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or some project. The point of this is to help us reduce our debt, and this is a big step. And we should look at this more often, and we should continue to reduce our debt. But I hope we're just not doing this as a place-keeper for something yet unknown that may be out in the hallways that's going to appear and suck up the very bonding which we just got rid of.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Do you care to remark further? Do you care to remark further? If not, there was a motion that the bill as amended be placed on the consent calendar. Is there objection? Is there objection? Seeing none, this bill as amended may be placed on our consent calendar; so ordered.

Mr. Clerk.

THE CLERK:

Turning to Calendar page 9, the matter marked the third order of the day, Calendar Number 423, File Number 592, substitute for Senate Bill 1, AN ACT CONCERNING THE PRESERVATION AND CREATION OF JOBS IN CONNECTICUT, a favorable report of the Committee on Finance, Revenue, and Bonding. The Clerk is in

possession of amendments.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Mr. President, could we stand at ease for a minute, please?

THE CHAIR:

The Senate may stand at ease.

(Chamber at ease.)

THE CHAIR:

Will the Senate please be in order.

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President.

I move the Joint Committee's favorable report, seek passage of the bill, and be allowed to summarize.

THE CHAIR:

On acceptance and passage, will you remark further?

SENATOR DAILY:

Thank you.

Before we begin summarizing, I would like to ask

the Clerk to call LCO 4808.

THE CHAIR:

The Clerk please call LCO 4808, to be designated Senate A.

THE CLERK:

LCO 4808, which will be designated Senate Amendment Schedule A. It's offered by Senator Daily of the 33rd District, et al.

SENATOR DAILY:

Thank you.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

I move the amendment and seek leave to summarize.

THE CHAIR:

The question before the Chamber is adoption of Senate A. The gentle lady seeks permission to summarize. Is there objection? Seeing none, please proceed, Senator Daily.

SENATOR DAILY:

Thank you, very much.

I'll enumerate these:

In Line 22, after the word "reports," one inserts the word "net."

In Line 28, strikes "works at least," and "is paid to work" instead.

Line 32, strike "one."

Line 33, strike "million" and insert "five hundred thousand."

Line 42, strike "on or after."

Line 43, "October 3, 2008."

And strike 4 and 5 in their entirety.

What these changes accomplish is to say that this applies to someone who is paid to work at least a certain number of hours a week and that the tax, the surcharge applies on bonuses of over 500,000. And it eliminates the date on which they were earned.

THE CHAIR:

Thank you, Senator.

Do you care to remark further on the amendment? Do you care to remark further?

Senator McKinney.

SENATOR McKINNEY:

Mr. President, can I have a second, ask the Senate to stand at ease, please?

THE CHAIR:

The Senate may stand at ease.

(Chamber at ease.)

THE CHAIR:

The Chair would ask the Senate to be in order.

Senator McKinney.

SENATOR McKINNEY:

Thank you, Mr. President.

Mr. President, I was trying to ascertain whether I had the correct fiscal note for the amendment. I do and thank the Senate for giving me that time to find the fiscal note.

Thank you.

THE CHAIR:

No problem.

Do you care to remark further? Do you care to remark further? In not, before the Chamber is Senate Amendment Schedule A. The Chair will try your minds. All those in favor, please indicate by saying aye.

SENATORS:

Aye.

THE CHAIR:

All those opposed, say nay.

A VOICE:

No.

THE CHAIR:

The ayes have it and Senate A is adopted.

Do you care to remark further on the bill as amended? Do you care to remark further on the bill as amended?

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President, yes, I do.

This imposes a surcharge on bonuses earned by firms that received TARP money. And that money that is used to cancel the $250 business tax on small firms whose gross income is $50,000 a year or less, has at least one person who's paid to work 20 hours a week, I think; and that's how this amendment becomes really the substance, the explanation of the bill.

THE CHAIR:

Thank you, Senator.

Senator Roraback.

SENATOR RORABACK:

Thank you, Mr. President.

And I had a -- a few question, if I may, through you to the learned Chairman of the Finance Committee.

THE CHAIR:

You may frame your first question.

SENATOR RORABACK:

Thank you, Mr. President.

Through you to Senator Daily, just so the Chamber has an understanding of the particulars of this bill, as I understand it, there is a belief amongst the public, and it may well factually be the case, that certain firms which were the beneficiaries of payments from the federal government under the TARP program have rewarded their employees with bonuses.

And, through you, Mr. President, to Senator Daily, does this bill seek to impose a surtax, an additional tax on the recipients of those bonuses? Through you, Mr. President, to Senator Daily.

THE CHAIR:

Senator Daily, if you care to respond.

SENATOR DAILY:

Yes, Mr. President, and through you, the answer is yes. It's a surcharge on the Income Tax on those bonuses.

SENATOR RORABACK:

And through --

THE CHAIR:

Senator --

SENATOR RORABACK:

-- you Mr. --

THE CHAIR:

-- Roraback.

SENATOR RORABACK:

Through you, Mr. President, to Senator Daily, how much of a surcharge is it or how much of a surtax?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, Mr. President, 2.5 percent.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

Thank you, Mr. President.

And through you to Senator Daily, for which tax years does this bill impose that surcharge?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, sir; 2010, 2011.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

So does that mean that it will only apply -- apply to bonuses paid in 2010 and 2011?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Through you, Mr. President, yes, sir, that's correct.

SENATOR RORABACK:

And through you --

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

-- Mr. President to Senator Daily, how do we know as a -- and how does the Department of Revenue Services know whether a payment is ordinary income or a bonus?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President.

And through you, Mr. President, the department has a way to identify that. And I'm sorry I couldn't be more explicit but I know we've spoken with them and they are able to identify that's (inaudible).

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

And through you, Mr. President, if I were one of the happy recipients of a bonus or if I -- if I were an employee of a firm that received TARP money and I knew that this tax was out there, I would probably tell my employer could you put a different notation on the check than "bonus?" Can you call it "salary" or can you increase my salary so that I don't have to pay this tax?

And through you, Mr. President, to Senator Daily, does this bill take into account the risk, because understand this is only for Tax Year 2010 that we're, I guess now four months into, and Tax Year 2011, which hasn't yet begun. And so through you, Mr. President, to Senator Daily, the question I have is: Why wouldn't people that might otherwise be in line for these bonuses talk to their employers and ask them to characterize the payment as something other than a bonus? Through --

THE CHAIR:

Senator Daily.

SENATOR RORABACK:

-- you, Mr. President, to Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, Mr. President, using you as an example as you did at the beginning of the question, I know certainly you would never do that, and I trust that most of these people are responsible citizens and are most eager to help the small businesses which will -- will, in turn, help them grow.

But to answer the heart of your question, there isn't a -- a mechanism to stop that.

SENATOR RORABACK:

There -- through you, Mr. President. There --

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

I appreciate Senator Daily's response that there isn't a mechanism to stop that. And I'm not sure, Mr. President, I'm not sure that I would ascribe, necessarily ascribe evil, evil motives to individuals who -- it makes a -- if it makes no difference to their employers and it makes no difference to them whether a payment is -- has a "bonus" written on the check or "salary" written on the check, I can't, you

know, my experience with human behavior is that people might act in their economic, rational self interest and characterize the payment so as to avoid paying this tax.

But, Mr. President, more importantly, through you to Senator Daily, has she had an opportunity to review legal opinions, which have emanated from some pretty high-priced talent in Washington, DC, which suggests that the payment -- that the imposition of a penalty tax is unlawful, is what I believe they call a "bill of attainder?" Through you, Mr. President, to Senator Daily.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, Mr. President, yes, I've had the opportunity to review the opinion of five learned people in this area, including our own Attorney General, who do not think this meets the bill-of-attainder test.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

And, thank you, Mr. President.

Actually, the question I have for Senator Daily is whether she had an opportunity to review the opinions of learned people who do think that this represents a bill of attainder tax.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Yes, sir. Thank you, very much.

Through you, yes, I have. And I believe the five people who wrote the other way.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

I'm sorry. Pardon me, Mr. President, through you to Senator Daily.

SENATOR DAILY:

Through you, Mr. President, yes, I have an opportunity to review those. But my faith is in the five that wrote that this does not meet the bill-of-attainder test.

THE CHAIR:

Senator --

SENATOR RORABACK:

Very --

THE CHAIR:

-- Roraback.

SENATOR RORABACK:

-- well. Thank you, Mr. President.

And -- and I don't think -- neither Senator Daily nor I are going to have the luxury of having the last word on the question of whether or not this tax constitutes a bill of attainder, but suffice it is say when you have high-priced talent on both sides of the question, we can all be pretty confident that we shouldn't be spending this money until the -- because unless and until that question is decided -- and I for one, Mr. -- Mr. President, having listened to the rhetoric around this provision, fear that the very emotions which I, too, am guilty of having, may represent the evidence the courts will need to find that what we're doing is unconstitutional.

But setting aside for the moment, Mr. President, the constitutionality of this tax, I think the more important question I have for Senator Daily to most of the people that are watching or listening, who all of us have heard from, is the Business Entity Tax, that $250 fee which the State of Connecticut wants

from anyone who has an entrepreneurial -- entrepreneurial spirit in this state and wishes to try a business enterprise.

Through you to Senator Daily, could she again describe those companies which will be relieved from that burden if this bill is passed?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, yes, I certainly would be glad to. These are the businesses that are typically called "mom-and-pop" operations. They are businesses that have a net income of $50,000. They work at least -- or they're paid to work at least 35 hours a week -- I need to check the number of hours. That's it.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

And so I'm sorry in order to not pay the tax, you have to make at least $50,000?

THE CHAIR:

Senator Daily.

SENATOR RORABACK:

Or you have to make less than $50,000?

SENATOR DAILY:

Fifty thousand dollars or less.

SENATOR RORABACK:

Okay.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

So you have to make less than $50,000, and you -- and how many hours a week do you have to work at this business?

THE CHAIR:

Senator Daily.

SENATOR RORABACK:

Through you, Mr. President, to Senator Daily.

SENATOR DAILY:

Thirty-five.

THE CHAIR:

Senator Roraback.

SENATOR RORABACK:

And so, Mr. President, for the constituents that I have that might work one hour a week or two hours a week or 50 hours a year if they're a small business enterprise that they launch, they will still have to

pay the $250 minute minimum tax? Through you, Mr. President, to Senator Daily --

THE CHAIR:

Senator --

SENATOR RORABACK:

-- if I'm understanding her -- her explanation correctly.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President.

And through you, Mr. President, yes, sir, you're correct.

THE CHAIR:

Senator Roraback.

SENATOR DAILY:

And through you, Mr. President, to Senator Daily, is there a rationale for continuing to impose the tax on the most tenuous, fragile, teeniest, weeniest small businesses while relieving from the burdens of this tax people that are working 35 hours a week at their business? Through you, Mr. President, to Senator Daily.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

I appreciate your description of those firms that aren't making that sort of money. But the interest here and the work here is to help small businesses that -- that are in business. And if those businesses you describe are successful, hopefully they'd be in line for this same forgiveness for the next year.

THE CHAIR:

Teeniest, weeniest is a technical term; right?

SENATOR DAILY:

It is a legal --

THE CHAIR:

Senator Roraback.

SENATOR DAILY:

-- technical term, as I understand it.

SENATOR RORABACK:

Thank -- thank you, Senator Coleman for your understanding of the import of that term.

Mr. President, I -- I guess where I come from, the people that are crying loudest for relief are the littlest guys, and I think that we're missing the mark when we're not offering relief to the littlest guys

because people that don't make $250 a year in their small business, they feel a little bit and who can blame them -- imposed upon when they pay a $250 tax for the privilege of trying out a business that loses a thousand dollars every year. And so I -- while I appreciate the spirit of what this bill is hoping to accomplish, I think it falls short of the mark in that regard.

Mr. President, small business needs all the help it can get in this state, but I don't think the way to finance the help for small business is by imposing a tax which I think odds are will be found unconstitutional or will be gotten out from under by the smart people that are earning these bonuses, and I also don't think that limiting relief from the Small Business Entity Tax to that universe that Senator Daily described, I don't think the net is cast wide enough, and I think it misses the fish that most need our help. So for that reason, I'll be voting against the bill and urging my colleagues to do the same.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator Boucher.

SENATOR BOUCHER:

Thank you, Mr. -- Mr. President.

Mr. President, I'm not going to be asking a lot of questions of my distinguished Chair of the committee, because I'm sure she's answered these questions many times before in committee, so she can have a rest in her seat as she's worked very hard this year.

This discussion about helping small business and the title of this bill, appropriately Senate Bill Number 1, because it is the number 1 problem and issue the state is facing as many other states are, and that is the preservation and creation and jobs in Connecticut. And in attempting to do that, by taking a look at one of our most onerous taxes, the Small Business Entity Tax of $250 and then trying somehow to eliminate that, even if it is for a short time or even if it is for only a certain group of people, is being done in a way that literally hurts them.

And I say that because as we talk about these small, tiny, itty-bitty businesses that were just discussed, so many of them in Connecticut are totally dependent on our larger employers. UTC is an example where we have small injection molding shops all over

the state, small tool and die makers that makes very small equipment that is necessary for their application or we can have a large bank or we can have General Electric who has small appliance shops all over the state and all over the country. They are all dependent, a lot of them, many on them, on our larger businesses. That's not even to discuss the dry cleaner establishments, our retail stores, our grocery stores, so many of them dependent on both our large and small businesses. So we -- we talk to give something to Peter from borrowing from Paul; we are doing a disservice.

And particularly this bill, I think, does not accomplish what it sets out to do, particularly when we wanted to eliminate this $250 Business Entity Tax on all of our businesses and permanently, not just for a short period of time. It was bad policy, bad business policy for the state. It should not be dependent on any other one thing that we should be doing, and particularly in this area, because it brings up so many, so many issues.

And I would say that even if, in fact, this should narrowly pass the Senate with maybe not enough votes to sustain a possible veto, the mere fact that

we're sitting here discussing this bill sends a very, very negative, bad message to the rest of the state and to other employers from other -- outside of the state how -- if they should dare to come into Connecticut, should at some day, some point in time, whether it is a financial services organization or a car company, might be getting a loan from the federal government and in turn then would be facing some legislation such as this.

You know, we had the University of Connecticut do a really stellar report that talked about a vision for Connecticut's viability and business sector to the year 2020. And the very, very first paragraph of that vision for 2020 for Connecticut, it stated that Connecticut has the worst jobs record in the nation over the past 20 years, not just recently. Not only has Connecticut failed to create net new jobs, but the overall quality of the jobs in the economy has deteriorated. In other words, high-skill, high-wage jobs are shrinking, replaced broadly with low-skill, low-wage jobs. And it must reverse this trend.

This can further be seen by the fact that in the last census, and we're undergoing another one right now, ten years later, that last census we lost a

Congressional seat. We used to have six congressmen, now we have five. That means that our influence is diminished. All the money and revenues we send to the federal government is not returned to us in equal measure by a long shot, and the further we erode that population and our revenue base as well, we could stand to lose even further.

This was also seen very easily by when we tried to institute another tax to shore up our -- our lackluster revenue stream, and that was the Estate Tax when we did lose a large portion of a population. And it was actually documented in a -- in a fairly detailed report by the Department of Revenue Services on the effects of the Estate Tax and the demographic changes and the change in our employment base, both by the quality and the -- the amount of money that they were getting.

So this, to me, is of a big concern, because not only are we trying to attempt to somehow help our small business entities -- and, again, the question is there, how well we do that -- we are going to set about taxing the financial services industries, those banks or financial service industries that happen to not only request TARP assistance but those that did

not request it.

There were many institutions that were approached by our federal government to take some of this money so they could shore up and support the financial institutions at that time, because they were so critical to us. So that very entity that is so critical to the underpinning of our economy, now we stand to punish in some fashion. And these may very well be the same people that we just punished in our September budget, that two-year budget that we're functioning under now where we made a progressive State Income Tax, a larger tax for those making over $500,000 a year or more. Not only did we tax it, we did it retroactively so that there are some employers -- by the way, some of those wealthy or happen to be our employers, they literally did not take any salary or pay whatsoever for the last two or three months of the year because they retroactively went back to January. These could be the very same people.

So this not only raises the issue of whether we're doing something that no other state is considering doing, by the way, again, picking a special place in -- in the business world for Connecticut as not only being the most anti-business

environment state in the country, but we're going to further exacerbate it with measures such as this.

Now, we have already had a number of pieces of testimony in committee by some of these institutions that further underscore that in their opinion it's anti-job, anti-employee, anti-residents, anti-business and completely counters the underlying goal of the bill which is -- which is actually job creation.

They further underscore the fact that so many of these institutions have not only paid back any of these loans, but they paid it back with interest; in other words, the government, the taxpayer made money on this. And so many of these employees had nothing to do with that aspect of the business that this seeks to address. They are feeling unfairly targeted, and rightly so.

And it is a business, I might add, that really supports Connecticut's revenue stream. It employs an industry of 150,000 people, over 5,000 businesses and industry that makes up 10 percent of the state's employment base and represents 30 percent of the state's gross product; again, a very, very negative message.

They further go on to say that by doing this, by

picking on this particular group of people, we may be tampering with a constitutional issue, which the State of Connecticut, therefore, would end up going to court. And not understanding or knowing or realizing how much revenue they could be gaining, we would have to spend quite a bit, probably litigating this in court. It doesn't know how many people, really, it's going to affect. It doesn't know how much revenue that it's going to bring in. And, again, it tests the constitutional issue.

And a further, the issue of its constitutionality, it's been stated that it violates the U.S. Constitution's prohibition upon passage of any state of a bill of attainder. And I understand that to mean that a levy would not and could not apply to a taxpayer who declined or returned such a bonus but will apply to any bonus received by a taxpayer from a covered TARP recipient, regardless of whether such covered TARP recipient was paid in full or in part to the federal government, any funds under TARP.

And when they further go on to explain what does the Constitution Bill of Attainder Clause say, it says that in Section 2 of S.B. 1 targets and effectively punishes a discreet group of individuals, solely

because they received bonuses from certain currently unpopular financial institutions and that legislative acts such as this, the one that we're discussing right now, no matter what they're for that apply either to a named individual or to easily ascertainable members of a group in such a way as to inflict punishment on them without a judicial trial are bills of attainder prohibited by the Constitution. This clearly makes this type of legislation easy bait, easy target to go to court, and surely we will do that.

It just doesn't make sense, Mr. President, that we should be discussing this bill at this time in this state for a very group that really helps to support our revenue base for the state. There are a number of state Senators here that represent many of these organizations, these individuals, many of them that went through quite a bit of -- of difficulty in paying because sometimes they're on top and sometimes they're nearly out of business and are in foreclosure and have to leave or at other times they're being targeted by a legislative committee here where some of the families and their children actually are afraid and afraid for their lives because they have cars and residents and protests going on in front of their homes, and they

don't understand why, many of which weren't even a part of all of this.

And at some point there is a threshold where they're going to say, you know, we don't need this. We're only 10 miles, 15 miles, 20 miles at the most from the -- from the New York border; we could just as easily do our business there. And that's what we want to prevent.

So, as I said, this is certainly not the kind of action I think that this bill should be directing to improve our job market and the environment to have a healthy economic environment for the state to proper and to grow. So for that reason, I know and I hope that a number of our Senators will consider not supporting this bill right now; it's the wrong time for this sort of action.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator Frantz.

SENATOR FRANTZ:

Thank you, Mr. President. I can't help but sense and smell the irony in the title of this bill, given some of the contents of it, AN ACT CONCERNING THE

PRESERVATION AND CREATION OF JOBS IN CONNECTICUT.

There are some serious reasons in here why this does not do that and there is also a message in this bill, Senate Bill Number 1, that will resound through the business community as we speak today, whether this is passed or not. And it's not a good message at all.

In this bill, there is the good and there is the bad and there is the ugly. The good is that at least we are taking a stab at eliminating the Business Entity Tax; that's a tax that is onerous particularly for smaller companies, and I applaud the committee for writing a bill to address that. There is $20 million in loans and loan guarantees for smaller businesses; I applaud that.

The bad is that it doesn't go far enough. Connecticut is at a crossroads in terms of its potential future development of its tax base which, once again, feeds Connecticut state government and all of the programs that we review and implement every year. If we harm that tax base, we're harming every, single person in Connecticut or most of them, in any case.

And then there is the ugly, which is the bonuses on employees who receive -- on bonuses at firms that

receive TARP funding. This is the community of businesses that we want in the State of Connecticut. We want financial service businesses. They don't pollute. They pay a lot of money in their salaries. They contribute a great deal in terms of economic development, individually and corporate-wise they contribute a great deal to the charities in their respective communities and municipalities. The last thing in the world we want the be doing is sending out the message that we're going to tax you more.

And, yes, it probably does bump up against the issue of a bill of attainder, a constitutional issue that has been reviewed, but not fully, not as fully as we could. And if it is litigated, it'll be a very interesting case to follow. If we were to hypothetically litigate that or, in fact, litigate it and we were determined not to be passing a bill of attainder here today, the fact that it comes close, that it rises to the level of an inquiry in the court of law is something that does not send out a good message at all.

Again, this is the community of business people that we want in the State of Connecticut. Our heyday is over, quite frankly, in terms of manufacturing,

insurance, which is part of the financial services sector, and other industries that have put Connecticut on the map not only of this country but of the entire world and has created a great stream of revenues to the state of government for over a hundred-and-some-odd years, as long as they've had taxes in place.

I do want to also point out that although the data is not in yet and it may be very difficult to get this in time for the end of session, but we have been blessed in the State of Connecticut by an unexpected bump-up in revenues here recently. We need to parse through that data to figure out where it came from, but what I'm hearing is that that -- that increase in revenues came from a smaller group of people. I can guess, you can guess where that came from. It may be less than 20 people, the -- a significant portion of it, a statistically significant portion of it. It may not; we don't know, but that's the suspicion at this point. The message there, fellow Senators, and Mr. President is that if we did not have those people in our state, because I suspect they worked at financial service firms, we wouldn't have that unexpected bump-up in revenues, we'd have perhaps something on the negative end. That's a message that

we should all pay very, very close attention to.

Mr. President, through you, I have two, maybe three short questions for Senator Daily.

THE CHAIR:

Please proceed to frame your question.

SENATOR FRANTZ:

Thank you.

Senator Daily, if the TARP money was paid back already, the -- does the increased bonus tax remain in effect?

SENATOR DAILY:

Through you, Mr. President --

THE CHAIR:

Senator Daily.

SENATOR DAILY:

-- yes, sir, it does.

SENATOR FRANTZ:

Thank you.

Through you, Mr. President, thank you for that answer. If the money is about to be paid back with interest at a surplus, we'll call it, to the taxpayer as opposed to a profit to the taxpayer, is the bonus still -- bonus tax still in place?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President.

And through you, Mr. President, yes, sir, it is.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

And through you, Mr. President, Senator Daily, are there any other states that you're aware of that have a tax such as this one, specific to bonuses for employees who work for firms that received TARP monies?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President.

And through you, Mr. President, no, sir, not that I'm aware of today.

THE CHAIR:

Senator Frantz.

SENATOR FRANTZ:

Thank you.

Through you, Mr. President, thank you for those

answers. I do not have any more questions for you, maybe some others that I'll -- I'll ask privately. But thank you for those answers.

Once again, Mr. President, I would say this bill sends out the wrong message at the wrong time. Yes, there are good elements in it. It -- it does provide for some good economic development provisions. It doesn't address completely the Business Entity Tax which for small business is an onerous burden. For larger businesses, it's a slap in the face; it says we don't really appreciate you as much as we should.

And, final point, once again, where are we going to get our revenues if we don't have the financial services business in the State of Connecticut? Decisions are being made daily, and I do not want to see something like this in a bill form scare our tax base away.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator Debicella.

SENATOR DEBICELLA:

Thank you, Mr. President.

Mr. President, through you, a question to the

proponent of the bill.

THE CHAIR:

Proceed to frame your question.

SENATOR DEBICELLA:

Thank you, Mr. President.

