that are before you today are of interest to Connecticut's assessors. Most are supported by our association, however, I would like to just mention two that we're not really in favor of.

TAPE # 4 PAGE # 2 SPEAKER # 14 000404

COMMENTS TO FINANCE COMMITTEE ON MARCH 11, 1999

I am Robert W. Cornell and live at 40 Belknap Road, West Hartford, CT. I am the Co-Legislative Chairman of West Hartford AARP Chapter 2142 and am a member of SWHAT, Senior West Hartford Advocacy Team. I am speaking in favor of Senate Bill #1, which would eliminate the State income tax on Social Security income and certain Federal retirement income before 1984.

I have addressed this Committee every year starting in 1994 with regard to correcting and eliminating the State income tax on Social Security income, which should have been exempted when the income tax was adopted in 1991. The National AARP Public Policy Agenda states -"Social Security cash benefits should not be subject to state income tax". Thirty-five or 70% of the states and the District of Columbia have abided by the initial policy of no state taxation of Social Security income and have never imposed such a tax.

In 1994, I addressed the Committee to make sure Connecticut did not tax the extra Social Security income resulting from the "Omnibus Budget Reconciliation Act of 1993", which increased the Social Security income subject to tax from 50% to 85%. You listened to the seniors and a bill was passed to limit the state taxable Social Security income to 50%, but the elimination of the tax was not feasible because of limited revenue resources at time.

During the last four years, I have addressed this Committee requesting the complete removal of Social Security income from state taxation per the initial Social Security policy. This would make things fair for seniors and make Connecticut competitive with 70% of the states, which includes 24 states east of the Mississippi River except for three. Because of Connecticut's past tax policies, many of our middle and upper middle income seniors have fled to more friendly states, taking with them their talents, community service, and assets. Also, the lower income seniors, as well as the more affluent seniors, are being squeezed financially by inflation, low interest rates, and new Federal policies and taxes - such as reducing the Social Security Cola this year by 30% and another 10% next year, making Social Security income taxable up to 85%, and not indexing the thresholds for taxing Social Security income.

The following two examples show how senior citizens are being squeezed financially. Between 1991 and 1998 the CPI-U has increased 25%, but for seniors the CPI-E has increased 32%. First, a single senior with a 1991 gross income of $31,000 ($12,000 SS, $15,000 Pen. & $4,000 Invest.) has an IRS tax of $2,021 and no state tax for a net income of $28,979. In 1998, the single senior's income would have grown to $35,000 (SS & Invest. increased per CPI-U) with an IRS tax of $2,149 and state tax of $108 ($100 car credit) for a total tax of $2,257 and net income of $32,743. Thus, the single senior's net income has increased 13% from 1991 but compared to the CPI increases the net income represents a loss of 12 to 19% in eight years! Second, a more affluent senior couple with a 1991 gross income of $58,000 ($18,000 SS, $32,000 Pen. & $8,000 Invest.) has an IRS tax of $6,367 and no state tax for a net income of $51,633. In 1998, the senior couple's income would have grown to $64,500 (SS & Invest. increased per CPU-U) with an IRS tax of $8,045 and state tax of $512 ($200 car credit) for a total tax of $8,557 and a net income of $55,943. Thus, the senior couple's net income increased 8% from 1991, but compared to the CPI increases the net income represents a loss of 17 to 24% in eight years! Note, the senior couple has been impacted more than the low-income single senior. Eliminating the state tax on Social Security income should be a big help to all seniors.

I would also like to point out that the second part of the bill exempts Federal pensions before 1984 from the State income tax, which would make Connecticut join about 40 other states that exempt some or all of such income from their income tax.

Please support Senate Bill #1; the elimination of these taxes is long over due. Thank you.

Robert W. Cornell

Dr. Robert W. Cornell