Through you, to my good friend Senator Daily, I just didn't see it in the bill here. Where is the section that's going to prohibit people from moving out of the State of Connecticut? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, Mr. President, that perhaps is an amendment you want to offer.

THE CHAIR:

Senator Debicella.

SENATOR DEBICELLA:

Through you, Mr. President, I obviously jest in -- in the question, but a more serious question is: Why do we believe that people who are given this new TARP tax, many of whom have the financial wherewithal to move, won't just move to New York or another state

instead of paying this tax? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President. There are a number of reasons I believe that will not be the case. First of all, this is not higher than any other of our surrounding states as a tax rate, and it's lower than most. Second, it's temporary. Third, it does help the small businesses that we've been trying to help.

And I would like to mention that I was on, as were other colleagues, the Finance Committee when this tax was enacted. The problem that this sought to address was that there were many companies who paid zero tax. Since we've passed this tax, there's always been a concern about those at the bottom of the ladder and always a look to see if there was some way we could provide some kind of relief. Now that there were those bonuses that we think people were likely not counting on, we are going to try to use that for two years to provide that relief that we have sought.

SENATOR DEBICELLA:

Thank you.

THE CHAIR:

Senator Debicella.

SENATOR DEBICELLA:

Thank you, Mr. President.

I thank Senator Daily for the answer to the question. I actually think she's half of the equation right there. I actually think every, single person in this circle would vote to eliminate the Business Entity Tax, if it were a stand-alone bill.

The issue is that this TARP bonus tax is not only unconstitutional but is going to harm the State of Connecticut because people are going to leave this state. When you place this kind of tax on folks, they might not move to New York, they might move to South Carolina or Florida, because a lot of financial services is not geographically dependent. So this not only is going to do something that's unconstitutional, but it will reduce -- it -- it will actually reduce the amount of revenue the State of Connecticut is going to get as people move out.

The fiscal note on this is wrong. This is going to result in a massive loss for the State of Connecticut, because when these folks move out, not only do we lose their TARP tax money but their Income

Tax money, their Sales Tax money. So this is going to be detrimental to our budget.

Now, take with -- when those people leave, guess what? They're probably going to be leaving with their businesses. So this is about creating jobs? People in Connecticut are going to lose their jobs as folks move out of the state. This is going to have the exact opposite effect of what it's going to have. Only in the perverse logic of this building does raising a tax somehow create jobs. If we were serious about this, we would have a stand-alone bill that actually cut the Business Entity Tax, dealt with regulation reform, actually cut spending to pay for it. Instead, what we have here, Mr. President, I believe is nothing but political theatre to capitalize on emotion and does not fundamentally address any of the issues that our business community is facing.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator LeBeau.

SENATOR LEBEAU:

Thank you, Mr. President.

I rise in support of this bill as amended. Now,

we've heard a -- we're going to hear more, I'm sure, about the signals that we're sending to business. And I think there is a -- there's a signal that we're sending to both business and to the people of the State of Connecticut with this bill, and that signal is one of fairness.

I was listening to National Public Radio this morning. They were talking about hedge fund managers, and they'd noted that of -- if you took the salaries of the 25 top hedge -- hedge fund managers last year in the United States, that we could pay for 688,000 teachers.

You know, this is about -- we've heard this discussion about Main Street and Wall Street. This bill is about Main Street. This bill is about helping small businesses through the business assistance program that's being set up by the $20 million that we have -- that will be appropriated through the bond funds and through the reduction of the -- the Business Entity Tax.

Whether it's teeny-weeny or itsy-bitsy or polka-dot bikini, I'm not sure, but it's -- let's get back to the facts in the bill. What we're talking about are real businesses that employ one person. So

we're talking about real businesses, not -- not businesses that file a form every year that way that we're in existence but businesses that really employ people. So we're saying if you make less than $50,000 and you -- and you employ somebody, at least one person, at at least 35 hours a week, then you're going to get that break; we're going to take off that $250.

You know, and we're talking about signals we send to business. We send signals to business. We're going to send more signals to business. There -- there are going to be some bills that I'm sure that Republicans and Democrats alike are going to -- are going to back regarding business this year, particularly for small business. And why small business? Because we know that 97 percent of the new jobs that are created in our economy are created by small businesses. So that's why we're focusing on small business.

You know, we're also going to have bills that, as I mentioned, the, you know, the so-called "Roundtable" bills and other bills that are going to come from Commerce, bills that deal with the reinvigorating and getting the Insurance Reinvestment Act going. But if you look back in our past, we have done much for large

business. We have done much for -- for large business that we - the one of the largest trading floors in the world is in Stamford because of what this Legislature did some years ago. We have done these things and we'll continue to do these things, and this bill, again, is about fairness and balancing the needs of Main Street versus Wall Street.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator Guglielmo.

SENATOR GUGLIELMO:

Thank you, Mr. President.

Just a few brief remarks. I doubt if I'd have anybody in my district that would be affected by the tax we're talking about, but I do think there's a basic unfairness with the tax. And I know from some of the -- actually some of the seminars we had here and when we had some tax experts in front of the Finance Committee, and they mentioned that the United States and Great Britain have the highest percentage of tax compliance in the world. And -- and one of the reasons they gave for that is that most people think their taxes are fair. We all complain about them,

but, in general, we think it's a fair system. Something like this is just on its surface blatantly unfair, and that's why I have some problems with them. You're -- you're taxing people retroactively; I never could understand how that was fair.

Some of the questions that Senator Frantz asked about, even when if they paid back the TARP money, they're going to be subject to this tax; but that strikes me as unfair.

And then when you move on to some of the remarks by Senator Debicella, you know, about this being a very mobile society, and you don't need -- you know, with computers and so on -- you don't need -- location doesn't mean anything at all for most of these businesses.

I knew a guy who was a hedge fund operator and from Connecticut. He moved down near Duke, because he had a weight problem and he wanted to be near their weight-loss clinic, had nothing to do with taxes but it -- it shows how easily you can move a business like that.

And, you know, we've been a mobile society from colonial times. I -- I, you know, I took my Master's degree at Trinity, and I had a real old, sage of a

professor and he explained it, how the United Sates has always been mobile because we had cheap land. And so if you didn't like who you were working for, it was inexpensive land and you could move. The reasons for moving today are a little different than that; the land isn't cheap, but we're still mobile. We have those habits. And, you know, and I am concerned and I -- we, we are losing population. We are losing jobs. Those are real facts; those are not some projections, those are facts.

We all -- we all in this room know people who have left Connecticut because of our attitude, which I consider to be pretty anti-business. I know two within the last year, one to North Carolina, one to Florida, who have moved, not because of this specific tax, but just because of our tax policy in general. We seem to be punitive in the way we tax people.

I mean the one good part of the bill that I though was worthy, when we're going to take a shot at eliminating that two -- $250 tax on some, some business. And I think that's great. The problem is you're talking about businesses -- I mean, I think we should eliminate the entire tax. You got people -- you're talking about you're a small business that

makes $50,000, has one employee. I'm an -- I have an insurance agency in a very small town, 11,000 people; we insure a great many business that have only one person. But you'd be surprised at how many businesses, they don't want to get into the hassle of hiring employees, so they're, because of the environment that we created here in Connecticut, because of the high Workers' Comp costs, because of the taxation, because of the regulation. So you've got a lot of one-person businesses, carpenters, people putting flooring in, landscapers; they work alone. They're - they're not going to get this tax break.

You even have some people who are really not in business at all who just set up an LLC. They own land up in Stafford and Union and Eastford. A lot of people have had land in their family for generations, and they're what we would call "land poor." They got no cash but they own land and they keep it because some of them just like to own land. They've owned it a long time and they value it, and they're they don't want to sell it.

And that kind of fits in with another goal in Connecticut; we're trying to keep open space. So, you know, you have an -- I -- I -- just one lady comes to

mind; I've mentioned her before in this chamber. She called me up. She's in her eighties. She has a lot of land that's been in her family for generations. She set up three LL -- three LLCs with her three sons to give her liability protection on the land. In case someone got injured on the land, they could only take so much; it was smart. But she pays 250 times 3 for absolutely nothing, and she asked me how, how is that fair? I'm not even really in business. You know, I really couldn't answer that. So I think if you're talking about a question of fairness and taxation, this just doesn't do the job.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator Prague.

SENATOR PRAGUE:

Thank you, Mr. President. I would like to ask the proponent of the bill, so that I will understand this more clearly, a question.

Through you, Mr. President, Senator --

THE CHAIR:

Please frame your question.

SENATOR PRAGUE:

Senator Daily, the bill before us is going to tax just the bonus that these CEOs or at whatever level they are, people who get the bonuses in these, the companies who got the TARP money. Is that correct?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Through you, Mr. President, yes, that is correct, Senator.

SENATOR PRAGUE:

And through you, Mr. --

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

Thank you, Mr. President.

And through you, what's the average salary these people get, not counting the bonuses? Because bonuses are not salary, but what's the average salary they get for the work they do?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Through you, Mr. President, I don't have the information on the average salary, Senator.

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

So, through you, Mr. President, if this is only going to tax bonuses of over 500 million -- no -- $500,000, then would I be wrong in assuming that if the $500,000 is a bonus, that they -- that salaries would at least be equal to that if not more?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President.

And through you, Mr. President, Senator, I don't think that's anything I feel qualified to answer. Some could be earning various low salaries and receive a bonus, some could earn very high salaries and be eligible for a bonus. But this surcharge that we're speaking of is two-and-a half-percent on the bonus --

SENATOR PRAGUE:

Uh-huh.

SENATOR DAILY:

-- $500,000 and over.

SENATOR PRAGUE:

Well --

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

Through you, Mr. President, I want to thank the Chair of the Finance Committee. So that I can just be clear, that the $500,000 is in addition to their salaries and the -- the tax is only on that large bonus.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, Mr. President, yes, Senator, that's exactly correct. On whatever your salary is, you pay your tax as levied. And this bonus is only on -- this two-and-a-half percent is only a bonus that you would have received if you were an employee in a company who received and accepted TARP funds.

THE CHAIR:

Senator Prague.

SENATOR PRAGUE:

Through you, Mr. President, thank you, Senator Daily for explaining that to me.

Thank you, very much.

THE CHAIR:

Thank you, Senator.

Do you care to remark further? Do you care to remark further on the bill as amended?

Senator Fasano.

SENATOR FASANO:

Thank you, Mr. President. Mr. President, through you to the proponent of the bill --

THE CHAIR:

Please proceed.

SENATOR FASANO:

Thank you.

Mr. President, if I may, in Line 58 though 59, it says disqualified bonuses do not include commissions, welfare or fringe benefits or expense reimbursements. It's my understanding that in determining the TARP bonus, as defined in previous lines, those items are disqualified from that value.

Is that a correct interpretation, through you, Mr. President?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President.

And through you, Mr. President, yes, sir.

THE CHAIR:

Senator Fasano.

SENATOR FASANO:

Thank you, Mr. President.

Mr. President, through you, perhaps Senator Daily can help me out with the -- in Line 59 -- word "welfare" must be tied to the word "benefit," I'm gathering, but welfare or welfare benefits. What type of welfare or welfare benefits would that include that could be discluded from the bonus value? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

The bill does not contain a definition of that welfare or of fringe benefits or of expense reimbursements or of commissions. But I would expect it would have the common meaning and match what we do with our own Income Tax.

THE CHAIR:

Senator Fasano.

SENATOR FASANO:

Thank you, Mr. President.

Although I can't speak definitively, but I don't believe that welfare is described in our code, but I won't say it definitively. But if I can ask the Senator, if part of my compensation package was a health club membership, would that be something that would be considered excludable from the definition of disqualified bonuses? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

If part of your salary was considered a health club membership, I would think yes, you would pay tax on that. And I think the same application would be present in a bonus.

THE CHAIR:

Senator Fasano.

SENATOR FASANO:

So, through you, Mr. President, would that be, under this bill, if that kicked in to over a million dollars, would that be -- or 500,000 -- would that be subject to the TARP tax or not, this say, health club benefit membership? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President.

And through you, Mr. President, yes. If that were considered part of your bonus, a health club membership, I would say that it would, as it would in other circumstances. If that's part of your salary, it's considered as part of your income.

THE CHAIR:

Senator Fasano.

SENATOR FASANO:

Thank you, Senator Daily.

And through you, Mr. President, so it would not, although it would be disqualified under Line 58 through 59 because it's a welfare benefit, you're indicating that it would be included for the bonus tax. Is that correct, through you, Mr. President?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, Mr. President.

And through you, Mr. President, yes, that's what I'm saying.

THE CHAIR:

Senator Fasano.

SENATOR FASANO:

So what welfare benefit are we excluding by virtue of Line 58 through 59, Mr. President, through you?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you very much, Mr. President.

I would say this excludes what is commonly called a welfare benefit, welfare that you receive from the government.

THE CHAIR:

Senator Fasano.

SENATOR FASANO:

I thank Senator Daily for that answer.

If I can now turn to Lines 40 through 41 of the bill, where it talks about arrangements for future payments, in our code we tax when you either realize that income that is receive it or if it is a promise in the future, if it's securitized or there's security now in some fashion and you get it in the future, such that the expectancy of that money is almost guaranteed or is guaranteed, you include it in income. With

respect to future payments, if there was a contract to say three years from now, so in 2013, I am going to pay you a bonus of $500,000 if the company does X, would that be included in this bill as a taxable event today or when I receive the money in 2013? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, Mr. President, that would be considered a taxable event when you realize those receipts. We follow federal tax code; you pay on Line 1420 or whatever of our form. So that's how that would be --

THE CHAIR:

Senator Fasano.

SENATOR DAILY:

Is how that would be done.

SENATOR FASANO:

Thank you, Mr. President.

Mr. President I thank Senator Daily for her answers.

Mr. President, I rise in opposition to this bill

for a number of reasons. First of all, Mr. President, Senator Daily is correct, we should be following the tax code, and we should be following the tax law. This will be the first time federally or state that someone has attempted to use the tax code in a manner against a particular industry as a result of a particular offense and against a particular employee, first time that I can find, that this is done to that regard. To me, that's an awful scary power.

I've looked at the opinions. And, you know, people can say there's an accident on the corner and a lawyer sees it, and he can take either side, when it comes down to a case. In this case, nothing is more true. The Attorney General of Connecticut was asked is this an unconstitutional tax? His answer was I think so; it is -- I think it is not unconstitutional, maybe -- perhaps.

I kind of looked, and as an example of that, he said you have to look at the legislative purpose of the tax, which is stated to replace the corporate tax, which is in the bill. So he's saying it's okay that it has a function of punitive nature, as long as it has what the Legislature deal -- believes is a noble cause. So if you're doing something that's wrong but

you have a noble cause, it's okay. I don't follow that logic.

There are a lot of people with good intentions who do bad things, and they're held accountable; they're still bad things. So in this case, Mr. President, that argument, which is the crux of his decision, which at the end of the day he is equivocal at best saying I don't think so.

When you look at the law, the law is abundantly clear. You have to have a rational relationship to the tax and the generation of that tax, that income. There is no rational relationship. There is nothing that TARP tax of Connecticut does to increase businesses in the State of Connecticut. That tax, in and of itself, does not increase businesses in Connecticut. Sure, we can use that money to do lots of things, loads of things, hundreds of things. One they pick is to bring businesses, but that's not what the TARP tax is -- is associated directly with. Mr. President, it is clearly, absolutely, positively, without question, punitive. It's punitive. It is offered as a way to punish those who we feel did something wrong.

Now, I know it's very tough to stand here and say

somebody gets a million-dollar bonus, $2 million bonus, $3 million bonus. It's tough to protect; I get that. But it is the policy. We are opening up a door to an unbelievable unknown, and it's easy to pick on the person who makes the two million, $3 million bonus. There's not a lot of sympathy out there for the person. But you have to look behind that. You have to look at the policy in what we're doing.

Now, there's going to be a lot of talk, I am sure, about the fact that the banks put us in this horrific position, that it was the banks who we bailed out who put us in the position that our market fell. Our housing market fell. Our stock market fell. Lost -- unemployment. Lost jobs, unemployment rise is because of the greedy people who dare to make loans knowing these people are going to default on the loans and capture that profit. And they have to pay. They have to pay and this is how we're going to make them pay.

The problem with that argument, Mr. President, is the policy in Washington was for the banks to do that. Fannie Mae and Freddie Mac policy was everybody should own a home. Everybody deserves a home; get it to them. We had non-verification loans that weren't

backed up. We had no one checking values at the government. Why? Because our Freddie Mac and Freddie -- our Fannie Mae and Freddie Mac programs were designed to help make mortgage available to the poor, middle class. And as it went on, that notion, noble as it was, was usurped by pushing a policy way too hard. And Washington knew about it. They knew that they were overextended. They knew that their equity that they had in the housing market was considerably distressed.

What did they do? Fannie Mae and Freddie Mac spent $170 million over the previous decade to hire lobbyists to prohibit changes in the regulations that would have tightened up those structures. In a self-interest view, they fought hard to stop any speed bump that prohibited them from delivering the policy that they felt were right.

Fannie -- Freddie Mae and Fannie Mac doubled in size, $2 trillion of mortgages. And when the concerns were brought to light in Washington, people in charge of Fannie Mae and Freddie Mac said things like we don't have a crisis with Freddie Mac, and in particular, Fannie Mae; we have soundness in our system. In fact, I think it was Chuck Schumer said

we're using the recent safety and soundness concerns to curtail Fannie Mae and Freddie Mac's mission; I lay my marker down, Mr. Chairman, that I believe these are solid institutions.

Our own Chris Dodd called the criticism of this market exaggerated threat, overestimating the seriousness of this financial loss, that Freddie Mac and Fannie Mae are fundamentally sound financially; people accuse as an artificial excuse to put regulations in.

Well, they were wrong. They were wrong. They were wrong. Fannie Mae and Freddie Mac was a time -- bomb in our financial institutions and in our market that blew up in their face and our face.

And what's our answer? Yeah, I know we pushed these policies. Yeah, I know we pushed the limits. Yeah, I know we overcollateralized. Yeah, I know these loans' ratio didn't make any sense. Yeah, I know we stopped all these safeguards. And I know to stop the bleeding that we caused you banks, we're giving you a TARP funds. Now the State of Connecticut is walking up its Legislators and say now we're going to tax you. Even if you pay it all back, and you gave a loan -- sorry, you gave a -- a bonus, you paid all

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the money back to the federal government and you get a bonus, we're still going to make you pay that back. Whether or not your department was even involved in that banking aspect, if it's a multi-company and you're on sales or something and you get a bonus because you've run that department well, doesn't make a difference. We're not going to distinguish. We're going to hit you all up because you're all no good. Even if -- since we're doing 2010, 2011 -- even if someone just got employed at one of these companies that got TARP money and came in 2010 and straightened out the whole department, turned them profitable, stopped what they were doing before and was congratulated by bringing the company back and allowing the company to pay the banks off and you did such a great job, we're going to tax them. We're going to tax them.

The logic is baffling, the lesson is not. The lesson is government has got to stay the heck out of the way. That's the lesson. And every time the government doesn't, we pay the price. And here we're getting involved again. I dare to say there's not another state that is doing this.

The federal government thought about it; right?

I think it was Charlie Rangel, perhaps, who brought this up, and some other folks, to tax the TARP money. And even they pulled back realizing this was not the right thing to do.

And it isn't the right thing to do. This isn't going to change behavior. What do you think, you're punishing? You think they're little kids, you're sending them to your room? This isn't going to change behavior. You want to change behavior, we need to get a hold of those folks who represent us in Congress and tell them, change the behavior. Do it now. Should have done it yesterday. Do it now. That's how we're going to change behavior.

The white elephant is what's happening in Washington. The gorilla in the room that we're not talking about is what's happening in Washington, that's where the change is. But to say the State of Connecticut is going to on its own, unilaterally tax these TARP bonuses because we feel that we're the overseers of everybody and these people are going to pay, is dangerous, in my view, at best. At worst, it's ludicrous.

Mr. President, the problem is that this bill not only sends the wrong message about businesses, it says

Connecticut will stop at nothing because we let ourselves -- and we did -- get into this economic crisis. We picked some scapegoat that we decided we're going to lay a tax on and say, those bad people, we need money, let's go after them. Because we didn't watch our coffers, we didn't cut spending, we still haven't cut spending, we still haven't fixed budgets, so we're going to look for somebody else, an easy target, easy for the general public not to come running to their side. We're going to look at those people and go after them and see what nickels and dimes we can drag out of their pocket.

Mr. President, this is very dangerous, very dangerous, because it's never happened. It's never happened before federally or statewide. In my mind, not a doubt this is unconstitutional. If this is not unconstitutional taxation, I don't know what is. I don't know what is.

Mr. President, this Chamber knows that -- that more likely than not, this Governor, when she reads this bill and looks at it -- has already made a statement months ago -- that this is not going to pass her signature. They know it. The majority party in this room knows it. And if you really want to do

something for businesses, then let's do something to get rid of that 250 tax, because you know this is going to get vetoed. Governor told us months ago, six months ago, it was going to get vetoed.

And when I look back at the agenda put forward over the years by the same party who's putting this bill forward, you look back and you see in odd years -- let's take 2005 -- odd years, we talk about taxes, we talk about fair deal for Connecticut families. Even years, 2006, we talk about tax cuts. Odd years, 2007, we have spending programs over a billion dollars. Even years, we talk about cuts and credits to taxpayers, in 2008. In 2009, there was no real big bill that came out. In 2010, another even year, we're talking about another jobs' package. It switches. Switches. Even year, cuts, odd year, taxes.

We're in an even year; that is a problem, especially when you know that this bill is not going any further. I may add, Mr. President, that on the even years, a lot of these bills that were put forth as major agendas didn't even get a public hearing or vote, died on the Senate floors.

If there really is a notion that we're going to push a business package through, then let's do it.

Let's do it. Getting rid of the 250 tax makes a lot of sense. Tying it to TARP is simply, and absolutely wrong.

Mr. President, we need to understand that Connecticut is a small state, and we need to understand that losing 100,000 jobs and tens-of-thousands-plus of businesses is critical to our state's future. Our ability to tax gets narrowly and narrowly defined as people lose our state -- leave our state. And we need to keep as many people as we can.

If you look at that list, that list of how many businesses are getting TARP -- TARP money, they may not be all located in the State of Connecticut, but their offices are. We're running them out. We're running them out. We have a major problem in this state.

Mr. President, obviously I am firmly against this bill. I certainly can count fairly well and I believe this bill, unfortunately, may make its way out of this chamber. In some hope that if it does get out of this chamber we can make it a little bit of a better bill, I would ask the clerk to call LCO 3618.

THE CHAIR:

Would the Clerk please call LCO 3618 --

THE CLERK:

LCO --

THE CHAIR:

-- to be designated Senate B.

THE CLERK:

LCO 3618, which has been designated Senate Amendment Schedule B. is offered by Senator Fasano of the 34th District, et al.

THE CHAIR:

Senator Fasano.

SENATOR FASANO:

Thank you, Mr. President. ...

Mr. President, I move the amendment and I request permission to summarize.

THE CHAIR:

The question before the chamber is the adoption of Senate B.

Senator Fasano. Senator, was your LCO 3618?

SENATOR FASANO:

That's correct.

Thank you, Mr. President.

THE CHAIR:

Yes, you may proceed.

SENATOR FASANO:

Thank you, Mr. President.

Mr. President, what this amendment does is it says that no bill without an appointed impact statement attended to -- appended to the bill can be brought up to the General Assembly. Basically, when we have a bill on our desk, there is a -- there is an employment impact statement that goes with that bill. We have one for municipalities. We have one for states. If we're talking jobs, we want to make sure that the bills that pass this General Assembly and understand the impact on jobs, and the employment world, why wouldn't we want to have that information at our fingertips? Why wouldn't we want to know whether the bill before us is good or bad with respect to employment issues here in the state? Never before could I think of a more critical time for us to look at bills to ensure of what their impact is upon the business world. Mr. President, I think that this impact statement is important. It should be part of our normal procedures, and I ask that it be adopted.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Do you care to remark on the amendment?

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

I rise in opposition to this amendment. This is an expertise that OFA doesn't have. It doesn't have the staffing to do it, and as the bill reads within available resources, it would then eliminate some other tasks already assigned to OFA. So whether -- putting the merits aside, it's not something we're able to do right at this time, and I urge its defeat.

THE CHAIR:

Thank you, Senator.

Senator Frantz.

SENATOR FRANTZ:

Thanks, Mr. President.

One of the most important things that any of us can have in life is -- is a job, and one of the most important things for the State of Connecticut is that we have a lot of jobs. It's the only way for people to be -- to be busy, to be occupied during the day, to feel a sense of purpose, to contribute to a greater good in so many different ways, not just revenues to the State of Connecticut but the greater good of Connecticut. There is no replacement for a thriving

economy in a state throughout this country.

Connecticut has made it very clear that we're not as interested as we used to be 50 and 100 years ago in creating that kind of economic utopia that we used to have. Every day we tend to appear in this capitol, we tend to attack what has made us such a great state in the past. So I think the whole idea in Senator Fasano's amendment here, of an employment impact statement is of critical import to the process of understanding the law of unintended consequences.

We pass so many laws up here, and we always think we're doing the right thing for the betterment of society, for the betterment of the State of Connecticut. However, if in the process of passing these bills and putting them into law we end up losing jobs, we've not only destroyed what is so great about Connecticut and has been great about Connecticut in the past, we also take away the opportunity for individuals to become gainfully employed, to find an identity in life to, yes, make some money for their family and enjoy life to it's fullest benefit. So I do rise, Mr. President, in favor of this amendment.

Thank you.

THE CHAIR:

Thank you, Senator.

Do you care to remark further?

Senator Daily.

SENATOR DAILY:

Thank you very much, Mr. President.

When this amendment is voted on, I request a roll call vote.

THE CHAIR:

The lady has requested a roll call vote. When the vote is taken, it will be taken by roll.

Will you remark further on the amendment? Will you remark further? If not, the Chair would ask the Clerk to announce that a roll call vote is in progress in the Senate.

THE CLERK:

An immediate roll call vote has been ordered in the Senate. Will all Senators please return to the chamber. An immediate roll call vote has been ordered in the Senate. Will all Senators please return to the chamber.

THE CHAIR:

The machine is open. Will all Senators please check the roll call board to make certain that your vote has been properly recorded?

If all Senators have voted, the machine will be locked, and the Clerk may announce the tally.

THE CLERK:

The question is on adoption of LCO Number 3618:

The Total Number voting	34
Those voting Yea	13
Those voting Nay	21
Absent and not voting	2

THE CHAIR:

Senate B is rejected.

Will you remark further on the bill as amended?

Senator Roraback.

SENATOR RORABACK:

Thank you, Mr. President.

As Senator Fasano said, all -- all of the signals from the Governor's Office are that she will veto this bill, and I would respectfully suggest that all of us as -- as a Chamber and the people of the State of Connecticut would be much better served if we were to pass something that would earn the Governor's support. And to that end, Mr. President, the Clerk has an amendment, which is LCO Number 4792. If the Clerk could please call the amendment, and if I might be permitted to summarize.

THE CHAIR:

Would the Clerk please call LCO 4792, to be designated Senate C.

THE CLERK:

LCO 4792, which has been designated Senate Amendment Schedule C; it is offered by Senator Roraback of the 30th District, et al.

THE CHAIR:

Senator Roraback, would you move adoption?

SENATOR RORABACK:

I will. Thank you, Mr. President, I move adoption.

THE CHAIR:

The gentleman has also requested leave to summarize. Is there objection? Seeing none, you may proceed, Senator Roraback.

SENATOR RORABACK:

Thank you, Mr. President.

This amendment does a simple thing. It doesn't require any elaborate explanation. There's no razzle dazzle. It's something that each of us could go home and tell the people of our respective districts we have done for them. It repeals the Business Entity Tax.

Mr. President, the underlying bill repeals the Business Entity Tax, maybe, if, perhaps, under certain conditions. And what I fear will happen is if the underlying bill were to become law, I don't think anyone would call us to say thank you for repealing the Business Entity Tax insofar as it applies to me. Instead I think our phones would ring from the guy who said I thought you had repealed the Business Entity Tax, I just got a bill, what's wrong?

Mr. President, we witnessed that phenomenon when we voted last week to reduce hunting license fees and fishing license fees. Not one person called me to say thanks for reducing my fishing license fee, but I got about 12 calls from people who said jeez, I just bought my license a week before you reduced the fees. What are you going to do for me now?

So, Mr. President, rather than slicing it thinly and saying you -- you're relieved from the Business Entity Tax if this and if that, and eight months and 50,000, this bill simply eliminates a tax which I think has been a priority for every caucus in this General Assembly at one time or another. And I would hope, Mr. President, that we could just this once do something that signals to entrepreneurs, small

business people, we actually are listening and we care and we want to help.

So I move passage of the amendment and ask when the vote is taken that it be taken by roll.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

The question before the Chamber is the adoption of Senate Amendment Schedule B. Senator Roraback has requested a roll call vote -- I'm sorry -- adoption of Senate Amendment C is the question that's before the Chamber. Senator Roraback has requested a roll call vote, therefore, when the vote is taken, it will be taken by roll.

Would you care to remark further on the amendment?

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, Mr. President, I rise in opposition of this amendment and urge my colleagues to vote against it. As I stated earlier, we have been looking at a way to relieve this tax for those of whom it is a burden. But we cannot at this time afford the

$21 million in reduction to our debt service that this would call for. So while we work with this bill and while we struggle to relieve the Business Entity Tax, especially on the lowest wage earners, this is not the way to do it.

Thank you very much.

THE CHAIR:

Thank you, Senator.

Do you care to remark further? Do you care to remark further? If not, the Chair will ask the Clerk to announce that a roll call vote is in progress in the Senate, and the machine will be opened.

THE CLERK:

Immediate roll call vote has been ordered in the Senate. Will all Senators please return to the chamber. The Senate is now voting by roll call. Will all Senators please return to the chamber.

THE CHAIR:

Would all Senators please check the board to make certain that your vote is properly recorded? If all Senators have voted, the machine will be locked, and the Clerk may take a tally.

THE CLERK:

Motion is on adoption of Senate Amendment

Schedule C:

Total Number voting	35
Those voting Yea	12
Those voting Nay	23
Those absent and not voting	1

THE CHAIR:

Senate C is rejected.

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

Senator Fasano.

SENATOR FASANO:

Thank you, Mr. President.

Mr. President, I would like to pull up what I believe to be the last amendment with respect to this bill, which is LCO 4793.

THE CHAIR:

Mr. Clerk, would you please call LCO 4793, to be designated Senate D.

THE CLERK:

LCO 4793, which has been designated Senate Amendment Schedule D; it is offered by Senator Fasano of the 34th District.

THE CHAIR:

Senator Fasano.

SENATOR FASANO:

Mr. President, I would move the amendment and request permission to summarize.

THE CHAIR:

The question is the adoption of Senate D. Senator Fasano has requested permission to summarize the amendment. Is there objection? Seeing none, please proceed, Senator Fasano.

SENATOR FASANO:

Thank you, Mr. President.

Mr. President, with respect to the TARP tax, you -- there's going to be some arguments that -- I'm sure we're going to hear that there is a certain amount of responsibility that these companies and these officials owe to, not only the State of Connecticut but to this nation and that, when it is believed that they abrogated those responsibilities such that we have a financial crisis that we saw, that is the rationale, that is the foundation, that is the basis for this tax on TARP. In other words, their inability to fiscally be responsible in their job resulted in an economic hardship which means we're going to charge them this tax.

Mr. President, let me tell you what this

amendment does. This amendment uses that same policy theory; it applies it to this very Legislature. It says that if this Legislature does not by July 30th -- sorry -- by July 1st, have a budget in place, in accordance with our rules, on the 1st of July of each year, for the following year, a balanced budget, we will pay an additional tax based upon the difference between our base pay and what we get for our various commissions. So if you're a leader, you're going to get additional tax. If you're head of a committee, you're going to get additional tax, because if we don't balance a budget by July 1st, we have caused economic hardship to municipalities. They can't fix their budgets. They can't get in line. We have disorder, and we have done this on a number of occasions.

Well, if we believe people have fiscal responsibility, and put your money where your mouth is, well then we should too. We have an obligation by statute to the state which we breach every year without consequences. This, ladies and gentlemen, is a consequence. This lady and gentleman says if we're going to tell other people be fiscally responsible to people, it should start at home. This is nominal.

When you look at the OFA note, it could result in a potential revenue gain of $40,000. I would suggest we can count on that on most years, but, Mr. President, we should put this in and put us under the same obligations that we're asking and for the same reasons and the same policy arguments that we're asking the bill that this attaches to for TARP.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Do you care to remark further?

Senator Boucher.

SENATOR BOUCHER:

Thank you, Mr. President.

Mr. President, I rise to support this amendment. Some may think that it probably doesn't have a good chance of passing, and our -- may speak to the fact that they may not feel that it's connected as it should be, but I would say that, in fact, it has a lot of relevance to the issue we're discussing today. I would venture to say that most of us have received a lot of e-mails and have heard a lot of reports about the general public being very angry about Washington, DC Legislators putting in legislation that does not

apply to them and in fact, have proposed many suggestions and ideas that would require that any bill that is passed by Congress should apply to every Member of Congress and their staffs. And I -- quite frankly, that's become a very popular proposal throughout my district, for sure, and I've heard it mentioned throughout Connecticut as well.

This would apply the very same principles, that if we're going to punish those who have not only not been involved in certain malfeasance and, in fact, those that have borrowed money, many times money that they didn't wish to borrow in the first place but did it to help the government and help the underlying financial institutions and shore up our financial systems at a time of need, and then they get penalized as a result of not only doing that but also paying it all back with interest, I might add, and then we're going to target them further, then this -- this amendment makes a lot of sense. It really does. I think it's a -- it's a bill that would resonate very well with the general public. I think it would be very popular out there in our districts. So for that reason, I would definitely support this amendment.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator Daily.

SENATOR DAILY:

Thank you very much, Mr. President.

I rise to say I think this is just really a very, very good idea. And I think it's one we should consider fully when we address the whole issue of our compensation. So since we're not prepared to do that now, I stand in opposition to the amendment.

THE CHAIR:

Thank you, Senator.

Do you care to remark further on Senate D? Do you care to remark further?

Senator Fasano.

A VOICE:

(Inaudible.)

THE CHAIR:

Are there any further remarks to be made on Senate D? If not, the good Senator has requested a roll call vote on this amendment, therefore the Chair will ask the Clerk to announce that a roll call vote is in progress in the Senate, and the machine will be open. Senators may cast their vote.

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:

Members, please check the board to see if your vote is properly recorded. If all members have voted, the machine will be clocked -- will be closed. And the Clerk may take a tally.

THE CLERK:

The Motion is on adoption of Senate Amendment Schedule D:

Total Number Voting	35
Those voting Yea	12
Those voting Nay	23
Those absent and not voting	1

THE CHAIR:

Senate D is rejected.

Will you remark further on the bill as amended?

Senator McKinney.

SENATOR McKINNEY:

Thank you, Mr. President.

If I could, a few questions to the proponent of the bill before us.

THE CHAIR:

You may proceed with your question.

SENATOR McKINNEY:

Thank you.

Mr. President, through you to Senator Daily, as I understand it, the cost to the elimination of the Business Entity Tax in this bill is approximately $12 million. It is not determined what the estimate is for the TARP tax. I know that the Finance Committee passed a proposal for taxes on bonuses in excess of $1 million, which was deemed to raise somewhere between, I believe, two-and-a-half and $4.8 million.

It would seem unlikely that lowering the threshold to $500,000 would more than double the amount. Therefore, I guess my question is through you, Mr. President, how, in given the fact that we still have a multi-hundred million dollar budget deficit for 2011, how are we going to make up for the lost revenue in this bill? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

It is certainly anticipated that lowering the threshold to $500,000 will raise the amount that's needed. When you get below the million and it's the 500, as we have seen on our own Income Tax schedule, the number of taxpayers increases greatly.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

Well then, through you, Mr. President, and I -- I obviously I understand that the good Senator is not the Office of Fiscal Analysis, although she works closely with them as do -- do we all, but in particular in her position as Chairwoman of the Finance Committee. If OFA was able to determine that there were roughly 100 individuals receiving the $1 million bonus, how is it not possible for them to make an estimate at how many individuals would seek over 500,000 -- $500,000?

It seems -- it seems intriguing that the estimate put forward in the Finance Committee fell way below what those in press releases had estimated we would

gain, that the estimate from OFA given to the Finance Committee fell way below that needed to pay for the Business Entity Tax. And now we have a proposal before us and OFA says well, we just can't determine. Is there -- was OFA or did OFA give the Finance Committee and the Finance Committee Chairwoman a reason as to why they could determine who made over a million dollars, who couldn't -- they couldn't determine how many people made over 500,000, given Senator Daily's own answer that, well, we know there are a lot of people who make over 500,000? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you very much, Mr. President.

And through you, Mr. President, I can't answer that specifically for OFA, but I can tell you that at the time they completed that estimate on the first draft, there wasn't the crush of business that there is today. And so I presume that with that added burden, they can't go into it, into the -- in the detail that we would like, you would like, I would like, all -- and they would like.

SENATOR McKINNEY:

Thank you, Senator Daily.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

And, Mr. President, let me just -- before I ask other questions, let me just on that point. When this bill was in the Finance Committee with the tax on bonuses of a million dollars or more, the Office of Fiscal Analysis told us that fewer than 100 employees would receive that bonus and that they estimated that this tax would raise between 2.8 and 4.7 million dollars, well below the $12 million to pay for the Business Entity Tax. It is, I think, in almost a certainty that we will not raise $12 million, given OFA's own analysis done when they had lots of time and there was no crush of business, that we will not raise $12 million. Therefore, we are on the precipice of passing a piece of legislation which will further increase our budget deficit.

Less than one week ago, we were informed by the majority party that we could not pass a budget piecemeal, that we could not deal with one branch of government, that we could not pass legislation to

approve of nine new judges because we could not, in this economy, with a large deficit, pass a budget piecemeal. And here we are today, passing a bill which increases our budget deficit. Talk about political theater, facing the largest budget deficits in our history we're passing a bill that increases that budget deficit.

Mr. President, if I could, I have a series of other questions regarding who this would apply to, and specifically in Section 2 on the definition of TARP bonus, which is Lines 32 through 41. Specifically, Mr. President, I would bring Senator Daily's attention to the last phrase of that section, in Lines 40 and 41, which refers to a -- which says that TARP bonuses may include arrangements for future payments.

Through me -- through you, Mr. President, could Senator Daily please explain what arrangements for future payments are?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, Mr. President, I think that it's the plain language of arrangements for future

payments, and I don't think it's uncommon in certain circles to say you have earned this money, and this money will be paid out next year or the year after.

SENATOR McKINNEY:

Thank -- thank you, Mr. President.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

So therefore if I could give Senator Daily I think what is a real-world example, were an individual to work for a financial institution that received a TARP bonus, that individual were to receive a three-year contract with a bonus schedule in each of the three years, said bonuses to be in excess of $500,000. Is it my understanding that the bonuses in each of those three years would be taxable and taxable all in the initial tax year? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, Mr. President, they would be taxed when realized. They would be the receipts for

2010 and 2011, when those monies were actually realized.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

Thank you.

So then, through you, Mr. President, if someone had a ten-year contract with a bonus that would be paid in 2020, the tax on that bonus would not be payable until the 2020 tax year? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Through you, Mr. President, yes, sir, you're correct.

SENATOR McKINNEY:

Thank you.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

Thank you, very much, and I appreciate the gentle lady's response to that question. I'm not sure the language reads that way, but I think we've certainly

clarified what legislative intent would be.

Mr. President, well, let me -- let me ask another question, through you, Mr. President. If someone were to be working in another state for a financial institution that received TARP bonus and that individual who received a bonus in excess of $500,000 were to leave their job, move to Connecticut to work for another financial institution that did not receive TARP bonus, be in Connecticut long enough to establish residency and have to file taxes here, would that bonus they received as an employee for another company in another state be taxable in Connecticut? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Let me reconstruct that, Mr. President, through you, if I may. A person in the first year, for instance, earns money in New York in a firm that received a TARP bonus. What he receives in any kind of bonus is not our concern; he earned it in New York. He doesn't have any taxable presence until he moves to Connecticut, and then he's here, working for a firm that did not receive TARP money. So, no, he wouldn't

be involved in this or shouldn't.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

And -- and, through you, Mr. President, in -- in the -- in the other direction, if, for example, a Connecticut company that received TARP money were to recruit an individual who was with a financial firm that did not receive TARP bonus, received a bonus with that firm, would that individual's bonus be subject to this tax? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

And through you, Mr. President, if I may, if they received that money in the years that we have laid out in this legislation, 2010, 2011, as a Connecticut employee, yes, they would be subject to that bonus --

THE CHAIR:

Senator McKinney.

SENATOR DAILY:

-- that surplus.

SENATOR McKINNEY:

So -- I -- I really would like to clarify this then. So if someone works for bank A, that does not receive and did not receive TARP funds, they received a $1 million bonus from bank A, they then quit bank A, and went to work for bank B who did receive TARP bonus, their million-dollar bonus from their employment with bank A is then taxable under this TARP tax, through you, Mr. President?

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

That's not at all what I was saying. The money earned when you're not with a TARP company certainly is not part of this legislation. A bonus that's paid in either of these two years in employment with a firm that received TARP money, yes, that is subject to the surcharge.

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

Would -- so then, Mr. President, let me ask a different question. If someone were to receive a million-dollar salary and a million-dollar bonus

working for a bank that received TARP funds, how would our Department of Revenue Services know to tax only $1 million of $2 million of taxable income? Through you, Mr. President.

THE CHAIR:

Senator Daily.

SENATOR DAILY:

Thank you, very much, Mr. President.

If they don't know, have anything in their forms for bonus, I think they're going to have to put that. But that's something that's yet to be worked out.

SENATOR McKINNEY:

Thank you --

THE CHAIR:

Senator McKinney.

SENATOR McKINNEY:

Thank you, Mr. President.

And as I understand the tax returns, there actually is a line for wages and income, and a separate line for bonuses. But in my previous hypothetical, you received a bonus which you would put down on your bonus line. Your employment would show your employment with a TARP company, but the money wasn't paid by the TARP company. So I don't know.

I -- I raised that to say that I don't think there's any way DRS is going to be able to handle this, because people in the financial industry change jobs, move all the time.

So I -- I want to thank Senator Daily for -- for answering those questions, and I appreciate that.

Now, Mr. President, we are -- we are -- we have been told and we, I'm sure, will be told in the summation of this bill that tremendous greed on Wall Street has caused pain, to use Senator LeBeau's term, for people on Main Street all across America. And that's true. And that is true. There's no doubt about it that our regulators in the federal government were not watching what was going on, and weren't paying attention.

As Senator Fasano remarked earlier, the whole financial collapse started with Fannie Mae and Freddie Mac, and for years, for years, our Members of Congress kept a blind eye to what was happening down in Washington. Even when challenged -- even when challenged about the irresponsible financial policies of Fannie and Freddie, our members of Congress, Chairmen of the Banking Committee, like Barney Frank, said we don't have a problem. Things are okay.

Chuck Schumer, there's no problem; you're attacking Fannie Mae and Freddie Mac because Franklin Raines was a member of a minority group. And then a year later, a collapse. And where was Chuck Schumer and Barney Frank? Blaming President Bush.

You know what? Every member of Congress, every single one of them, deserves blame for not watching what was going on. When President Obama was elected he said he was going to clean up Wall Street, he was going to pass regulatory reform, and we've been waiting for it. It was so important, we haven't done it yet.

But let's remember where these bonuses came from, because it's interesting that the people grandstanding on the bill don't want to grandstand on this issue. Senator Chris Dodd put a TARP bill in there and he said we're going to stop the bonuses. And you know what? Secretary Geitner, at the direction of President Obama, said no, you can't do that. Take it out. And then Chris Dodd got thrown under the bus by his own President, got blamed for the whole thing.

He wanted to stop the bonuses and the President and the Secretary said no you can't do it, in part because guess what? These were contractual

obligations that Congress couldn't interfere with.

Wow; that's what happened. That's what happened. And then every member of Congress who voted for TARP, voted to let these bonuses happen. So should we be outraged? Yes. Where should we direct our outrage? At people who are living under contracts or the Members of Congress who let it happen?

Wait a minute; those Members of Congress are Democrats. We can't attack them, so let's attack the people that got the bonuses. That's what we're going to be told in a couple of minutes, when this bill is summed up. That's what we're going to be told. Where were our members of Congress? One of them, by the way, is the largest recipient of Goldman Sachs money in Congress. Well, that's something we should be proud of in Connecticut.

Goldman Sachs has got a great reputation now. How many people have they hurt on Main Street? So we're going to grandstand about how some people who got bonuses -- by the way, here's somebody else we're going to tax. We're going to tax the guy who was hired after the collapse, the person hired by AIG, and another bank, and another bank, brought in to protect and safeguard the federal loans.

The federal government put people in at AIG and asked the guy running AIG, hey, what happened? They will tell you some of the new people they hired have saved taxpayers billions of dollars, and you know what we say in thank you to that individual? We're going to tax you more; thanks for coming in.

This bill also taxes people who got bonuses if you're a subsidiary of a company that got TARP. AIG runs an insurance business. That insurance business is still pretty good, had nothing to do with the financial collapse. Many people in that business work on a bonus system, but we're going to tax them too. Why? Because we want to stand up here and engage in political grandstanding and sound like we're for Main Street, against Wall Street.

The good Chairman from the Commerce Committee talked about how this is about fairness. Just the other day, he brought out a bill that said we need to give tax incentives, tax breaks to bring businesses into Connecticut. Why? Because business people are smart enough to understand they want to move where the tax structure is positive. But those same business people, we're told, aren't smart enough to leave a state where they're punished by the tax system.

You've got to be kidding me. You decrease taxes, it brings them in. You increase taxes, they don't leave? The last time I checked, the hedge fund industry, the financial services industry was one of the single, if not the largest contributor to our revenue stream in Connecticut. They don't need a factory. They don't need a plant. They need a computer and a Internet connection, and they're in business. And they can be anywhere they want in our country or in our world, they've chosen Connecticut. They are hard-working people, and our deficits would be historic if they weren't here. The way we thank them is to kick them.

Now, it's one thing to be outraged; it's another thing to be stupid about it, because what we're doing is we're saying we're going to tax people here when no other state is going to do it.

New York is waving their hands, come on in. Come on in. New Jersey, they've got a bigger deficit than we -- they do. And they -- they'd welcome our financial services companies too.

There's a reason why law firms in Connecticut have opened branches in Florida. The law firm I once worked for, which had no connection in Florida,

started in Stamford Connecticut over 100 years ago, has the largest law firm in Naples, Florida. Why? They do trust and estates' work for Connecticut citizens who moved down to Florida for better tax climates. These are extremely wealthy people; they don't need me to defend them. And some of the bonuses people got are disgusting. Real people can't understand somebody getting a check for 20 or $30 million. It's grotesque.

But they had contractual obligations that were fulfilled. Congress said go ahead and do it, and now we're going to punish just the people in Connecticut, to make a political point, because this bill's not going to become law. So there you go. Good thing we limited the debate to two hours because it's only a two-hour waste of time rather than a five or six-hour waste of time.

But we need to be smarter about our tax policy, and you don't kill the goose that laid the golden egg. And the reality is in Connecticut the financial service industry is the goose laying those golden eggs. And you may not like it, and you may think the bonuses are gross -- and I agree -- but people had contracts, they earned them, and guess what? When we

want to punish them, New Jersey, New York, Delaware, Florida, they're sitting there with open arms.

If we acknowledge that companies need tax breaks to come into the state, we must also acknowledge that increasing taxes on those individuals will chase them out of state. And actually, sorry, that's not a political argument; it's a fact, because we've lost population, as Senator Boucher said.

We used to have six Members of Congress; we now have five, not because we're growing but because we're losing population. And it is our tax policy and our regulatory scheme and the fact that this Legislature wants to punish people who've done well because they've worked hard, just because we can. Well guess what? These people say, thank you, I don't need to live here; I'll go somewhere else.

Mr. President, this is a bad bill, and we should vote against it.

THE CHAIR:

Will you remark further?

Senator Looney.

SENATOR LOONEY:

Thank you, Mr. President.

Mr. President, speaking in support of the bill, I

believe this is a very good bill and we should vote for it. And there are, I think, a number of significant reasons. First of all, it recognizes that the surcharge on the tax, in this -- on the TARP bonuses is directed at a category of individuals who were employed by entities who in many cases acted recklessly during the financial crisis and therefore were, in effect, bailed out by the taxpayers with those TARP bonuses. So it is entirely equitable that we provide some relief for small businesses from the Business Entity Tax in Connecticut paid by struggling small businesses by modestly adding a surcharge on the tax of the -- those who've received windfall bonuses.

Now, the reality is that this tax is set at a level of 8.97 percent, about two-and-a-half percent above the other rate they -- they would normally pay. And the reason for that is that we would not be exceeding the maximum tax rate set in New York State. This is not accidental; this is, in effect, a provision to establish parity.

And that, I think, is important as well. Connecticut is not establishing a tax policy by enacting this provision that would be in any way punitive or would make us an outlier in terms of

financial attractiveness to -- to financial firms operating at the levels of those taxed under this bill.

I think it's important to recognize that this is a way of bringing attention to those businesses who need help in Connecticut, and that is those small businesses who are creating the bulk of jobs in our state.

We are a very different state than we were a couple of decades ago when we were very heavily dependent upon a number of large employers. We know that Pratt & Whitney and -- and other divisions of United Technology employed far more people in Connecticut than they do now. We had Marlin. We had large employment at Winchester's, at US Repeating Arms. Many of those firms we know are no longer there or operating at reduced levels, so we do not have the employment base that we once had in terms of large manufacturers employing large numbers of people.

What we do have are many, small entrepreneurial businesses that employ 10, 15, 20, 30, 50 people. And that is the -- the sector that is growing, that has shift that has gone on for a number of years that a good part of our business development policy has not

really recognized up until now, but we will be working on providing it incentives and assistance for, both in this bill and in other job related bills, that will come. That will come later.

The Business Entity Tax, we know, is -- is one that can be seen as burdensome for a small struggling business operating on a small margin, and this provision would provide some relief where it is most needed and also would be a sign of recognition that we value those businesses. We recognize that they are the segment of our economy that we need to depend on increasingly as we move forward.

And I would want to, at this point, commend all of those who've worked so hard on this, certainly beginning with our President Pro Tempore. Senator Williams, I think, helped shape this bill, recognizing the equity here, recognizing that it is important both as a way of -- of redirecting some revenue and some tax relief, but also acknowledging that there is one segment of our -- of our business universe that is small businesses that need assistance in a way that we can provide by redirecting some revenue by taxing those who work for employers who may in some ways have acted irresponsibly and been bailed out for it by the

federal government.

In this difficult economy, we have to find ways of providing relief that do, in fact, pay for themselves. And that's exactly what's being done in this bill. It's important, it's -- it's a sign of keeping faith with small businesses in Connecticut, which is going to have to increasingly be our theme going forward. And I think that Senator Williams has -- has really been a -- a pathfinder in this and has highlighted the way to what has to be the way in which we approach business incentives and job development in the future.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator Williams.

SENATOR WILLIAMS:

Thank you, Mr. President.

I rise to support the bill, to thank Senator Daily for her able description and detailed answers to the questions on the bill. Also to Senator Looney, thank you for your comments you made just now.

And to my friends on the Republican side of the aisle, those who have criticized the bill tonight, I

would remind them what the bill does. This is a fairly simple and straightforward bill that would eliminate the business entity fee for approximately a third of all of the businesses that now pay it, somewhere between 50 and 60,000 small businesses throughout the state.

And we're not rewarding the shell corporations, the limited liability corporations that maybe someone set up; it's not a real business. We're talking about the real mom-and-pop, small businesses, folks struggling to get off the ground, to make it in a tough time. That's what we're doing here. We are providing the relief where it's needed.

Now it's true; we're not providing the relief to multi-national corporations and the largest of companies for which this relief of $250 would be meaningless. We're providing the relief, again, to the small businesses that need it the most in these tough times, in this tough economy.

Let me also remind folks that this is a temporary step. We all anticipate over the next two years, the economy beginning to improve. So the way that we pay for this, with this surcharge on bonuses for individuals who work for the financial firms that were

bailed out by the taxpayers; that also is a temporary surcharge for the next two years, not permanent, again, to provide that relief when it is needed in these tough times.

Now, some of the remarks of my Republican friends and colleagues talking about whether this bill is unconstitutional and tramples on the rights of these folks and is going to discourage them from being in Connecticut and drive them away, I might sympathize with those remarks if this bill were something else entirely. If, for example, it proposed, as some other proposals that we've seen in Washington and elsewhere have proposed, that it was a 90 percent surcharge or -- or a hundred percent surcharge on the bonuses, where you just come in and you -- you take all of it or you take the vast majority of it. Then I think there might be some validity to all of the passion in opposition to this.

But this is not a 90 percent surcharge, and that was a real proposal in Washington, DC. It's not a 50 percent surcharge, another proposal by Congress. This is a 3 percent or actually a two-and-a-half-to-3 percent surcharge. That's it, temporary. For folks who say this -- that's still, well, two-and-a-half;

that's still more than nothing, it's -- and therefore it's terrible, and it's going to drive people out of state.

As Senator Daily reminded folks, if they want to go to the financial capital, New York State, in New York State folks will still be paying more under the New York State tax scheme than they would in Connecticut with our Income Tax and this two-and-a-half percent surcharge. They will be paying more in New York, so they're not going to leave Connecticut to go to New York and pay more. That's New York State. Now, if they go to New York City, they'll pay considerably more than in Connecticut, so let's keep that in mind. It's not a 90 percent surcharge, no. It's not a 50 percent surcharge, no. It's a two-and-a-half percent surcharge, temporary, and for the purpose of helping small businesses.

Again, some of my Republican colleagues were talking as if this were punishment. No, this is not punishment. Passing judgment? No, we're -- you know, some of the discussion, a lot of it revolved around what happened on Wall Street, who is to blame.

We're not going to figure out who's to blame in the circle here tonight. That's not our purpose. Our

purpose is to help small business, the folks on Main Street who are still struggling, the men and women in Connecticut who are going to make a difference by staying in business and creating the jobs of the future. In Connecticut, 97 percent of all the jobs are provided by the small businesses, not the large corporations.

So let's be clear. This is not a punishment. This is not passing judgment. This is all about helping 50 to 60,000 small businesses in Connecticut that are struggling in these tough times and doing it in a very straightforward, sensible and logical way, asking a mere two-and=a-half percent surcharge on a temporary basis to help our economy get back on its feet.

Mr. President, that's the bill. Simple, straightforward, and directed to help small businessmen and women across this state; therefore, I support this bill and urge my colleagues to do the same.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator Williams.

Will you remark further? Will you remark

further? If not, Mr. Clerk, please announce that a roll call vote is in progress in the Senate.

THE CLERK:

Immediate roll call has been ordered in the Senate. Will all Senators please return to the chamber? An immediate roll call has been ordered in the Senate. Will all Senators please return to the chamber.

THE CHAIR:

The machine is open. Senators, please check the board to make sure that your vote is properly recorded. If all Senators have voted, the machine will be locked, and the Clerk may take a tally.

THE CLERK:

Motion is on passage of Senate Bill 1:

Total Number voting	35
Those voting Yea	21
Those voting Nay	14
Those absent and not voting	1

THE CHAIR:

The bill as amended is passed.

Senator Looney.

SENATOR LOONEY:

Thank you, Mr. President.

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CONNECTICUT
GENERAL ASSEMBLY
HOUSE

PROCEEDINGS
2010

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SPEAKER DONOVAN:

Motion is to transmit to the Senate any items voted on that needs further action. Any objection? Hearing none, the items are transmitted to the Senate.

Representative Merrill.

REP. MERRILL (54th):

Yes, Mr. Speaker. I move for suspension of our rules to take up an item that is no starred on today's calendar. The bill appears on page 30 of our calendar, is entitled AN ACT CONCERNING THE PRESERVATION AND CREATION OF JOBS IN CONNECTICUT, Calendar 471, Substitute for Senate Bill 1, File 592. I move for suspension of our rules to take up this item.

SPEAKER DONOVAN:

Motion is for suspension of the rules for the immediate consideration of Senate Bill -- Substitute Senate Bill Number 1.

Is there an objection?

Representative Cafero.

REP. CAFERO (142nd):

Thank you, Mr. Speaker. Just a -- may I question the --

SPEAKER DONOVAN:

Please.

REP. CAFERO (142nd):

No stars? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Merrill. Representative Merrill.

REP. MERRILL (54th):

Through you, Mr. Speaker. We're double-checking on the "no star."

Is that correct? No stars, it is confirmed. It is no starred on our calendar.

SPEAKER DONOVAN:

Representative Cafero.

REP. CAFERO (142nd):

Through you, Mr. Speaker. The motion is to suspend the rules for a no-star bill?

SPEAKER DONOVAN:

That is correct, sir.

REP. CAFERO (142nd):

Okay.

SPEAKER DONOVAN:

Is there objection to suspension? Is there objection? Hearing none, the rules are suspended

for immediate consideration of Substitute Senate Bill Number 1.

Will the Clerk please call Calendar Number 471.

THE CLERK:

On page 30, Calendar 471, Substitute for Senate Bill number 1, AN ACT CONCERNING THE PRESERVATION AND CREATION OF JOBS IN CONNECTICUT, favorable report of the Committee on Finance Revenue and Bonding.

SPEAKER DONOVAN:

The House Chair of the Finance Revenue and Bonding Committee, Representative Cameron Staples, you have the floor, sir.

REP. STAPLES (96th):

Thank you, Mr. Speaker.

Mr. Speaker, I move acceptance and passage of the bill in concurrence with the Senate.

SPEAKER DONOVAN:

Question's on acceptance and passage of the bill in concurrence with the Senate.

Will you remark?

REP. STAPLES (96th):

Yes, thank you, Mr. Speaker.

Mr. Speaker the bill before us has three major

provisions. The first provision exempts certain businesses with annual net incomes of $50,000 or less, from a $250 business entity tax for a couple of years.

It attempts to pay for this by the second provision which establishes a higher rate of 8.97 percent on certain bonuses of a million dollars or more, paid or awarded to Connecticut taxpayers by companies that receive funding through the TARP program; and, third, establishes a loan guarantee program for companies with 50 or fewer employees.

Mr. Speaker, the Clerk has an amendment, which I would ask to be called and I would request to summarize. That amendment is LCO Number 4808.

SPEAKER DONOVAN:

Will the Clerk please call LCO 4808, which is designated Senate "A."

THE CLERK:

LCO Number 4808, Senate Amendment Schedule "A," offered by Senators Williams, Looney and Daily.

SPEAKER DONOVAN:

Representative seeks leave of the chamber to summarize the amendment. Is there objection to summarization? Hearing none, Representative

Staples, you may proceed.

REP. STAPLES (96th):

Thank you, Mr. Speaker.

Mr. Speaker, the amendment before us makes a few changes that are relatively technical and one that is substantive. The substantive -- or two that are substantive. One substantive change lowers the amount of the bonus to over $500,000, and the other substantive change is to strike Sections 4 and 5 of the bill relating to the loan program because those two sections were in a bill that was previously adopted by this chamber. And I move acceptance of the amendment -- excuse me -- adoption of the amendment, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative.

Question's on adoption of Senate Amendment schedule "A."

Will you remark? Remark, will you remark?

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker.

Mr. Speaker, if I may, a question to the proponent of the amendment.

SPEAKER DONOVAN:

Please proceed, sir.

REP. CANDELORA (86th):

Thank you, Mr. Speaker.

As part of this amendment, we are, I guess, striking a million and reducing to $500,000, which would be that the tax then would apply to bonuses that are $5,000 or greater? Through you, Mr. Speaker, am I correct?

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Through you, Mr. Speaker, bonuses of $500,000 or greater during the two income years that the bill covers. That's correct.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker.

And is there a reason we're making this type of change, through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Through you, Mr. Speaker, I believe the reason is to generate some additional revenue to offset the cost of the reduction of the business entity tax, to try to make the income balance out that cost a little more closely.

SPEAKER DONOVAN:

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker.

I don't have any further questions on the amendment. And I'll reserve my comments on the bill if the amendment passes. I do have concerns with this amendment that, of course, we are reducing a threshold in order to increase taxes.

Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative.

Would you care to mark further on the amendment? Would you care to mark further on the amendment? If not, let me try your minds. All those in favor of the amendment, please signify by saying aye

REPRESENTATIVES:

Aye.

SPEAKER DONOVAN:

All those opposed, nay.

REPRESENTATIVES:

Nay.

SPEAKER DONOVAN:

The ayes have it. The amendment is adopted.

Remark further on the bill as amended? Remark further on the bill as amended?

Representative Candelora.

REP. CANDELORA (86th):

Thank you, Mr. Speaker.

I don't have any further questions on the bill. I think we've seen this and exhausted this in the Finance Committee. It seems pretty plain on its face. And I do have grave concerns about what we're doing here today. It wasn't what? Less than ten hours ago that we took up a bipartisan bill to try to help stimulate our economy and to create jobs in Connecticut. It also wasn't long ago that we received some revenue estimates that is showing that there may be some signs of possibly some positive recovery. And after getting this type of news, what we're doing is turning around and yet passing another bill involving taxing. And regardless of

the substantive tax that we're discussing today, the fact of the matter is we're proposing yet another tax. And it's a bit ironic, I think, that in this very same bill where we're taxing employees, we're no longer just taxing businesses. We're now going after the employees based on how much they're earning. But in this very same bill, we're attempting to eliminate a fee on businesses that they pay. To me, it sort of seems that Section 1 and Section 2 are just in direct conflict with each other. And it doesn't seem to make sense that we're even considering this in the same bill.

Getting to the substantive issues of the particular tax that we are addressing here. There was testimony about the outrage that we heard when the ARRA money was distributed and how banks were spending that money. And as a result of that outrage, we reacted. And the reaction is, you know what, we should tax that money. Because these individuals aren't entitled to have it. And there was concerns that the manner in which we're doing this and because we are targeting a particular segment of our society that this type of punitive tax, essentially, would not hold constitutional

muster, and that issue hasn't been resolved. I think it will only be resolved if this does go into law. And if that does happen, I think certainly we will see ourselves purchasing a lawsuit on a tax that originally wasn't set to raise much money. I think even now the fiscal note shows that it's raising somewhere around $12 million. And the effects of it is, for $12 million, we're willing to pick on a segment in society, not businesses now, we're talking about individuals that are working 50, 60, 70 hours a night, making ends meet. We're going to tax those individuals and, in exchange, we're potentially buying a lawsuit that Connecticut will have to endure for numbers of years.

And contrary to some opinions, I don't believe that lawsuits are a vehicle for job creation in Connecticut. And I believe that's what this bill is doing. I think, also, I'm concerned that this business entity tax -- I fully support its complete elimination. I think it's very limited in scope what we're doing here today. I think that it's laudable that we're attempting to scale it back, but the way this is drafted is we're sort of picking winners and losers. We're saying, okay, we're going

to repeal this tax if you earn less than $50,000 and you have one or more employees. So the solo practitioners, who may be earning $51,000 and, certainly, for Connecticut, if that's a single-family income, it's not a lot of money. They still are subjected to the burden of this tax.

Additionally, people who are trying to start up companies, who have very little revenue coming in, who may not have the employees to meet this threshold, also don't have an opportunity to receive an exemption. And I am concerned and one of the reasons why I feel passionately that we have to do something about this tax is because when we saw the revenue consensus estimates come in, and we've seen our revenues on a monthly basis. We continue to see our licenses and fees in decline. Actually, I'd say they're in freefall.

We're looking at a $50 million combined deficit of our licenses and fees being collected in Connecticut, projected out in this latest revenue estimate despite the fact that personal income is up. So what that is saying is that businesses aren't necessarily opening up their doors. But also we doubled the fees for these LLCs and corporations

to even file their papers in Connecticut. So not only do they now have to continue to pay a $250 business entity tax, but they're also paying upward of $250 just to file the paperwork in Connecticut to start their businesses. And I think we have all known that filing your companies and making that barrier as simple as possible could really lead to economic prosperity. I think Delaware, years ago, capitalized on that and saw a lot of corporate headquarters opening up.

And this bill really seems to be taking the opposite approach, we're very narrowly crafting out a short term, two-year exemption for businesses and willing to take -- roll the dice, and take out a risk of taxing employees in a particular segment of our society just because they happened to working for a company that received federal dollars. It's the wrong message to send out today. It's unfortunate that we have to end tonight on this note. I think that we made great strides today with the jobs bill that came out this morning. But I do think that this bill, in particular, is fatally flawed, and I urge its rejection.

Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative.

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker.

Mr. Speaker, I, too, rise with some reservations about the bill. I think the effort to try and help out small businesses is a laudable one. I think Representative Candelora was pretty clear and right on when he talked about reductions in our license. The area of our revenue that it is consistently tracking lower than what we had estimated.

What I find particularly troubling, Mr. Speaker, is that before we even know how we got and who we got the money from that was above what we have projected, some $137 million. We're going to take a position tonight and we're going to tax people at a greater rate beyond a half a million dollars. I suspect that that increased revenue didn't come from people who were just over the threshold, Mr. Speaker. I suspect that that income came from people who took pretty drastic risks, in most cases with their money, and paid us a

significant amount of taxes. Now I think that probably doesn't matter to most people, but it matters to me, and it should matter to us, as a legislature.

It is in our intent tonight to make a beneficial change to people that pay a business entity tax. And that the mechanism by which we choose to do it is to tax someone else. Why? Because we think they can afford to pay it. We make that arbitrary decision to reach out and take money from people who put theirs at risk and raise money for themselves, for the federal government, for the State of Connecticut. These people pay a lot of taxes. They're big contributors to nonprofits in our state. They're quite often on the list of Who's Who at libraries and every other place. But those are the people that we go to, that top 2 percent, that top 5 percent.

I tried to get information from the Department of Revenue Services yesterday. Do we know where this $137 million came from? Do we know the class of taxpayer that paid us that money? The answer is no. We won't know that probably for six months. But before we know that, our first step two days

after the good news, is to ratchet up the tax rate on them. There's so many other indicators, economic indicators, in that revenue package that we were given the other day that show that this is exactly the wrong kind of decision for us to be making. It absolutely blows my mind that we would do this.

Corporate taxes are down. But we're going to go ahead and we're going to increase taxes on people that we think make too much money. Mr. Speaker, the Clerk has an amendment, LCO 4984. I ask that he call it, and I be allowed to summarize.

SPEAKER DONOVAN:

The Chamber will stand at ease.

(Chamber at ease.)

SPEAKER DONOVAN:

Will the Clerk please call LCO Number 4984, which will be designated House Amendment Schedule "B" -- "A" -- House "A." Sorry, House "A."

THE CLERK:

LCO number 4984, House "A," offered by Representatives Cafero, Hamzy and Klarides.

SPEAKER DONOVAN:

Representative seeks leave of the Chamber to summarize the amendment. Is there objection to

summarization?

Representative Miner, you may proceed with summarization.

REP. MINER (66th):

Thank you, Mr. Speaker.

Mr. Speaker, what this amendment does is take the initiative of the underlying bill one step further. The very end of the amendment, under Section 2, it repeals the business entity tax. And unlike the underlying bill, which is stricken by the amendment in its first part, the bill proposes to pay for that effort by using reductions in spending, which are pretty much consistent with those reductions in spending that came out of the bill voted out by the Appropriations Committee, and I move adoption.

SPEAKER DONOVAN:

Questions on adoption? Will you remark further?

REP. MINER (66th):

Thank you, Mr. Speaker.

Mr. Speaker, once again, we're having this debate about how we pay for things. I think our position has been and probably will be that if we

think this is the right thing to do in the State of Connecticut, reduce the business entity tax or do away with it, we ought to adjust our spending to compensate for it. We shouldn't reach out to people who already pay plenty in taxes and say, We want you to pay more. So what this does is readjust, as I said earlier, our spending priorities and the spending priorities that we have highlighted here listed are slightly in excess of what the cost of this amendment would be and consistent with the Appropriations Committee's decision.

Mr. Speaker, I would ask that when the vote is taken on this, that it be taken by roll call.

SPEAKER DONOVAN:

Question is on a roll call vote. All those in favor on a roll call vote, please signify by saying aye

REPRESENTATIVES:

Aye

SPEAKER DONOVAN:

It appears the 20 percent has been met. When the vote will be taken, it be taken by roll.

Remark further on the amendment? Remark further --

REP. MINER (66th):

Thank you, Mr. Speaker.

Mr. Speaker, we do think this is the right move for the State of Connecticut to make. We think that it's the right message to send to the small business owners of the state and tonight is as good a time as any.

Thank you, Mr. Speaker.

SPEAKER DONOVAN:

Thank you, Representative.

Would you care to remark further on the amendment? Care to remark further on the amendment?

Representative Mikutel.

Not on the amendment.

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker.

Mr. Speaker, I'm just getting a chance to review these line items now so I might have a few questions for the proponent. If you mind, I'd like to propose some questions to Representative Miner.

SPEAKER DONOVAN:

Please proceed, sir.

REP. STAPLES (96th):

Thank you, Mr. Speaker.

Mr. Speaker, there are several fairly significant reductions in this amendment, which I wondered if the gentleman might let me know the impact of and one that -- the first that I noticed is the reduction in reimbursement to towns for loss of taxes on state property by $500,000. Could the gentleman mention to me or let me know exactly what this reimbursement to towns is for? Is it a pilot payment to towns for state property in their communities?

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker.

My recollection of the description given when that bill passed or that subject matter passed out of the Appropriations Committee, that that was an adjustment based on the amount of state property owned in the State of Connecticut.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

I'm sorry. I'm not sure I understood the

response. Could you -- could you explain that to me please.

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker.

My recollection is that that was an adjustment based on the state property currently in inventory in the State of Connecticut.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker.

Mr. Speaker, in line 74, there's a reduction in almost $6 million in the Department of Developmental Services for employment opportunities and day services. Could you let me know what that -- the impact of that reduction might be?

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

Once again, Mr. Speaker, I believe that was consistent with the Appropriations Committee's decision and in that bill and my recollection in

that case is that is a carry forward of a lapse, I believe.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker.

And, in line 86, the $9 million reduction in Medicaid. How does that effect the status of the Medicaid budget? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

If you give me one second, Mr. Speaker.

Mr. Speaker, I -- I believe that that is also an adjustment that was made in the Appropriation Committee's budget.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker.

I guess, Mr. Speaker, I'm understanding the gentleman's responses, and I -- obviously, those are not -- those are not changes that are presently anticipated to be in the budget or they wouldn't

be -- I'm assuming they wouldn't be before us in this form because they would already be counted in the budget. So I'm not sure if we're double-counting these items or if we're just taking these out of the budget now and then, therefore, would have to account for them when we reconcile our numbers and if we do a budget in the next several days. Is that -- is that what we're doing? We're taking $32 million out of what was in a budget that we would have to then adjust for later? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker.

These are all above and beyond the deficit mitigation package that we've already voted on for 2010. And I believe they are all subject matter reductions that we have been talking about previously in terms of budget adjustments for 2011.

SPEAKER DONOVAN:

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker.

Mr. Speaker, I guess the point -- the one point I would like to make is that the gentleman began his statement by stating that we would all like to repeal the business entity tax, and I think what we have before us is a repeal of the tax for a couple of years, a suspension of a tax for a couple of years on small businesses. And I think -- at least speaking for myself, I think the interest on our part has been to address the impact on small businesses because they -- they are those that are detrimentally impacted by what is, in effect, a relatively modest fee of $250. But, for small businesses, particularly those with very few employees, this might, actually, have some impact on their bottom line.

But, for large businesses and many very large corporations take advantage of these LLCs, a $250 fee is not really noticeable in the scheme of their budget so I don't think there really is a job creation impact of removing this on large businesses. So I think the bill before us with its $12 million fiscal cost is probably the most appropriate way to target relief, and we're not necessarily gaining much in terms of job creation by

the extra $20 million that we would be sacrificing under this amendment.

And just further, Mr. Speaker, obviously, we're in the middle of budget deliberations and we hope to have some agreement on that in the next several days. And I think it would be premature to adopt an amendment that would create an additional 12 -- or rather $20 million hole without the context of the whole budget before us. So for those reasons, Mr. Speaker, I urge rejection of the amendment.

SPEAKER DONOVAN:

Thank you, Representative.

Would you care to remark further on the amendment? Care to remark further on the amendment?

Representative Shawn Johnston.

REP. JOHNSTON (51st):

Thank you, Mr. Speaker.

Mr. Speaker, a question to the proponent of the amendment.

SPEAKER DONOVAN:

Please proceed, sir.

REP. JOHNSTON (51st):

Thank you, Mr. Speaker.

Just receiving this and trying to look through

the line items, I heard reference earlier to some pilot funding to some municipalities, and I haven't been able to quite find it in the bill, but, on opening day this year, in this chamber, we passed an emergency certified bill if I can remember right, Mr. Speaker, that reduced payments to our municipalities around the state by $6.9 million. It's been signed by the Governor and enacted into law. It was $6.98 million. Without being able to find the line item in this bill, is the amount in this bill greater than the 6.98 that we lost that day for our towns or is the amount less than that? Through you, Mr. Speaker.

SPEAKER DONOVAN:

Representative Miner.

REP. MINER (66th):

Thank you, Mr. Speaker.

The line item is line T13 and it's 500,000.

SPEAKER DONOVAN:

Representative Johnston.

REP. JOHNSTON (51st):

Thank you, Mr. Speaker.

I appreciate the answer. Thank you.

SPEAKER DONOVAN:

Remark further on the amendment. Would you remark further on the amendment. If not, will staff and guests please come to the well of the House. Members take their seats. The machine will be open.

THE CLERK:

The House of Representatives is voting by roll call. Members to the chamber. The House is voting House Amendment Schedule "A" by roll call. Members to the chamber.

SPEAKER DONOVAN:

Have all the members voted? Have all the members voted? Please check the roll call board to make sure your vote's been properly cast. If all -- if all the members have voted, the machine will be locked. The Clerk will please take a tally.

The Clerk please announce the tally.

THE CLERK:

On House Amendment Schedule "A" for Senate Bill 1.

Total Number Voting	138
Necessary for Adoption	70
Those voting Yea	32
Those voting Nay	106
Those absent and not voting	13

SPEAKER DONOVAN:

Amendment fails.

Remark further on the bill as amended?

Representative Mikutel.

REP. MIKUTEL (45th):

Yes, thank you.

Mr. Speaker, I rise to support the bill. I think what we're doing here complements what we did on the earlier jobs bill. Suspending the business entity tax for two years, I believe, is a good thing for small businesses, which generate most of our jobs in the State of Connecticut. So -- so here is a good opportunity to stimulate jobs and lower taxes, but I think it's important we focus on how we're paying this, and we are doing that, as I understand it, by taxing the bonuses of those big bank employees who received federal bailouts. They're under the TARP program. Now, what did these people do to earn those bonuses? Did these Wall Street firms create anything of value? Did they add to the gross national product? Basically, they were just shuffling papers around. In fact, they engineered risky investment strategies that drove our economy over the cliff; that cost Connecticut

80,000 jobs; that forced 4,000 small businesses in Connecticut to close their doors and destroyed the life savings of thousands of our constituents. That's what they did. That's how they earned their bonuses. And we're talking bonuses of $500,000 on top of their salaries. We're not talking about taxing their salaries. We're talking taxing their bonuses. We ought to be outraged about that. In fact, considering all that, we should tax the hell out of them.

In effect, they turned Wall Street into a casino. That's what they did. Turned it into a casino. And who -- who loses in a casino? The big fat cats don't lose on Wall Street. Goldman Sachs played us for suckers. They hedged against the collapse in the housing market. These are the smart boys, the smart guys, the smartest guys in the room. Led our economy over the cliff then took taxpayer monies when we bailed them out because they wouldn't survive without taxpayer money, and then they bonus their employees for their reckless behavior.

Now, what responsible company rewards their employees for poor and unethical performance? That's the issue here. We should send that message

that we're sick and tired of the way Wall Street runs their business in their whole compensation system. It needs to be looked at. And Congress shouldn't have bailed them out when they knew that bonus system was intact and they could still do it under the TARP. They were wrong. We're going to be right. Connecticut legislators should stand up for what's right.

SPEAKER DONOVAN:

Thank you, Representative.

Representative Piscopo.

REP. PISCOPO (76th):

Thank you, Mr. Speaker.

Mr. Speaker, I was -- it's getting late and I was trying to quickly read the Senate amendment as it was being debated and I -- so to that ends, I have a question, through you, to the proponent of the bill, please.

SPEAKER DONOVAN:

Please proceed, sir.

REP. PISCOPO (76th):

Thank you, Mr. Speaker.

Mr. Speaker, the Senate amendment, on line 33, strikes 1 million and it inserts 500,000, lowering

the threshold. And then as I read down into the text it -- it has, you know, it has taxpayer, defines taxpayers, and in line 86 on, in the text, it has, "Any covered TARP recipient that pays bonus of $1 million," in line 87 of the file. And the amendment doesn't address that. Through you, Mr. Speaker.

SPEAKER DONOVAN

Representative, do you have a question?

REP. PISCOPO (76th):

Yes, that -- that is a definite inconsistency, Mr. Speaker. The amendment lowers the threshold in one part of the text, the file copy, and it leaves the other part of the file copy untouched. In other words, 500,000 in one part of the file and then you go down the line 87, and it's back up to 1 million. So I think that's -- I see that as an inconsistency, and I wanted to ask, through you, Mr. Speaker, to the proponent.

SPEAKER DONOVAN

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker.

Mr. Speaker, I think that the -- I don't think

that that inconsistency affects the applicability of the bill to bonuses over $500,000. The section that you refer to that still references $1 million threshold is related to sections of the statutes that require employers to withhold from taxes -- or hold withhold taxes and wages and other payments. So it is -- I think the employers are still required to do that under the provisions of the General Statutes. That section strikes me as -- as redundant in the sense that it says that they need to do that specifically for bonuses above $1 million and, yet, they're already required -- excuse me -- they're already required to withhold taxes in any case under those statutes. So I don't see the inconsistency as undermining the purpose of the bill.

SPEAKER DONOVAN

Representative Piscopo.

REP. PISCOPO (76th):

Thank you, Mr. Speaker.

I thank the gentleman.

It's -- I see it as an inconsistency. It's in the same section. In one part of the section, it clearly lowers it to 500,000 and later on in that

same section it's up -- back up to 1 million. It might have just been a simple error in drawing up the amendment but I'll let it go at that.

Thank you, Mr. Speaker.

SPEAKER DONOVAN

Thank you, Representative.

Representative Hamzy.

REP. HAMZY (78th):

Thank you, Mr. Speaker.

Mr. Speaker, just following up on comments that were made earlier in this debate. With regard to the bailout of the banks that was conducted by Congress, I think it raised the ire of a lot of people, my included. I -- I was totally opposed to those bailouts. I thought it was reckless. I thought it -- I thought it rewarded poor behavior. But that feeling about the bailout and compared with the policy change that we are embarking on in this amendment, I believe, are two different things. And, through you, Mr. Speaker, I'd like to ask just a couple of questions to the proponent.

SPEAKER DONOVAN

Please proceed, sir.

REP. HAMZY (78th):

Through you, Mr. Speaker, there are serious constitutional questions that are raised by this policy change. And through you, Mr. Speaker, what would be the affect if the -- the taxing of the bonuses was found to be unconstitutional? Would that have an affect on the suspension of the Business Entity Tax? Through you, Mr. Speaker.

SPEAKER DONOVAN

Representative Staples.

REP. STAPLES (96th):

Thank you.

Through you, Mr. Speaker. I don't believe so. I believe that the provisions are separate and distinct and that the Business Entity Tax provision would still be suspended.

SPEAKER DONOVAN

Representative Hamzy.

REP. HAMZY (78th):

Thank you, Mr. Speaker.

And I -- I appreciate the answer to the question.

My concern, though, is I think a strong argument can be made that those two things would not be separate and apart. That it would be considered

to be closely tied together and that the policy change of enacting these -- this tax on a specific set of people which could easily be found unconstitutional. Even our AG hedged his bets and said that these -- this policy change may be unconstitutional and lead to a lawsuit, which I don't believe would create jobs which would -- but I think he has said that lawsuits do create jobs. I think that would result in the Business Entity Tax also not being suspended, which I think would be unfortunate. And it's for that reason that I would be voting against this bill.

Thank you, Mr. Speaker.

SPEAKER DONOVAN

Thank you, Representative.

Representative Hetherington.

REP. HETHERINGTON (125th):

Thank you, Mr. Speaker.

I think we ought to ask ourselves what's the connection between bonuses paid by companies that received TARP money and the elimination or suspension of the Business Entity Tax? Answer is there's no connection. This is -- there's no connection whatsoever. It's simply an available

target so we target it. We take the money from bonuses that were paid by TARP companies.

But the bigger question I think or the bigger is that when we -- when we voice our outrage at the companies that received TARP assistance, we have to look at where that assistance came from. The leaders of Congress, the President, consistently defend, as essential, the TARP program. So, in our outrage about TARP, we ought to consider where it came from. In fact, it was a federal policy adopted by Congress, supported by the administration to bail these companies out. We didn't have to do that. Why didn't we let them all fail? That's what we seem to think they deserve. We should have let them all fail. Instead, we bailed them out.

Now we want to, in effect, express our outrage at the TARP assistance by taxing employees of the companies that got TARP assistance. Why don't we tax General Motors employees? The United States now -- its taxpayers now owns General Motors. A company that failed over the years again and again. They used to say if you want to get drugs off the street, you ought to put GM in charge of marketing them. And clearly, clearly, this was a company that

was not entitled to taxpayer support but, nevertheless, we gave it to them. In fact, we bought the company. We now all own it. So why don't we tax GM? Why don't we tax GM cars? And their employees?

The point is although our outrage, perhaps, gives some personal satisfaction, it has nothing to do with what we are doing here, that is, we are targeting taxpayers. People who pay a substantial amount under ordinary income tax rates to the state of Connecticut. We are targeting these bonuses simply because the companies took assistance that essentially was forced upon them. And I think it has nothing to do with the rule -- with the elimination of the Business Entity Tax. And for that reason and others I've stated, I'm going to oppose this measure.

Thank you, Mr. Speaker.

SPEAKER DONOVAN

Thank you, Representative.

Representative Shawn Johnston.

REP. JOHNSTON (51st):

Thank you, Mr. Speaker.

Mr. Speaker, on the bill we're about to vote

on, I think that it seems like it's going to be a pretty easy vote for people and they've divided up into two camps. But for those that I think are probably inclined to vote for this, I just ask them to take a minute and really think if this is a road that we, as a legislator -- legislature, want to go down. Because I think it's an incredibly scary road to begin to go down.

What, in essence, we're doing as a legislature is we're going to start to make value judgments upon how people earn their money, and we're going to tax according to that. We've always taxed according to a fair spectrum across all spec -- segments of society based upon a level of income or a level of purchasing. Something that would apply to each and every individual that falls in that range. And this is a scary place to go. This begins to say, based upon what you do for a living, we may not like it and we may be outraged by it and because we don't like it and because we're outraged by, it we're going to tax you differently than everybody else. Do we want to go there? And if you go there, where does it end? Do we come back in future years and decide that we don't like the garbage that Jerry

Springer sells on TV, that we don't think it's real good for our children to be watching? And we're going to charge him a different rate or anyone else like him, or maybe someone that has a worldwide empire that sells wrestling and other promotional products that we think isn't so good for our teenagers to watch. Should we charge them differently? Or someone who sells pornographic materials, makes millions. A lot of us are outraged by it. We don't think it's the best thing in the world. We going to charge them a different rate? Or maybe we start to think about it and say we're pretty darn upset that our federally elected representatives took our taxpayers dollars that we gave them and loaned it out to these companies. And so maybe next year we want to tax our federally elected representatives at a different rate.

Wh -- where do you begin? Where do you end? I would just suggest that you literally think about this for a minute. It's not as simple as I'm really PO'd at those people and I want to tax them at a high rate, and we're going to get some fairness out of this. It begins us down a road that I think we ought never to go down. And I think it is

incredibly scary and for that reason, Mr. Speaker, I'm voting no. And I hope that other people may think very seriously about that.

SPEAKER DONOVAN

Thank you, Representative.

Would you care to remark further?

Representative Cafero.

REP. CAFERO (142nd):

Thank you, Mr. Speaker.

Lot of times in this chamber and around this country, we, who are lucky enough to be in public office, wonder why do people not like us? Why when they poll Congress or a legislature, do we poll so low? Do we really have to guess at that?

You know several months ago -- over years ago we -- it was what? September 2008. Things were going along pretty good. People's lives were fairly good. We'd go to work, you'd come home. And all of a sudden one night we turned on the TV and there people were talking about this financial collapse. Well, at first you said, Oh, well, whatever. And then after day after day and hour after hour, and the continuous coverage, we started to get scared. Even those of us in government who think we might

know a little bit more than the average Joe or Jane, we're, like, what the heck's going on here? Then you started to hear stories about people's 401(k)s collapsing, et cetera. And we're on the brink of this collapse.

You had people from Washington in nice suits getting before long tables, and people on the dais who are senators or congressmen and they were saying, We have to do something now. We have to rescue the financial market.

And we all went along and said, okay, do something. Do it quick. My God, what's happening? Are we going to lose everything?"

And they did it.

They said, Had we not, we would have witnessed the world wide collapse.

So we thought we did the right thing. But let's face it, we didn't know. I guess that must be the case, they said it was. And we gave millions and trillions of dollars to boost up banks and companies, et cetera. But I guess we thought we had to do that because everyone's talking about this collapse. And to this day, we don't know whether or not it would have collapse had we not or nothing

different would have happened.

And then months go by and we see those same companies that were begging for help, that were on the verge of collapse that warned if you let us go down, the whole world's going to go down.

And you see that they're reporting profits and huge margins. And they're giving out bonuses? They're giving out what? With my money? They're giving out bonuses? Are you kidding me? We were outraged, outraged. I understand that emotion because, God knows, I have it. But then you have to say what do we do about that?

This particular bill says now we're going to get you. We need some dough so now we're going to get you. You made some money off this stuff, we're going to tax you. For those of us, like me, that are outraged, it's like, yeah, get them, get them. Where do they get off? Millions of dollars of our money.

But, as Representative Johnston says is that where we want to go? Because today it's them. Who is it tomorrow? As Representative Johnston said, Representative Hetherington said we bought out GM. So we -- here, in the state of Connecticut, we're

hurting for dough. Where do we look around? And we always pick on certain people. You smoke cigarettes; let's tax cigarettes. People smoke cigarettes. Oh, what the heck. Nobody likes them anyway. We'll just tax them. No one would dare vote against that.

If we're are going to have a system where when we really need the dough, we're going to look around and pick the person who's the villain of the day. Not a good policy, not a good policy. That's what this bill does.

And what I think is really upsetting to me is that we tie it in with a provision entitled S.B. 1 -- S.B. 1, AN ACT CONCERNING THE PRESERVATION AND CREATION OF JOBS IN CONNECTICUT.

This was supposed to be the jobs bill, remember? Remember the big hoopla? It's been reduced to we'll get rid of your Business Entity Tax for some of you, not all of you, and we're going to pay for it by getting those bad guys. That's what we're going to do.

There's another flaw here, as well, in the thinking because people say, Well, can we do that legally? That taxing of the TARP bonuses? A lot of people

said, Of course, you can; absolutely you can; absolutely you can.

A lot of opinions have come out and said, Well, you know maybe we can't.

So what happens if we're wrong? We've been wrong before. We passed Campaign Finance, thought we knew what we were doing. Our Supreme Court said, No, sorry, screwed it up.

So if this provision is ruled unconstitutional, as was asked, does that mean that we no longer believe in reducing the Business Entity Tax? Are we tying something that we all agreed on, for years now. This annoying tax that is a symbolic measure that is a -- many people consider a penalty against business. That we should remove that obstacle to encourage business -- to send that signal. But are we saying we'll only do that if it's constitutional to tax those bonuses. Well, that's a heck of a message, isn't it? And if the answer to the question is, well, they're not tied together, then what the heck are they doing in the same bill? And if one is ruled unconstitutional, then how are going to pay for the bonuses? Excuse me -- how are we going to pay for the eliminate -- elimination of the

Business Entity Tax? That's about -- what is it -- 12 million bucks? Can we afford to just say, Eh, I guess we'll be in deficit that much more, when we're already pretty much in deficit?

And then there's the technical issue that was brought up by Representative Piscopo. Folks, make no mistake about it. There was a mistake made here. This bill is flawed. It was drafted incorrectly. It's not a maybe, what we think -- it is definitely drafted incorrectly. Because the amendment went out of its way to chine -- change line 33 from $1 million to $500,000, but it forgot to change line 87. It's the same thing. It relates to the same thing. So now we have a law that not only is questionably constitutionally but wasn't even written right.

In fact, if you look at the fiscal note, it actually says that the purpose of Senate "A" was to lower the threshold for the imposition of the higher personal income tax rate on TARP bonuses from one million dollars to a half a million dollars. We did that in line 33, but we forgot to do it line 87. We screwed up.

But, at 1:30 in the morning, we're going to

rush to do this bill so we could say we did something for business? Is that the reason? Is that the way we should pass laws? Pass laws, either, out of anger for a particular group. Pass laws that we're not sure and are questioned by our Chief Attorney of this state is questioned as to whether or not it's constitutional? And laws that, as we pass them, not after the fact before we pass them we know we screwed up. We wrote it wrong and, yet, we're going to pass this bill? We're making a mistake folks. There's a better way to do this.

We tried with our amendment to get rid of all of the Business Entity Tax and pay for it with cuts that was rejected by this chamber. Let's find another way because I think we all agree about the first part. I just can't agree about how to pay it. And the vehicle we've chosen is not only questionable at best. We wrote the bill wrong. How could we vote for it? Think long and hard before you press the button.

Thank you, Mr. Speaker.

SPEAKER DONOVAN

Thank you, Representative.

Representative Staples.

REP. STAPLES (96th):

Thank you, Mr. Speaker.

Mr. Speaker, I just want to make a few points regarding the concerns that have been expressed. I think that the amendment takes care of lowering the threshold by amending the section that defines who is covered by the bonus. The section that was not amended does not affect the definition of who is covered by the bonus. It affects the obligation of the employer to withhold taxes from their employees' wages or other payments. Those sections already apply to all wages and payments that an employer makes to an employee. So I think the section that is referenced in the bill is -- is redundant in that it requires that in addition to their current obligation to withhold wages from -- taxes from wages and payments. They shall also do that for bonuses that exceed $1 million. It doesn't change the fact that the definition section has lowered the threshold to $500,000. So I don't think that this inconsistency in the language is going to affect the fact that -- that bonuses above $500,000 are taxed.

But I think more importantly, Mr. Speaker, the bill before us is intended not to punish but to

raise revenue to provide relief to small businesses. The issue that has been raised about whether it constitutes punishment is well covered in the Attorney General's opinion. And I just want to read one line from that and there's no equivocation in the Attorney General's opinion. Despite what was said the Attorney General concluded that it would be likely constitutional and there are three prongs to that test -- and the punishment test is the one that has been referred to here -- and the grounds for finding that it was punishment would be that the tax is so arbitrary as to compel the conclusion that it does not involve an exertion of the taxing power but constitutes the direct exertion of a different and forbidden power as, for example, the confiscation of property.

Whatever we think of what's before us, it does not rise to that level. I don't think there was any construction of this that would consider raising the tax to the same level, as New York's tax, below the New Jersey tax, and, essentially, a slightly higher income tax than we currently charge for two years would constitute the confiscation of property. So I think, Mr. Speaker, the Attorney General's opinion

is clear. This is constitutional. The language inconsistency that Representative Cafero points out is not going to affect the construction of the bonuses applied to -- bonuses above $500,000. So I don't think there's any flaw in this legislation. And I would urge my colleagues to support it.

Thank you, Mr. Speaker.

SPEAKER DONOVAN

Thank you, Representative.

Will staff and guests please come to the well of the House? Members take their seats. The machine will be opened.

THE CLERK:

The House of Representatives is voting for roll call. Members to the chamber. Members to the chamber. The House is voting by roll call.

SPEAKER DONOVAN

Have all the members voted? Have all the members voted? Please check the roll call board to make sure your votes were properly cast. Have all the members voted? Have all the members voted? The machine will be locked.

The Clerk will please take a tally. The Clerk will please announce the tally.

THE CLERK:

Senate Bill Number 1, as amended by Senate "A" in concurrence with the Senate.

Total Number Voting	138
Necessary for Passage	70
Those voting Yea	89
Those voting Nay	49
Those absent and not voting	13

SPEAKER DONOVAN

Bill, as amended, is passed.

Is there any business on the Clerk's desk?

THE CLERK:

Mr. Speaker, we have a favorable report on Senate bills.

SPEAKER DONOVAN

Representative Merrill.

REP. MERRILL (54th):

Yes. Thank you, Mr. Speaker.

I move we waive the reading of the Senate favorable reports and bills be tabled for the calendar.

SPEAKER DONOVAN

Without objection, so ordered.

Any announcements or introductions?

JOINT
STANDING
COMMITTEE
HEARINGS

FINANCE
REVENUE
AND BONDING
PART 1
1 – 279

2010

CHAIRMEN: Senator Daily
Representative Staples

VICE CHAIRMAN: Representative Ayala
Representative Perone

MEMBERS PRESENT:
SENATORS: Boucher, DeFronzo, Guglielmo, LeBeau, McDonald, McLachlan, Meyer, Roraback, Stillman

REPRESENTATIVES: Altobello, Aresimonowicz, Barry, Berger, Boukus, Carson, Coutu, Floren, Frey, Hennessey, Johnson, Kehoe, Klarides, Larson, LeGeyt, Leone, McCluskey, Megna, Morin, O'Rourke, Piscopo, Rigby, Scribner, Staples, Widlitz, C. Wright, E. Wright, Zalaski

SENATOR DAILY: We'll bring this public meeting to order. We have a list of people who have signed up to testify. First on that list is Senator Williams. Senator Williams.

SENATOR WILLIAMS: Good morning Senator Daily, Representative Staples, Senator Roraback, Representative Candelora, members of the Committee. I want to thank you very much for

the opportunity to come and testify in strong favor of Senate Bill number 1, an act concerning the preservation and creation of jobs in the State of Connecticut. You have my written testimony so I won't take your time and go through that word for word.

What I do want to stress is something that we all know, that Connecticut is suffering mightily from the economic downturn that's affecting the entire country and indeed the entire world. We've seen a steep decline in revenue in this State as have almost every other states across the country. We can fret and point fingers about why this happened.

You know, you have Warren Buffett talking about Wall Street and the credit default swaps and the derivatives and the mortgage backed securities and his take is that -- and I'm quoting now -- that those were financial weapons of mass destruction. And they took a toll on our economy across the country. It's hurt us here in Connecticut. But what we have to do is pick up the pieces. We have to move forward and deal with this fiscal crisis.

One of the ways we can do good in this time of crisis is to remember those entities that have traditionally created the jobs in the State of Connecticut; small businesses. Ninety-seven percent of our jobs in Connecticut are with small businesses; firms of 50 or less employees. They are having tough times as are the rest of us. Oftentimes the small

businesses do not wind up in the headlines of news stories.

We read about large corporations coming and going but when a small business goes out of business oftentimes it's without fanfare, newspaper articles, public attention. In this downturn we must reach out to small businesses; the engines of job preservation and creation. In order to do that, Senate Bill 1 proposes at least two specific things.

First off, we want to eliminate the business entity fee, that $250 fee for the small mom and pop businesses. What we're talking about here are businesses that have a net income of $50,000. Their gross income could be much larger but a net income of $50,000 and they employ at least one person.

If we receive revenue to fund these programs such that we can expand that threshold then we certainly want to look at that but primarily we want to aim this credit toward those entities that can actually use that $250. And we know for our small businesses that struggle every penny, every dollar is essential. How many businesses are we talking about under that definition? Almost $50,000 in the State of Connecticut. So this is not insubstantial.

Secondly, we'd like to establish a revolving loan fund with a minimum of $20 million to help those businesses who are not being helped by the commercial banks. You know, I'm sure when

you go to your local Chamber of Commerce meetings and you talk with business men and women in your districts that it's the small businesses, again the engine of our jobs and job creation in this State -- the small businesses that have the toughest time getting the loans and credit they need.

And in this economic downturn what has happened to many small businesses and their open lines of credit? You know what's happened. Those lines of credit have been pulled back or withdrawn altogether. And when you talk to those business men and women they will tell you they can't run a business under those circumstances. So, we need to help.

We need to be able to tell small business that there is a place to go when they do not get the help from the commercial banks. This would establish that revolving loan fund for that purpose. Now, we propose to pay for a substantial part of what I'm talking about, if not 100 percent of it. I know there are other proposals that are out there.

The Governor's talked about borrowing $100 million and we want to look at all of the proposals regarding jobs. I think there's a lot of good ones that are out there. And this -- this is one piece of many pieces that we ought to join together in a bipartisan way and move forward. But we are proposing for these proposals to actually pay for them through a surcharge on the so-called TARP bonuses. These

are the bonuses paid to the Wall Street firm employees, the folks that work for the firms that were bailed out by the taxpayers.

It's estimated that about $20 billion in bonuses were paid out last year that the financial firms on Wall Street earned about $55 billion profits. And my understanding is that's about triple the previous record. If we were to obtain not one third -- because there are three main states in terms of the New York financial market generally -- New York -- New York obviously, New Jersey, Connecticut. But if we were to obtain not one third but one twentieth of it, then under our calculations we would have about a $30 million fund to accomplish what I'm talking about in my proposal here today.

So we believe this is fair. We're not out to punish anyone. But we do believe that there's a rational relationship between asking those who are benefiting from the financial firms that are doing extremely well; the commercial financial institutions that for the most part are not reaching out to the small businesses to have -- to impose a surcharge on those large bonuses and then use that money to help the engines of job creation in the State of Connecticut; the small businesses. So I thank you for your time.

And again I want to stress that I understand that there are many good ideas out there to deal with this downturn in the economy and to

reach out and help business in the State of Connecticut. I look forward to working with my friends on both sides of the aisle and getting something done to help those businesses in Connecticut. Thank you.

SENATOR DAILY: Thank you, Senator. I think you're right. The legislature as a whole is very concerned with providing jobs and stimulating jobs. I think the number of the jobs bills that are out there indicates that. And the Governor has also suggested a revolving loan fund. How do you see this proposal fitting in with those or with the Governor's?

SENATOR WILLIAMS: Thank you, Senator Daily. The Governor has proposed some similar ideas. She's looking at a revolving loan fund of a similar amount. So I think that's a very good sign. We know that the majority leaders have proposed a number of good ideas for job creation to help our economy.

You know, it was a few weeks ago, Senator DeFronzo and some others talked about a Connecticut Jobs First program to fast track certain infrastructure projects that we know will have to be done, that need to go forward, but to fast track them so that we can get more people to work now. I know that Republicans and Democrats have put ideas on the table. I think this blends well with the ideas that are out there.

SENATOR DAILY: -- On TARP funds is a good way to approach this. I have another question too. A lot of people have asked me about the constitutionality of this. Have you had occasion to look at that or investigate that?

SENATOR WILLIAMS: Yes. Thank you and I think it's a good idea because as I mentioned I believe that there's a rationale relationship here with financial institutions and their ability or inability to help small business. And our need to help those small businesses and get our economy moving again. So I think it makes a lot sense in terms of the use of the small surcharge.

And I say small surcharge because what we're really talking about is the difference between what an individual who lives in Connecticut would pay on taxes on that bonus in New York State and Connecticut. And the difference is about three percent. So we're not talking about what they're talking -- what they're discussing at the federal level which is a 50 percent tax on the bonuses. Now, I've read a fair amount of information about this constitutional discussion as to the federal proposals of a 50 percent tax. And what I've been able to get from that is that most folks come down on the side of saying that is constitutional.

And one of the -- there's something called a bill of attainder and when this constitutional argument gets -- gets raised -- and there are a

couple of different factors that folks look at to say, you know, is this really a confiscation of a very specific individual, their salary, whatever it is they're drawing. That -- that -- are we taxing something very specifically here in a way that is punitive, in a way that has no legitimate purpose, in a way that is severe.

There are other factors as well but those are some of the key factors. And the experts that I have had a chance to -- to take a look at their opinions have concluded that the federal proposal would be constitutional. And I've seen that in a number of cases but in one case -- I'm looking for the opinion right now.

A law professor at the University of Chicago who is also a senior fellow at the Hoover Institute who does not favor the federal proposal. Nonetheless, when he evaluated this did come to the conclusion that it would be constitutional. And a recent New York Times article also quoted sources at several of the large financial institutions saying that while they're going to oppose the tax publicly, privately they believe the legal battle is doomed and they're going to invest their efforts in trying to water down the Washington proposal. Now those are the opinions as to the proposal in Washington's tax the bonuses at a rate of 50 percent.

What we're talking about here is a tax of approximately three percent. And it's only the

difference between Connecticut and New York's tax rate and is still less than what they would pay in New York City or what they would pay in the State of New Jersey.

SENATOR DAILY: I'd have to say that sounds pretty fair and if we are able to do this three percent then people would have loads of money left to pay 50 percent to the federal level. The $50,000 or less in net revenue for the business entity tax might seem pretty arbitrary. Is there a way that that was determined?

SENATOR WILLIAMS: Yes. We -- we wanted to -- we wanted to help those small businesses that could benefit the most from that $250. In large corporations, other large companies, the $250 is not a big deal. For the small companies -- and I've had the -- the pleasure of meeting with folks as I'm sure all you have over the last couple of month in our districts -- the small businesses can use $250 in any number of ways.

When you're talking about a mom and pop, a company that employees one or two or three people. I had one individual tell me, you know, it may mean that I can keep someone on for a couple of extra hours on this day or that day or on this weekend or I can buy, you know, help to buy a new copy, a machine for the computer, et cetera. So it actually does make a difference for the smaller companies.

But as I mentioned before, we're certainly willing to look at this threshold and depending on the revenue that we have to work with to adjust that threshold to help even more than the 50,000 or so that we believe this would help.

SENATOR DAILY: Other -- other questions? Representative Candelora.

REP. CANDELORA: Thank you, Madam Chair.

Thank you for coming to testify on this proposal. I think -- I'm happy to see that we are taking a look at the business entity tax and starting to try to be creative to phase it out because I think it is an important first step to try to, you know, eliminate some nuisance taxes for our businesses in Connecticut.

I was looking at the section two dealing with the TARP proposal and I just had a couple of questions. Specifically in here we've tied in loans as part of this and I guess -- and there was also another provision I see here for payments to be awarded in the future. And I guess, my first question is, the overall intent of this, is it looking to capture bonus or is it looking to capture, you know, all income? Because when I see that type of language I'm thinking of scenarios where you may be pulling in wages, you know, above and beyond bonuses.

SENATOR WILLIAMS: Thank you. This is looking specifically at the bonuses.

REP. CANDELORA: Okay. So that if a bank for instance maybe in Fairfield County would find an individual who'd market for a particular type of person that might have skill set that could help with their commercial loan and building their portfolio and actually in turn helping businesses in Connecticut receive this, you know, cash flow to develop jobs. And this person might be in California. They're being paid $2 million a year for their services. This company's looking to bring them over and the contract is to pay them $2 million. In that type of scenario we wouldn't be subjecting that person to the tax because it would be their -- their wages as opposed to a bonus?

SENATOR WILLIAMS: Well this -- first of all this would need to be a TARP funded financial institution. Then it would need to be a bonus paid to them above and beyond their salary. And third, I would -- I would advise that company if at all possible to hire a person in Connecticut do that, not hire someone from California. I think we've got a lot of folks here in this State who are looking for jobs and need jobs. But we're -- we're focusing on the TARP institutions and the bonus payments. So if you're saying that this was salary -- if this was a salary that they were going to pay to bring someone from California to Connecticut, then that would not be a TARP bonus.

REP. CANDELORA: Thank you. And then also, in section one of the TARP bonus, the definitions -- we have language here that says arrangements for payments to be awarded in the future. And as I read this I know we are excluding commissions -- as I read this -- so that if an individual may be hired and they have a contract over the course of ten years where they're going to receive, you know, I don't know -- one percent of their portfolio.

So each year they're receiving a $200,000 bonus for -- for that particular year but it's a ten year contract. Would be cumulatively adding that up and subjecting it to the tax? Or is this -- is this trying to go toward a different circumstance?

SENATOR WILLIAMS: This would be a different circumstance. This is temporary. This a two year surcharge so on bonuses for this tax year and for next tax year.

REP. CANDELORA: Okay. So then that future payment is just limited to the window where the tax is subject. It's not limited then -- it's not expanding into a ten year contract.

SENATOR WILLIAMS: Correct.

REP. CANDELORA: Okay. Thank you.

Thank you, Madam Speaker.

SENATOR DAILY: You're welcome.

Representative Staples.

Senator Roraback? Did you want to --

SENATOR RORABECK: After Representative Staples.

SENATOR DAILY: Okay. Thank you.

REP. STAPLES: Thank you, Senator.

Senator Williams, I think this -- it's a great proposal to have before us as our first matter of business in the Finance Committee because obviously we're going to have a lot of tough decisions to be addressing this year and I think to put job creation out there as the first priority of this Committee as well as the other committees is a very fitting start. One question I had for you about the -- about the approach, did you consider or have you thought about the approach of applying tax credits to small businesses, LLCs and -- and other forms of small businesses?

You know, most of our business tax credits are available just to S corps and we're -- we're hearing from people that an effective way aside from the business entity tax to help small businesses is to make them available to individuals, you know, who are members of LLCs or other limited liability companies. Do you have an opinion about that as we look at this

and try to evaluate what the best way to help small businesses is?

SENATOR WILLIAMS: Thank you, Chairman Staples. I don't in the context of this bill. I think that's an interesting idea. It's not part of this bill but it's something that I and I'm sure many other legislators would take a look at.

REP. STAPLES: Thank you.

SENATOR DAILY: Senator Roraback followed by Representative Floren.

SENATOR RORABECK: Thank you, Madam Chair. It's kind of hard to crane your neck to thank you appropriately but we can make eye contact across -- over the hurdles -- the bleachers here.

Good morning, Senator Williams. Thank you for your testimony and thank you for your interest in working in a bipartisan fashion to bring jobs to the State of Connecticut. I have a couple of quick questions. On the business entity tax relief proposal there's a requirement that you have to employ someone full time for at least eight months in order to take advantage of that tax break even if you're making $50,000 a year or less.

So if I have a popsicle stand which I've incorporated as a sub-chapter S corporation which sells popsicles from May until September

and I only make $10,000 a summer. Am I still going to be on the hook to pay my $250 under your proposal?

SENATOR WILLIAMS: Thank you, Senator Roraback. We're focusing a proposal on small businesses that employ people full time. We feel that where the pains being felt and where the relief needs to be delivered are for those small businesses that are keeping our economy going and employing people and helping families stay together quite frankly.
So, that's where -- when we all know that we have a limited amount of resources especially right now. We need to direct those resources to where they can do the good -- the most good and where I believe that is is for the small businesses that are employing folks full time.

SENATOR RORABECK: And would you be open to considering broadening the proposal because in my view there are a number of -- our constituents that start with an idea. They create an LLC or a subchapter S corporation. They don't know whether it's going to take off or not and they're doing it at nights, weekends, in the garage. And those are the people that I hear from most saying I have to pay $250 a year and my business isn't making anything or it's making $100 a year and I pay $250 in taxes. So would you be open to extending relief to that community of people?

SENATOR WILLIAMS: That's a great point, Senator Roraback. We want to encourage innovation.

The folks that start with the idea in the garage and -- and grow it into something significant. And as I mentioned before we're anticipating a fund of -- of approximately $30 million if Connecticut gets one twentieth of the bonus money. And again in a three state area where the bonuses are focused, I think there's a good chance we could get more than one twentieth and if that's the case and we have additional revenue then certainly I'd be willing to look at changing that threshold.

SENATOR RORABECK: Thank you. And that --the other question I have is am I reading the bill -- the proposed bill correctly in that it would only tax TARP bonuses received for tax years 2010 and 2011?

SENATOR WILLIAMS: That's correct. Yes.

SENATOR RORABECK: And is there a reason that you didn't look at bonuses received for tax year 2009?

SENATOR WILLIAMS: We wanted just to have those set parameters, you know, I guess we'd be open to conversation particularly bipartisan conversation in terms of looking back. But right now the proposal is focused on those two years.

SENATOR RORABECK: So here we are. It's March 1. By my reckoning we've had 59 years in calendar year -- or tax year 2010. Do we know how many bonuses have paid in the past 59 days to

residents of the State of Connecticut which would be subject to this tax?

SENATOR WILLIAMS: We've asked our Office of Fiscal Analysis to get that information and work with our Department of Revenue Services. I can't tell you -- I don't have a number to tell you this morning.

SENATOR RORABECK: But you're estimating $30 million. Where's that number -- where did you get that information that --

SENATOR WILLIAMS: That information is our best estimate based on the -- the public information obtained by the comptroller in the State of New York that the Wall Street firms are paying out over $20 million -- $20 billion in bonuses this year.

SENATOR RORABECK: And that's what's been paid in the past 59 days or --

SENATOR WILLIAMS: That's what -- that's what is to be paid in this calendar year.

SENATOR RORABECK: Okay. And I guess the concern that I have is that why wouldn't someone recast if there was a -- if there was a desire to pay out additional compensation and to the extent that we are telling the world now what our intentions are, why wouldn't the compensations be recast in such a fashion as not to be bonuses to escape our reach?

SENATOR WILLIAMS: Well we can't control, obviously, what the Wall Street firms do. But we can craft policy that takes into account what has happened in the past and the payment schemes and bonus schemes that have put -- been put out there in the past. Senator Roraback, I don't know what else we can do. And I'm certainly open to any ideas. If you think that there would be some chicanery on the part of financial firms to avoid this and if you or others have ideas on what we might do to prevent that, I'm certainly open to hearing those ideas.

SENATOR RORABECK: Thank you.

Thank you, Madam Chair.

Thank you, Senator Williams.

SENATOR WILLIAMS: Thanks.

SENATOR DAILY: Representative Floren followed by Representative McDonald -- Senator McDonald.

REP. FLOREN: Thank you.

And thank you so much, Senator Williams. I am so heartened by the bipartisanship of the jobs creation in Connecticut. In fact, I'm so bipartisan I have morphed into Senator Daily. She asked all my questions except for one, the constitutionality was really bothering me. And the other thing that I wondered, what about companies who've already paid back their TARP

money? Are bonuses paid to people in those firms -- are they still going to be under the stricture [inaudible]?

SENATOR WILLIAMS: Yes.

REP. FLOREN: They are?

SENATOR WILLIAMS: The short answer to that is yes. Those firms are raking in about $55 billion in profits. So, the help from the taxpayers has put those financial firms on a solid financial footing. That's not the case for the small businesses on Main Street that we're trying to help.

SENATOR DAILY: Thank you, Representative Floren.

Senator McDonald.

SENATOR McDONALD: Thank you.

And thank you, Senator Williams. And actually Representative Floren is channeling me too. That was one of my questions about the - about the TARP repayment issues. On section one of the bill -- and I just - I'm trying to just think that through this -- it talks about having at least one full-time employee in a limited liability corporation and I could be wrong -- but I don't think I am -- limited liability corporations are managed by members. And members aren't considered employees.

That -- for tax purposes it rolls right through to all of the members receive all of the income of the LLC. So I'm just trying to figure out -- is it contemplated under this proposal that full-time employees would mean a member or somebody who is truly an employee of the LLC?

SENATOR WILLIAMS: The latter, somebody who's drawing a paycheck and working.

SENATOR McDONALD: Okay. Well, members can draw paychecks and work too. I happen to be a member at my law firm and I work and I get paid for it but I'm not an employee of the LLC. So, I guess is it contemplated that it would be a nonmember employee of the LLC?

SENATOR WILLIAMS: Senator McDonald, you're question is a good one and we know that there are folks who avail themselves of our limited liability corporations status in the State of Connecticut to create entities that are not necessarily on-going businesses with payrolls and full-time employees. And it's all very well and good that they do that and it's all very well and good that the State of Connecticut has afforded them that limited liability protection which they pay a small fee for of $250.

But -- but as I mentioned to Senator Roraback but this is geared toward those limited liability corporations, those small business entities that are paying folks, that are on-going businesses, that do employee people full-time. And if the dollars that are raised under

the financing mechanism of this bill are substantial enough, you know, I am willing to work with colleagues on both sides of the aisle to look at the threshold and see if we should expand that threshold and exempt even more small businesses.

SENATOR McDONALD: Okay. Thank you. And my only other question is on the TARP issue. Would it -- I frankly couldn't work through the definitions quickly enough so I -- this may be a stupid question but would it apply to individuals who worked in Connecticut for banks that received TARP funding or would it also apply to individuals who worked in New York for an entity -- or Boston -- or Massachusetts I guess could also happen -- worked for an entity in another state or both?

SENATOR WILLIAMS: Another good question. My understanding is that this would apply to folks who work in Connecticut.

SENATOR McDONALD: Work -- okay -- so not as opposed to working in New York. Okay. Because that was -- that was -- thank you. Thank you that's helpful because if you -- my understanding on New York tax law is that it -- you lived in Connecticut but worked in New York. You received that money. You had been taxed at the New York rate for -- as personal income and then -- I didn't understand how this would interplay. So this would only apply to individuals who work for such an entity in

Connecticut and received all of the income in Connecticut.

SENATOR WILIAMS: Correct.

SENATOR McDONALD: Thank you very much.

Thank you, Madam Chair.

SENATOR DAILY: Representative Perone followed by Senator Boucher.

REP. PERONE: Thank you, Senator.

And thank you, Senator Williams for bringing this forward. This is obviously a direction that we need to be going in and coming forward this is -- it's a great step. I just -- I had a question regarding the loan program -- how it's currently drafted. In the -- what we've been doing on this.

I mean time and time again in terms of, you know, recasting Connecticut in a sense. You know, looking -- looking at -- at an entrepreneurial sort of community and a -- as well as innovation. I'm just wondering if -- as the -- the law is drafted I didn't get a sense of where if any -- and this -- this might not even apply here -- if we're looking to encourage growth in any particular sector or if this is really just overall, you know, sort of a rising tide that lifts all boats where we want as many small businesses to take advantage

of this as possible. I was just wondering what your thoughts were on that.

SENATOR WILLIAMS: As to the revolving loan fund? Is that what you're talking about?

REP. PERONE: Yes.

SENATOR WILLIAMS: Yes. This is not targeted to one sector or another. We're -- we're not trying to pick favorites here.

SENATOR DAILY: Boucher followed by Representative Piscopo and Representative Leone.

SENATOR BOUCHER: Thank you, Madam Chair.

And thank you, Senator Williams for your testimony. It's very important testimony and I am glad that we're just starting on a more positive path but it is a recognition also that many of us predicted this outcome years ago when this was first enacted. Did not support it. Knew that we would be headed in this negative anti-busy climate with something like this although it appeared to be a small amount; that 250.

In fact, it has become one of those nuisance and negative climate producing types of taxes that Connecticut has put in place. My concern -- and there's a couple of concerns I have with this. First, that it is only for a two-year period. Why is that? Why don't we recognize that this is a fairly anti-business creating

tax -- nuisance tax? Why should we not eliminate it altogether rather than just having it be a two-year sunset?

SENATOR WILLIAMS: Senator Boucher, the reason is because it's tied to a revenue stream that is a two year revenue stream. If we have a revenue stream afterwards where we could make this permanent, I think folks on both sides of the aisle would be interested in looking at that.

SENATOR BOUCHER: Great. Well, for me it's a tax policy item rather than necessarily a budgetary item but I understand your point with regards to being directed at our current budget crisis. The other question I have in concern is on the idea of a surcharge on TARP. It seems like we have a propensity to look at surcharges lately just like we have for profitable businesses and those that are earning a certain level of income. But -- there are -- there are two concerns I might have.
One of them is -- is Connecticut the only state individually outside of the federal government that's looking at an additional TARP surcharge and number two, have you thought of the unintended consequences about going in this direction because if in fact this is perceived as being punitive in some way that's different than another state might they not decide no longer to provide bonuses and instead try to incentivize through wages and salaries other than in the bonus direction?

SENATOR WILLIAMS: To your first question, I'm not aware of other states that are working on this. They may be working on this. I just don't have that information for you. And to the extent that this encourages firms to pay more in salary as opposed to bonuses, I don't have any problem with that. I just think that it makes sense to look at those bonuses which are -- I think most folks would agree are very large and say that for those firms that have profited significantly because of the taxpayer help, it is -- it makes sense to have a small, modest surcharge on those very large bonuses that will then help the small businesses that did not receive a bailout and that do need help.

SENATOR BOUCHER: If, in fact we would see a shift to wages and not to bonuses by enacting this would you then be proposing that those wages then be assessed a surcharge to make up for the revenue shortfall that might occur as an unintended consequence?

SENATOR WILLIAMS: No. No, I would not.

SENATOR BOUCHER: Okay. Thank you so much for your testimony. Much appreciated.

Thank you, Madam Chair.

SENATOR DAILY: Representative Piscopo followed by Representative Leone and Senator DeFronzo.

REP. PISCOPO: Thank you, Madam Chair.

Good morning, Senator.

SENATOR WILLIAMS: Good morning.

REP. PISCOPO: I just want to get a handle on what we're doing, you know, in total, you know, to those that have received a bonus. Last year we increased the income tax for higher wage earners. I think we went up to six percent for those earning 250 or more. And -- and then those that receive a bonus will still be -- will be paying that income tax, right? They'll be paying that six percent on that bonus, of course --

SENATOR WILLIAMS: That's correct.

REP. PISCOPO: -- because they registered it as income.

SENATOR WILLIAMS: Correct.

REP. PISCOPO: And I want to get a handle of what the surcharge is and I got -- I'm reading the language. It says a taxpayer who receives TARP bonus shall pay a tax on such bonus to the rate of eight and nine seven hundredths percent. Is that on top of the six percent that they will be paying -- a surcharge?

SENATOR WILLIAMS: I'll boil it down for you. It's -- it's -- you would pay at the top end six and a half percent in the State of Connecticut on income over $1 million. Now in New York State, you'd pay 8.97 percent or whatever it says

there in the bill. I believe it's about 8.9 percent or thereabouts.

What we're talking about for the bonuses -- bonuses of $1 million or more -- so we're not talking about small potatoes here -- for $1 million or more they would pay the difference between the Connecticut rate and the New York rate or about three percent in addition. We believe that is fair. That it's very modest. It's certainly not punitive. It can't be characterized as confiscating the entire bonus. And it is for a legitimate and rational purpose to help small businesses.

REP. PISCOPO: Thank you, Senator.

Thank you, Madam Chair.

SENATR DAILY: Representative Leone followed by Senator DeFronzo and Representative Altobello.

REP. LEONE: Thank you, Madam Chairwoman.

And good morning, Senator.

SENATOR WILLIAMS: Good morning.

REP. LEONE: Thank you for being here. Great proposal. A couple of questions. You've answered -- I think we're touching on a lot of similar questions here. And you mentioned how we're going after the members that are strictly in Connecticut in terms of if they were to receive this $1 million bonus or more. And we

weren't sure how many members were in Connecticut.

Do we know how many TARP companies are in Connecticut that would fall under this legislation and where they're concentrated so we sort of have a sense of what we're facing?

SENATOR WILLIAMS: We're trying to get that information as well. Our understanding is that there are at least eight TARP taxpayer funded entities with offices in Connecticut.

REP. LEONE: thank you. And do we have a definition of what bonus is. And the reason why I ask that is I'm assuming it would be a one-time lump payment, say at the end of the year -- actual cash value. But obviously with anything that we're looking to make fair across the board there will always be those that try to subvert it.

SENATOR WILLIAMS: Sure.

REP. LEONE: And folks may want to choose, say stock options or some other kind of financial vehicle that would be similar to the bonus but is not a bonus but yet it's a way to not fall into this category. So does -- is the bonus strictly for a cash value or would it cover other financial vehicles that could be manipulated a hundred different ways.

SENATOR WILLIAMS: That's a great question and the intent is to capture other financial benefits.

So it's not necessarily just cash but it is a bonus, if you will, over and above salary not tied to performance or any acts that the employee took as part of a contract but simply a bonus payment. The bonus could be cash. It could be cash plus stock. It could be just stock, et cetera.

REP. LEONE: Okay. Thank you.

Thank you, Madam Chairwoman.

SENATOR DAILY: You're welcome.

Senator DeFronzo followed by Representative Altobello and Senator LeBeau.

SENATOR DeFRONZO: Thank you, Madam Chairlady.

Morning Senator.

SENATOR WILLIAMS: Morning.

SENATOR DeFRONZO: I want to join in the bipartisan -- acknowledging the bipartisan spirit of your -- your testimony and the proposal today. And I want to say I think this -- the crisis we have in unemployment -- the high rate of unemployment in the State does afford us the opportunity for early bipartisan action on the jobs bill. And I wanted to ask you -- the Governor has a proposal in -- actually in the bond package similar in nature -- I believe -- in terms of creating a loan program. And maybe you have more knowledge than we do at this

point but I just wanted to ask you to the extent you can, can you comment on the similarities between the Governor's proposal and your proposal?

SENATOR WILLIAMS: Thank you, Senator DeFronzo. Yes. She has proposed a revolving loan fund of about $25 million -- I believe -- for small business. So it looks very similar in many respects to what we're proposing. I guess one of the key differences is that we're seeking a way to actually pay for ours instead of doing 100 percent of it with bonding. But we're certainly open to bonding which has been suggested by a number of folks in terms of funding these types of programs -- revolving loan programs.

But I also wanted to point out -- and I mentioned earlier that I look -- I want to work with the Governor on her other plans for jumpstarting our economy. I've looked to the Majority Leaders' job growth report that they've put out with a number of good suggestions. The Commerce Committee has a number of good ideas to grow jobs.

It wasn't that long ago -- I believe in December, you and a number of others were talking about the Connecticut Jobs Now proposal, fast tracking infrastructure projects that we know we have to do. But let's fast track them and put people to work now and get those projects done. I think all of these are

good ideas and we should all work together to push them forward.

SENATOR DeFRONZO: Well that's -- that's exactly where I was going so you've anticipated that -- that question. But neither the Governor's proposal nor Senate Bill 1 at this point envisions any additional bonding for infrastructure projects. And I take it from your response that you are open to an inclusion of -- on infrastructure spending of the type we -- we discussed last December.

SENATOR WILLIAMS: Well yes and bonding is one of the last tools in the toolbox for us, quite frankly in an economic crisis like this. And we have to be careful as everyone knows given the bonded indebtedness that we have in this State. But for infrastructure which is traditionally the function of bonding and for those projects that we know we have to do, we don't want another Mianus River Bridge collapse.

We want our citizens when they drive on the roads and bridges, when they access State infrastructure that goes directly to their own safety and the safety of their families and their communities. We know we have to live up to our obligation and take care of those projects.

So, you're suggestion, the suggestion of others of fast tracking those projects, especially in an atmosphere when -- when you go out to bid

the bids are coming back in lower now in the current climate than they have been in years previous. We can actually save money, get the projects done that we know we have to do, put people to work. That is another -- should be another pillar of what we're talking about in moving the jobs agenda forward.

SENATOR DeFRONZO: And finally, of course to achieve the Governor's plan and I believe the infrastructure component would require us to engage in a -- a significant review of existing authorizations and probably identify and execute a number of cancellations.

The Governor has given us a list of about 380 -- about $380 million worth of cancellations and we've engaged in her -- the beginning of a process to review on our own potential cancellations. And I know you're aware of that. That's a difficult task. It's unprecedented as long as I've been here. It will be challenging.

But I do think that -- that the goal of creating an effective jobs program does give us the opportunity to look at many of the authorizations we've created over time and which really either for a variety of reasons haven't moved in probably -- you can make a good argument that they ought to be deauthorized or at least -- or at least reduced in authorizations for a period of time. And -- that's a challenging aspect of this -- of this program. I know we've discussed it and I know

you're up for that challenge. But it is a difficult one. And do you want to comment on that at all?

SENATOR WILLIAMS: Senator DeFronzo, there are number of painful things we're all going to have to do this session. That's one of them.

SENATOR DAILY: Thank you very much, Senator Williams. I'm sure that there'll be members contacting you with further questions. And we -- hopefully the whole Committee can work together to produce a -- a really good -- really effective bill. Thank you very much.

SENATOR WILLIAMS: Thank you. And I want to thank the Committee members for their great questions today. Thanks very much.

SENATOR DAILY: Senator Looney is actually next on the list but not present so we'll move right down to Senator Fasano.

SENATOR FASANO: Thank you, Chairman Daily, Chairman Staples, Ranking Member Roraback, and Ranking Member Representative Candelora. Thank you for allowing me to testify on Senate Bill number 1, an act concerning the preservation and creation of jobs in the State of Connecticut. I will be handing in written testimony. I'm not going to read my testimony. I'm going to summarize it to move your proceedings along.

But let me say, I think this is a great step forward in bringing jobs and helping the State

of Connecticut in this area. I know that the House Republicans and Senate Republicans have pushed various aspects of this proposal over a number of years. And I'm very -- we're very confident to see that this is now receiving great attention from this Committee. There's some concerns I'd like to raise with respect to the bill.

There are three parts. There's the $250 entity tax, the TARP money, and the small loans. On the -- on the 250 entity tax I think that's a great idea. We're looking at reducing that tax and the impairment it has on ma and pa businesses.

Obviously our proposal is to get rid of the tax in its entirety. The $50,000 dollar limit that is in Senate Bill number 1 is tied specifically to a tax section -- as the bill relates to a tax section. That does talk about gross income. Basically that section talks about any income derived in or out of the State of Connecticut with respect to partnerships, LLCs and corporations and so forth. That's the -- that's the number it's talking about. I heard Senator Williams talk about a net figure. And I think that's moving the right direction except I don't think that's defined in our law what a net figure is.

So it's just for the Committee that when you look at this bill, look at it as a taxable figure, one that's defined either by a federal code or the state code. And number two you

could use the adjusted gross figure if you'd like. Once again, another definable term. I would suggest that perhaps you want to raise that from 50,000 to 75,000 and lower the employee issue from that 100 number down to 50. I think that will come from both ends and capture the small business people that we're talking about and achieve the goal of this bill, which, once again is a laudable goal.

With respect to the TARP money issue and the cash in that bonus, I do disagree with Senator Williams with respect to that approach. Number one, I don't know that the code -- the IRS or even the State code has ever been used in a penalty or punitive fashion. And they use that on two different levels. One, as a penalty or punitive fashion by saying you're receiving a bonus that we don't think is appropriate given our economic state. I mean, I'm as outraged as anybody else over the numbers that are given out with bonuses. I can't even get my hands around $5 million bonus or $2 million bonus. Those are just really huge numbers.

But on the other hand you have to look at what we're doing to the code. I had some background in tax school going and understanding the code. And the code has never been used as a punitive measure in our -- in our history of our tax code. We've looked at it as taxing for various reasons and revenue is one of them. And inspiring some goals and not inspiring other goals. But as a punitive fashion I don't believe that is the import of our tax code.

Secondly, the issue of taxing this TARP bonus was raised at the federal level. I think even our own Chris Dodd raised this at the federal level and it was the current administration in Washington that asked to have that removed. I don't think we're here to fix the ills of Washington, therefore I don't know exactly why we're -- we're meddling in that. And I guess another issue is certainty.

You know, we've listened -- those of us who've been at the business forums with a lot of businesses is they say the reason why they don't like the State of Connecticut, it's uncertain. Today you're going to tax this. Tomorrow you're not going to tax that. Next week you're going make this deduction go. And that one -- next in the following year you're going to add another penalty of imposition of a fee.

And it's that uncertainty that stopped businesses from flourishing and coming to the State of Connecticut or expanding; not knowing what we're going to do to them every two years. This is a pure example of a roadblock that stops businesses from coming into the State of Connecticut.

On the constitutional issue of this right there is that rationality test that Senator Williams discussed. But as I understand the rationality test, it is a rationality of the tax, the

income, and then who's paying that tax and what are you doing with that income.

For example, if you were to tax the TARP bonuses to those banks that received that -- that used that money to fund something related to banks, perhaps the constitutionality test would be met. But when you're doing it for a general fund, global purpose like getting rid of the 250 in all corporations, I think that's where the rationality test does not meet muster. And that's an important issue when you're talking about the constitutionality of the TARP fund.

So, I think that's the rationality we have to look at. So for those reasons and a few others I would suggest that that is probably not the appropriate way and finally I would say we're at a point -- that I wrote down -- is the talent pool. We don't want to chase out people who are going to say, well if you're going to tax me in the State of Connecticut, I'm not going to work for this financial institution in the State of Connecticut. I'll get employed by the financial institution in New York, because I don't know what Connecticut's going to do next to me with respect to my funds.

So I think there's all those reasons -- combination of those reasons, the TARP fund bonus measure, is something I think we should rethink before we go forward with this bill that has much merit to it. With respect to the

loan program, once again, I think that's a great program.

We can talk about the small differences between programs that the House and Senate [inaudible] have put out, programs the Governor's put out, and the programs that the majority party put out. But we're all in the same ballpark that we need a business -- small business loan program that we can set in the State of Connecticut.

So I think overall -- I think this is a good bill. I think it -- it brings the parties together and I look forward to bringing it to the House and the Senate. One other thing is this, we should do this immediately. I mean immediately. With respect to funding it, we're going to figure it out -- the $250. We're going to figure that out, the entity tax. We're going to figure out how we're going to fund the small businesses. We're going to get through that. But let's do it. Let's do it next week. Let's insert it. Let's go into session and do it.

Why? If businesses -- trust me when I'm telling you -- the businesses teetering out there deciding whether to close the doors or not. The economy is stifling. There is no great promise that we're going to get better in the future. Let's at least send the message that we've talked about these proposals forever but now we're going to put them on the books.

We'll fund them. Well let's put them on the books.

Let's get going. Let's get our people start working on the details of the loan programs, how they're going to work. It's going to take time, once we pass it to get through the pipeline, get all the measures done, all the administrative stuff, finish. But let's start now so people see there's a hope, stay in Connecticut. Small businesses don't say forget it. They look at us for a promise of the future. Let's deliver that promise. But we could do this next week. We're that close.

We're definitely on target with the concepts. The funding aspect we may need to tweak and we can do that. But let's get those concepts passed. So I urge this Committee to get it out. Let's get it inserted. We've done a lot bigger projects than this and we've inserted them and done it. But let's do it. It's not a question of how. It's a question of when now. So let's get it done. Thank you, Madam Chairman.

SENATOR DAILY: Thank you very much, Senator.

Representative Cafero. Oh, I'm sorry. Representative Candelora, you had a question?

REP. CANDELORA: Thank you, Madam Chairwoman.

And thank you for your testimony, Senator Fasano. I know the issue of the TARP funding

is a difficult one to talk about. I think that portion of the bill appropriately taps into the public's outrage. But when you peel it apart there may be some unintended consequences to it and I appreciate you speaking to that because it wasn't that long ago -- I think the insurance capital -- that Connecticut was the insurance capital of the world and we've now lost a great part of that.

We've had -- I think -- the success of having investments in Fairfield County and we've gotten the income from that. And I'm concerned as well of what the implications possibly would be if we do have this type of proposal. Would it be easy for these businesses just to move out, take their jobs with them to another state? Last week we heard from Starwood and their proposal of bringing 800 jobs to Connecticut.

And as part of their rationale they said to us, we're bringing them here because your income tax is lower than New York's. And if we're taking this industry and putting it on par with New York, we've removed that incentive and potentially those businesses would move out and go to New York possibly for their standard of living.

You mentioned that the rationality piece of the constitutionality element, and I was wondering if you could just talk about that a little bit more. Is that a separate constitutional test above and beyond the bill of attainder where we

can't punish people or is that rationality rolled into that very test? Do you know?

SENATOR FASANO: Not being a constitutional scholar by any stretch of the imagination I would say that -- I believe it is different than the bill of attainder. It is under our Constitution that -- to all taxpayers should be treated equally and fairly. And that's the basic premise as I understand it.

But when you change you do have to have a rationale for that change. And as I understand the law -- and I didn't do great research on this -- but as I understand the law there has to be a connection between those paying the taxes, the tax that's placed on that, and then what happened -- why that is being done. If you were to take that money from the banks and say you're going to do -- help people who lose their money to bank's failures or stuff like that, I think there'd be a rational test that you'd get by. But to put it in our general fund in order to pay for the elimination of the entity tax, I think the nexus is lost. And I think that's what rises to the challenge.

REP. CANDELORA: Okay. Thank you. I appreciate it.

Thank you, Madam Chair.

SENATOR DAILY: Thank you.

Any other questions? Representative Larson.

REP. LARSON: Thank you very much, Senator. I appreciate your testimony. I just need clarification on this and I've tried to ask Senator Williams as well. Help me understand this. Assume that this individual has made $2 million in base pay and he's made $1.5 million in TARP fund bonuses. We would then charge the 6.5 on the base plus an additional 2.97 just on the 1.5 or are we saying we're going to charge an 8 percent, 8.97 on those additional funds? Is that your understanding?

SENATOR FASANO: My understanding would be that on the -- it's a good question. It's my understanding that it would be a 6.5 on that base rate and then a 6.5 plus a 3 or 2.97 on that amount that is deemed a bonus. That's my understanding as how I read it. I may be wrong because I didn't draft it but that's my understanding.

REP. LARSON: I'm just trying to get clarification. I wouldn't mean to try to put you on the spot at all. We had a Committee meeting last year and banks and I was having like an out of body experience listening to these guys. How, you know, compensate themselves after receiving federal money and then giving out bonuses and indicating that the --- only the individuals who can figure out this -- what I considered a Ponzi scheme, we needed to bonus them in order to keep them alive so that they could unbundle and get this banks accordingly.

I can't begin to tell you how frustrated and upset the people that I represent feel about these bonuses. And from my perspective this is a great scenario, I think an important step in recovering some of that money that we can filter back into a jobs program here in the State of Connecticut. And I do like your rationale on the -- on the 250. I just need to get my head around it a little bit more. But I thank you for your testimony.

SENATOR FASANO: Thank you, Representative Larson. If I may, I agree with you. I mean, I think it's ridiculous these bonuses and they're out of control in my view. And I understand how that can pull the emotional string.

And I want to make sure this is -- well, let me say that I understand that emotional string that's attached to that. But in Washington, there was a proposal to tax these. That's federal taxpayers' money. That's the entire United States that paid to help fund TARP, not just Connecticut.

Although now we're taking that national money paid by everybody and we're pooling it into Connecticut. But they certainly could have done it in Washington. They had the ability. They had the power. They had the votes to do it in Washington. And they decided not to do it in Washington, where it really should be done. And I think perhaps, maybe we should write a letter to tell our congressional folks

to press forward on that mission because we feel that it's warranted.

REP. LARSON: Sure.

SENATOR FASANO: But I think Connecticut to stand alone and do that as a small state that we are in the middle of Massachusetts and New York and say we're taking the stand could be a little bit of an island to us and hurt us in the long run. That's my concern. Thank you, Representative.

REP. LARSON: You're welcome.

SENATOR DAILY: Other questions? Senator Boucher.

SENATOR BOUCHER: Thank you, Madam Chairman.

And thank you, Senator for being here. I had asked a question previously to Senator John Williams with regards to Connecticut being the only state to embark on this and you just made a very good point about Connecticut standing out there alone on this one. It appears to be a -- a policy that should probably first be pursued nationwide so it's equitable across. I had gotten that response one session when I was trying to propose a change with regards to interest being charged onerously by banks on your credit card.

And I was, you know, told by the Banking Committee that that probably was going to happen on a national level and frankly it did

happen on a national happen. Because it does position Connecticut in a -- in a negative fashion. And this in particular would do so as we also are trying to embark in other committees on the regulation of Hedge funds, which would be a detriment to those companies here in Connecticut when we stand out there alone.

My concern was also in talking about the TARP legislation, whether or not this would -- could incentivize companies to eliminate or severely reduced their -- their bonuses and move instead to changing their wage structure and salaries as a result of this in order to provide incentives, which is very standard in the industry in order to -- instead of paying higher wages, instead incentivize either efficiencies in the process or retain very important talent that might go, to say a competing firm or what have you. And just your thoughts with regards to the issue of not maybe realizing the revenue that you're trying to go after.

SENATOR FASANO: Yes, and I think that also goes to -- thank you, Senator. And I think that goes to what Senator Roraback was saying, was that you can manipulate the compensation such that it is not a bonus.

You know, I don't know how you would do it if part of the compensation was extra vacation time. You know, I've been there seven years. You've been there seven years. You're going to

get two weeks vacation. I'm going to get four weeks vacation. I don't, you know, paid for or however it works in terms of compensation.

How do you -- what is a bonus and how's that all going to get wrapped into it is going to be another -- once you get past this philosophical level if you go in favor of this, which I'm not supporting. I'm against. But if you go in favor of this you get the philosophical how are going to control that?

What's going to be considered a bonus? At what time is that going to be identified? For instance, if -- let's say today you get a bonus of 15 shares of stock today. The stock goes up in November and you know it was going to go up in November. Do you -- is it taxed at the date that you got it, which it probably is, or do you wait until the end of the year to determine it? And then if it goes down.

So there's a whole slew of issues I think this gets into which is -- I think huge in terms of revenue. But I think the bottom line of understanding is that if we do this by ourselves we run a real risk with 45 percent of our income comes out of the Fairfield area, much of their income is down in that area -- 47 percent. Much of the income is down seven towns, I think in particular. Most of that income is down, you pass this and people leave. We're just putting ourselves more and more in a hole.

SENATOR BOUCHER: One other point that was brought to my attention was that in last year's increase of our income tax, making it more progressive, that it was retroactive. And I had -- luckily, a couple that it might have affected -- not that many -- but one in particular that pointed out that he was not able to take any pay in the last three months of his year and he did not know that and couldn't prepare for it financially. Is this proposal -- do you know being proposed to be retroactive as of January if this were to pass?

SENATOR FARSON: I think that Senator Williams would not be retroactive -- retroactive in terms of money received after January 1, 2010. But not going back to 09. So it would be -- if they receive something -- a huge bonus we'll say in January for 2009 and they received it in January I think that would be included in this proposal to be taxed, is my understanding.

SENATOR DAILY: Are there any other questions?

REP. WIDLITZ: Thank you, Madam Chairman. I'm just following up on the discussion about shifting -- the possibility of shifting bonus money into a regular salary. There must be an incentive to businesses to pay the -- to pay that money out in a bonus as opposed to working it into the salary. And I'm assuming that the salary -- the base salary determines benefits, pension, whatever the contract specifies that the agreement is.

So, I don't think the companies specifically would have an advantage of shifting the money into salary because it would cost them more money in the long run. And what this essentially does is tax the person who receives the bonus not the company but the person who receives the bonus. So, I don't see that there would be an incentive to shift that into -- to avoid doing this.

SENATOR FASANO: Well I would suggest if you wanted to keep a key employee so you didn't lose your talent pool, maybe you would do something where you're splitting that up, where you're going to say listen, for the past four years we've given you this bonus so what we're going to do is -- and there's a way of doing this -- you say, we're going to give you a salary increase which is going to result in a pension increase that we're putting away every year for you -- for you, which is in terms of value of money equal to this if you were to get the bonus at the end of the year.

You would just do the math. And that's all it is is a mathematical game. The risk that you take is -- both the employee and the employer is either the employee at the end of the year is getting more than what the company made that year but you're stuck into it because it's a structured salary or the employee's making less than they normally would because they had a great year. So each side takes a risk. But that's just, you know, you and me sitting down at a table and negotiating to avoid a three

percent increase on your -- on the income that you're receiving on a bonus.

So I would go to my employer and say look, you gave me a great bonus but if I got to pay three percent back to the State of Connecticut, let's work out something else where I don't. Let's put it in my pension plan so that I don't pay tax on that until I take it out. That's worth something more to me.

So there's many ways of figuring it out. It's a mathematical game that the employer and the employee would play relative -- if we were to stick that in. And with these numbers, they will do that math.

REP. WIDLITZ: Thank you. That's the dilemma we have sitting here trying to predict what the consequences of our actions are going to be. And hopefully we guess right. Thank you very much.

SENATOR FASANO: Thank you, Representative.

SENATOR DAILY: Questions? Yes, Senator Roraback.

SENATOR RORABACK: Thank you, Madam Chair.

Just one quick question for Senator Fasano. I think there -- obviously there's nearly universal outrage about what happened in terms of the payment of bonuses but Senator Fasano, do you think our lives might be easier had Congress had the foresight when the passed the

TARP legislation to impose restrictions which they had the ability to do. Don't you think our world would be a better place if there had been some thought given at the time the TARP payments were authorized to this very foreseeable phenomenon?

SENATOR FASANO: Absolutely. You know, that would do away with this whole thing. But absolutely, that foresight is worth its weight in gold, if you would. Had they thought it about it back then. And that's the reason why it shouldn't be our problem now.

SENATOR RORABECK: Thank you, Senator Fasano.

And thank you, Madam Chair.

SENATOR DAILY: Any other questions for Senator Fasano? Next on our list is --

SENATOR FASANO: Madam Chair, thank you. And thank you to the Committee.

SENATOR DAILY: You're very welcome.

-- is Representative Cafero.

REP. CAFERO: Good afternoon, Madam Chair, members of the Committee. Thank you so much for allowing me to testify. The primary purpose of what I'm here, I hope, as not only State Representative but also as the House Republican Leader. Having followed the Senate Republican leadership is to actually make a symbolic

statement to the citizens of the State of Connecticut that we do believe that job creation is the number one mission on our plate, if you will.

And I applaud Senator Williams and also Speaker Donovan and all four caucuses including the Governor for putting forth various proposals that recognize that we need here in the State of Connecticut, as a legislature, a State -- excuse me -- State government to focus on job creation as number one. The symbolism of having it Senate Bill 1 is not lost on me and I hope not lost on others. So, I want to say that -- it is in that spirit that I am here. I think we all know that we as a State -- we've watched in the past two years 94,000 family members, neighbors, friends, lose their jobs.

We've watched 10,000 businesses close. Unemployment approaching ten percent. And regardless of what party you're from or what ideology you're from, I think it's a very simple priority and that is job creation. And I think this bill being before this Committee as the first bill symbolizes that and I look forward to this Committee taking up the various measures that are in this bill and all bills with regard to job creation.

I also want to say that I agree with Senator Fasano that this needs to be done sooner rather than later. It needs to be a priority. By labeling the bill that's before you Senate Bill 1, it underscores the dire need we have to do

this. And I want to stand in agreement with some of the facets of the bill that's before you. Certainly the elimination of the business entity tax -- I think previous speakers have said we might disagree on when that should start and who it applies to.

But I remind you that 73 percent of the businesses in the State of Connecticut have nine or less employees, 53 percent have four or less employees. Those are the people that are paying this. The elimination of that entity tax could be nothing but helpful in these -- in these dire economic straits with regard to extending credit to small businesses, incredibly necessary. Unfortunately, despite the trillions upon trillions of dollars that have been given out by the federal government to varying organizations with the hopes of extending credit to various business entities.

I know it's been my experience that not many are benefitting from that or certainly having credit made available to them. So anything we could do in this State to ease that credit crunch is -- is a helpful move. And I look forward again to working further with regard to the proposal concerning small business credit in this bill, also the Governor's bill, bills that have been put forth by the House Democrats, House Republicans, and Senate Republicans as well.

I do have some concern with one of the aspects of the bill. It's been talked about here and

that of course is the TARP funding. And it's not -- you know, I guess I have mixed emotions about it. My biggest concern, I guess, is the fear of the unknown.

From an emotional level does the fact in these economic times when everyone is taking a haircut, when people are losing their jobs, their homes, their savings, that somebody who works on Wall Street is getting umpteen zillion dollar bonuses. Does that burn my rear-end? Boy, you ain't kidding it does. And you have this sort of emotional, you know, you want to strike out and say no, you're not going to do that. You're not going to do that. You're not going to go nah nah nah nah nah to us and take this money, et cetera. So emotionally, I get that. I do get it.

My concern is -- I have several concerns. One is, is it -- being a lawyer -- is it constitutional? Because if we are going to rely on the fact that it is and it turns out that it is not -- and we've been down that road before. Remember -- we're in the middle of it now -- campaign financing? And it turns out that it isn't, where have we put ourselves in? And I know there's scholars on both sides of the issue, some who say that it is constitutional, some that say it isn't.

I know there was a report in the paper based -- that even in Senator Williams -- who's proposed this bill -- his own caucus, there were differences of opinion by his legal staff as

some who said it was constitutional, some who said it wasn't. I don't know the answer with that. With all due respect, I'm not so sure the Committee or the legislature in general would. But wouldn't it be a dangerous thing to rely on it one way if it turns out to be the other way.

The other -- the other aspect that concerns me about the TARP funding is, where do you draw that line? For instance, I know the federal government has bailed out General Motors to the tune of billions upon billions of dollars. Can you -- and it might sound like a stretch -- but can we get to the point well we say, well that being the case every, you know, General Motors dealership in the State of Connecticut, we're going to tax that dealership differently than we did the other dealerships because in point of fact they were benefitting from federal taxpayer dollars.

As the President often says, we own that company now as the public. You know, do we treat them differently, et cetera? Where do you draw that line? That's the concern. But the biggest concern, folks, is this when we as a legislature set our priorities -- and depending on the year's we've said transportation is, education is, et cetera.

What we're saying by this bill being before us and labeled Senate Bill 1 is that this is the number one priority of this legislature in State government, job creation. We can't have

an asterisk added. And I would submit to you that by tying our job creation bill to the hopeful constitutionality of TARP funding taxation of bonuses is that asterisk. Because I don't think any of us would say that if there wasn't TARP bonuses -- that wasn't happened -- not to be an issue -- would we still -- would we say, well therefore we cannot debate creating jobs?

Are we saying that our -- us as a State creating jobs is a priority but it's contingent upon funding we get from a source that might be questionable at best. I don't think we can afford to say that to ourselves or to the public at large. Job creation has to be a priority. Period. End of sentence. It can't be contingent on any particular funding source.

Lastly, with regard to the TARP I noticed as I think all of you have with some concern, that Moody's and Fitch, the bond rating agencies downgraded our outlook from stable to negative. And in their opinion they said that they were concerned that we relied too heavily on borrowing and that we also relied too heavily on a volatile revenue stream. And they were referencing of course the progressive income tax changes we made in the last session. I'm not so sure how far we go to correct that impression or perception to those all important bond rating agencies.

If we further fund a programs as important as job creation on the questionable -- at best --

process of taxing TARP funded bonuses, that's my concern. Whether you're for or against TARP funded bonuses please let us not make the mistake to join that or make our job creation proposals contingent. We have to create jobs. It's in that spirit I'm here to support the concept of S.B. 1. Yes, I have some questions. We always do. Let's work together to find out where we have that common ground and pass that bill as soon as possible. Thank you for your time and indulgence and I'll be glad to answer any questions.

SENATOR DAILY: Thank you, Representative Cafero.

Senator Boucher.

SENATOR BOUCHER: Thank you, Madam Chair.

And thank you, Representative Cafero. The more I listen to your comments, the more concerned I became I have to say. There is some testimony here that I'm sure we'll hear later from the -- actually the Connecticut Banker's Association and as you can imagine they're very upset about this, particularly the second half of this bill which involves the TARP portion of it. Because the first portion, I don't think anyone in this building would oppose.

It's a very positive step, something that a lot of us have been asking for for years, that is eliminate the business entity tax. And here, you know, it's just two years, it still is moving in that direction. But the second half

raises a great deal of questions and concerns. The -- one of the bigger ones you just mentioned with is the volatility of that because bonuses come and go so you can't rely that -- on a stable -- as a stable funding source.

But they have some very strong language in here calling it the provision anti-job, anti-employee, anti-resident, anti-business, and anti-job creation. In fact, go further to say that because of new programs from paid back TARP money that the government is using -- one of the big new programs is a $30 billion small business lending initiative that the President just brought out.

They point out that if they were to participate in that they would be considered using again federal money and again subject to an additional tax on their bonuses so it might make them more reluctant, possibly, to participate in that.

That causes me some concern, but greater yet, this is almost starting to feel like a gotcha kind of bill. You know the kind I'm talking about. I experienced it early on when I was a freshman. You have this really great business positive concept and they tack on a second half that is anti-business and puts you in a very difficult position of where to vote on this. Yes or no. And if you don't vote on it because the second half -- well maybe you're voting against job creation or a positive bill. I

don't know if that's starting to feel that way to you. I know you used some very positive, lovely language. Mr. Leader.

REP. CAFERO: Well, and thank you for your comments and your questions, Senator Boucher. And again, in the spirit of starting afresh I don't -- I certainly don't believe that the intention of Senator Williams or whoever drafted this bill was to -- to gotcha or whatever. Does it put people in some difficult position if the bill was put forth to vote on like it is because it's either all or nothing? Sure it does.

But I guess what I'm saying is we all agree about the job creation part. And even if you disagree philosophically with regard to whether or not TARP bonuses should be taxed or they shouldn't be taxed. At very least you got to admit, it's still a question mark of whether it's -- it's doable or not; constitutional if you will.

And my bigger concern is to send out a message that the only way we consider making job creation a priority is if we could fund it by this specific mechanism that we all agree is questionable. Let's separate that out. Let's say we are all for job creation, relieving credit, relieving the business entity tax and various other initiatives and let's debate the TARP funding as a revenue source separate and apart.

I think the biggest mistake and my concern with regard to this bill is tying the two together. Because if we are wrong -- if those who are in favor of this are wrong and it is constitutional, what then happens to our job creation program? What message does that send? That's my concern.

SENATOR DAILY: Thank you, Representative Cafero.

Representative Larson.

REP. LARSON: Thank you, Senator.

There's not a thank you very much for coming to testify. I have just two questions, maybe three that maybe you can answer regarding the $250 small business credit. Senator Williams, in his testimony estimates that this benefit would affect 46,000 small businesses with this $50,000 threshold and could raise or eliminate $12 million worth of revenue. Would you have any statistics on the additional businesses that would be added above the 46,000 and then what would be the additional savings of -- what would be the additional loss of revenue I guess with either?

REP. CAFERO: You know, Representative Larson, that's an excellent question and I think with all due respect to everyone it's almost impossible to answer. It's a lot of anecdotal evidence. You know, I've been around the State, as I'm sure you have, and I'm talking to

people -- businesses that are hanging on by the fingernails.

So when you ask them would $250 more bucks in your coffers in a year be helpful, they're going to say yeah. Does it create another job the next day? Maybe not but maybe -- I think as Senator Williams said -- maybe they could extend the hours of someone and give that -- that back. But more importantly -- I think -- it might help them to stay open.

I don't know if it will create any more jobs but maybe the -- it will prevent them from getting rid of one. And also, if we do get rid of that tax, how many people out there that are sort of, you know, surveying the scene of is it okay to do business in Connecticut? Should I take that chance?

One of the things I do during the course of the year is I work with the Norwich Chamber of Commerce. They have a small business academy and these wonderful people come forth with all these creative ideas hoping to start their own business.

And so many times I'll see them later on after they've taken this eight week course. And I'll say, hey, did you ever start that -- that hairdressing business or that cleaning business or whatever. And they say, no, you know, the regulations were too onerous and it just costs too much money, et cetera.

So, if -- again, hopefully symbolically but even substantively we could remove yet another hurdle that encourages someone who heretofore does not have that business to start that business, grow that business, and create jobs. I think it's a positive. But I think anybody, including OFA with all due respect, would be guessing as to how many jobs the infusion of $12 million into small businesses would help create. But I can't help but think it would in isolation hurt any.

REP. LARSON: Thank you.

SENATOR STILLMAN: I thank you, Madam Chairwoman.

Good afternoon.

REP. CAFERO: Good afternoon.

SENATOR STILLMAN: Representative Cafero. Good to see you here. And I want to thank you for your comments in terms of bipartisanship initiative that I believe this is starting. And I think the -- people to think we never work together I think is a fallacy. We know we have to and we do on many instances. So I appreciate your remarks.

But I was a little concerned about your comment that this could be -- should this be seen as our only job creation bill before us and I would like to say no. I would like to say that there are many other ideas out there. Whether they'll be incorporated into this bill or not

or whether they will work together in some other fashion I think is something we have to keep in mind.

I don't want the public to think that this is it. You know, because there are -- there are great ideas out there that we all have to work on together. And I can tell you as a small business owner I'm looking forward to -- to reading some more ideas. And certainly this particular bill, Senate Bill 1 I think will be a great benefit to small business owners. Two hundred and fifty dollars doesn't sound like much to many people but -- but it is a lot in the small -- you can do a lot with it in the small business.

Small businesses are very creative. And so I appreciate this opportunity -- so I just wanted to thank you for your comments and reassure you -- although you probably don't need the reassurance, that there will be other opportunities for us to work together to create jobs here in the State.

REP. CAFERO: I thank you, Senator.

SENATOR STILLMAN: Thank you, Madam Chair.

REP. CAFERO: Thank you, Senator and I couldn't agree with you more. I think -- I've seen some of the bills that are before you and been proposed by all, you know, the varying caucuses, the Governor, et cetera. And there's no shortage -- I think -- of good ideas that we

could all agree upon. I guess what I'm hoping for is that as early as possible knowing that the session needs to take its place and we'll have plenty of time for debate.

But for those things that we are in all agreement to do those in all due haste because we're in such desperate needs. And the only thing is though I realize there'll be other bills and that many of the issues raised in this bill are very, very good and are in agreement in many cases by all of us.

My only concern is with regard to this bill is the tying with the TARP thing. That was my only concern. I think I'm more for sort of separating out those things we could all agree upon, passing it, continue the debate on the other things. But I agree with you, I think there has been a history of bipartisan cooperation. When there's a crisis there's a crisis. There's not a Republican crisis or a Democratic crisis. It's a Connecticut crisis and that's what we're here to do is solve those problems.

SENATOR STILLMAN: Thank you. Just as a quick follow up, I don't -- I agree we should do this as quickly as possible but I want to make sure we know how we're going to fund it first. And -- and I think that that's very important. A comment was made -- I think by Senator Fasano, that let's just pass this and we'll worry about how we're going to fund it later.

I don't quite agree with that. Maybe I misinterpreted his remark. But -- but I think we need to have all the pieces in place before we move this bill. That's not to say we can't do it as quickly as possible. Thank you, Madam Chair.

SENATOR DAILY: Thank you, Representative Cafero. There's still another question but I'd like to thank you and Senator Stillman for your comments. I think it's important that the public know we're not those people in Washington, D.C. and we do work together on almost all occasions. And where we have philosophical differences we are usually able to work through them and find common ground.

Representative Floren, you had a question.

REP. FLOREN: Yes. Thank you, Madam Chair.

I too am very heartened that we are going to work in a bipartisan way and I really encourage you as a leader to keep that moving forward. I guess my question is a process question. There are ideas in almost every committee in this building. The Executive Branch has some wonderful ideas. How do we get together, take the best ideas; those that we can all agree upon, and act upon them quickly? And then move from there?

REP. CAFERO: Well -- and I appreciate that question, Representative Floren. I'm a firm believer and have an awful lot of respect for

the committee process and I would never suggest anything that would thwart that but there are certain times in our history and certain crises that require extraordinary action.

And if in fact this Committee and others can as quickly as possible identify those items, those bills, those concepts wherein we are all in agreement with. I think the leadership of those various committees and the leadership of the General Assembly in concert with the Executive Branch should put that together in one emergency certified bill and pass it post haste. And again, to -- to Senator Stillman's comments, that does not mean there would be others coming down the road.

But certainly -- and I think not only from an emergency standpoint but from a symbolic standpoint that we in a bipartisan way say, yes, we have our disagreements on a whole host of things but maybe these five, these six, these four we agree on and we mean business -- no pun intended -- and we're going to put those forth and pass them unanimously God willing. And -- and show the world that Connecticut is taking its crisis seriously and working together to solve the problem.

SENATOR DAILY: Thank you very much, Representative Cafero.

REP. CAFERO: Thank you, Madam Chair.

SENATOR DAILY: You're welcome.

We'll now close that very long hour and move into the public part of our public hearing. The first person on our list is Laurie Julian followed by Dana Gordon and then Tony Sheridan.

LAURIE JULIAN: Is it on? Thank you. Honorable members of the Committee, my name is Laurie Julian, Public Policy Director for the Alzheimer's Association Connecticut Chapter. I'm here today to testify about this devastating disease and its economic cost and to ask you to support reopening the Alzheimer's Respite Care Program, which the Governor closed May 11, 2009 to new applicants.

And as you make these tough decisions that you will consider programs that do currently preserve and create jobs. Alzheimer's disease costs American businesses $61 billion a year. Of that figure, 24 percent -- $24.6 billion covers Alzheimer's health care and 36.5 cover costs related to caregivers of individuals with Alzheimer's including lost productivity, absenteeism, and worker replacement.

Currently in Connecticut there are 70,000 residents who have Alzheimer's and related dementias with over 113,000 caregivers. Those caregivers, usually family, provide over 97 million hours of unpaid care that would equal over $1 billion. The Respite Program allows many of these families the time they need to keep their loved one home.

Recent studies have documented the harm that Alzheimer's disease does to the informal caregiver. This disease can affect a caregiver's health resulting in measurable reduction in the caregiver's own life expectancy. It can also effect the family's economic security as spouses and children are forced to leave their disease -- excuse me -- leave their jobs to care for an aging relative with the disease. These are the indirect costs attributed to quitting one's job to provide uncompensated care at home.

The Connecticut Long-Term Care Assessment commissioned by the legislature reports that informal caregivers are family and friends who provide care without pay and are the primary source of long-term care. Seventy percent of these people with Alzheimer's disease live at home cared by these family friends.

So the importance of unpaid care provided by these family and friends cannot be overemphasized as it constitutes the backbone of our long-term care system. Unfortunately this comes at a price in terms of compromising that caregiver's health. Due to the specialized care required of Alzheimer and dementia patients we hear from caregivers who endure overwhelming stress and are at their breaking point. For many the grants awarded through the Alzheimer's Respite Program has extended the patient's care allowing them to continue to live at home.

So basically -- I'll summarize -- is that the caregiver maintains -- this allows the caregiver to maintain employment outside the home raising revenues --

SENATOR DAILY: Thank you very much.

LAURIE JULIAN: -- and the long-term care -- there's quite a demand for long-term care. It's one of the biggest --

SENATOR DAILY: Thank you very much. Your time is up.

Dana Gordon followed by Tony Sheridan and David Wiese.

DANA GORDON: Good afternoon. My name is Dana Gordon. I'm a small business owner in West Hartford. I own Sedgwick Cleaners. I'm here today in support of Senator Williams S.B. 1 bill. But I also want to share with you not only am I small business owner, but I'm your neighbor. I'm your child's coach. I'm your nephew's coach. I'm your grandchild's coach. I'm part of the community structure. And that's what we've talked about.

Small businesses are the backbone of every community. And we're the ones providing the jobs. I mean, the stats are there. We provide most of the jobs in the State. Now maybe there are big businesses that provide more revenue to the State coffers but if you combine all of us we're quite a large entity.

Talk a little bit about the -- the business entity tax which I have paid since the inception. There is an inequity there. And I've stated this before at a press conference that was held at my establishment. That inequity is, why does a major corporation that's doing billions of dollars in the State of Connecticut paying the same $250 that I am. You know, I wish I was doing a billion dollars but I'm not quite there yet. Maybe someday but we'll have to work on that.

So, the inequity just has to be taken care of. I mean it's not the $250. I mean, it would help, no question about it. It's just more that it's not an equal tax across the board. We need to make this more fair. The other thing that Senator Williams talked about was revolving business loans.

And luckily my business is -- is okay. I'm not hanging on by my fingernails but we might be on our fingertips. The idea of getting credit out there in a timely basis -- and that's the key, you got to have it out there in a timely basis -- can save a lot of small businesses that are going out today. And, you know, I urge you to consider this and to get this legislature taken care of in a timely manner, so we can again keep these businesses that are teetering on the edge open and operating and employing people. Thank you very much for your time and if anyone has any questions I'm here to answer them.

SENATOR DAILY: Thank you very much for your time. And we certainly hope you get to that millionaire status. We'd love your -- we'd love your income tax then too.

DANA GORDON: Yes. Definitely.

SENATOR DAILY: Thank you for your participation. Any questions --

DANA GORDON: Thank you.

SENATOR DAILY: -- of Mr. Gordon? Thank you again.

DANA GORDON: Thank you.

SENATOR DAILY: Tony Sheridan followed by David Wiese followed by Elizabeth Varley.

TONY SHERIDAN: Good afternoon, Madam Chairman and senators and representatives. Tony Sheridan of the Chamber of Commerce of Eastern Connecticut. I represent 1,600 companies that belong to the Chairman -- to the Chamber rather. I'd also like to say that I'm co-Chair of the Jobs for New England Now, which is a group of mostly Connecticut residents who are very concerned about job opportunities in the State.

I'm here to support this proposed legislation, the creation of jobs in Connecticut but I want to lend my support in particular to the first half of the bill which is the concept of getting rid of the tax. Obviously from listening to the speakers this morning the

second half needs a lot of work and I'm not really prepared to comment on it too much. But I hope that the legislation does get passed.

Our mission at the Chamber is to promote and support the business community in eastern Connecticut. In addition, this past year the Chamber received a grant to establish up to ten incubators or start-up companies. We opened our incubator in January and we already have five new companies in place.

The process for being accepted into the incubator space includes a rigorous interview process with Chamber staff and with SCORE, which is also housed in the Chamber offices. I mention this only to share with you that we have firsthand experience at the Chamber on what -- on what it takes to open a business in Connecticut. And let me assure you that entrepreneurs find this to be a challenging process.

As I understand the proposed legislation would provide a modest amount of tax relief to struggling small businesses by suspending the $250 business entity tax for two years. This proposed legislation is a positive gesture but hopefully one of more to come. This gesture is important not because of the savings involved, although that's important but equally important because of the message it sends to the small business community demonstrating that our legislators are aware of the difficult times confronting the small business community and

that they're interested in responding in a proactive fashion.

And I just want to add that listening to all of you today, clearly you are very concerned with what's going on. So it's very much appreciated. Unemployment is high in -- all across Connecticut. People are hurting. Small businesses are hurting.

The State has an important role to play in response to these concerns. As you well know the small business community is the originator of almost 90 percent of jobs created in the country. This is also true for Connecticut. Nearly 95,000 people have lost their jobs since the recession began in 2008 and many economists predict that there will be up to 100,000 who will lose their jobs in the next several months.

It is critically important that the legislator does everything in its power to create a positive, helpful, and supportive atmosphere -- is that bell for me? Oh, okay. Well, you have my written testimony. There are a lot of people who are waiting so I don't want to delay you much longer. But thank you for the opportunity and I'd be happy to answer any questions.

SENATOR DAILY: Thank you very much, Mr. Sheridan. We do have your written testimony and we'll make sure that we all read it. Senator Stillman has a question.

SENATOR STILLMAN: Yes. Thank you.

Thank you, Tony for being here today and representing the Chamber and the small businesses in southeastern Connecticut. I am intrigued about your Jobs for New England Now. I'm not familiar with that. Is that a new organization? Could you just share with us because it could be another opportunity for us to reach out and get some more ideas on creating jobs. So --

TONY SHERIDAN: I'd be happy to.

SENATOR STILLMAN: -- if you could just let us know. Thank you.

TONY SHERIDAN: Yeah. Thanks, Andrea. And I'd be happy to share. It is relatively new. It's co-Chaired by Steven Bole who is in the -- Chamber President in the Danbury area. And we have been meeting privately and publicly for some time now looking at ideas and trying to solicit input from the various companies to get the best possible ideas out there.

Without jobs we're all in difficulty. I mean, it's what all of us want is a decent job. So we'd be -- I'd be happy to share our work so far and we have an Executive Director; unpaid, I might add, to -- who is helping coordinate our efforts. We meet on a quarterly basis to talk about the best possible way of going about supporting quite frankly the efforts that come

out of this -- Connecticut but all over New England. And the -- this is not a simple problem.

It's extraordinarily difficult and there's a great fear that there are a lot of people who will never go back to work because of lack of skills and job opportunities. So, we're available to help out in any way we can. We have access to a lot of people -- a lot of companies to draw upon. So I'd be happy to at some point chat with you more about it.

SENATOR STILLMAN: Just as a follow-up to that, Tony. Any outreach to the workforce investment boards throughout Connecticut because when they're all involved with job retraining or training and so I was wondering if you -- since you're relatively new if you've looked that far beyond for some assistance in -- in that particular area?

TONY SHERIDAN: Not as yet directly but as you know, Senator, the Chamber is extensively involved with our workforce investment board in eastern Connecticut. We happen to think they're very much in tune with the needs of the region and they do an excellent job, I might add. We have a staff member that devotes his full-time to working with that board. And it's the kind of collaboration that is essential going forward. So -- but our Jobs for New England -- as I said -- is a volunteer organization. We're very concerned. We will be reaching out to the workforce investment boards throughout New

England actually but particularly in Connecticut.

SENATOR DAILY: Thank you very much Tony. I don't think there are any other questions. Thank you.

TONY SHERIDAN: Thank you.

SENATOR DAILY: David Wiese followed by Elizabeth Varley and then Donna Wertenback.

DAVID WIESE: Chairwoman Daily, Chairman Staples and members of the Committee, my name is Dave Wiese. I am council for the Connecticut Bankers Association and I'm here to provide testimony on Senate Bill number 1. CBA represents approximately 80 domestic banks that provide traditional banking here in Connecticut.

Our members range from small community banks all the way up to the largest banks in the country. Connecticut banks make up just part of a larger financial services industry here in Connecticut, an industry sector that is extremely important to the tax base of this State and to the economy of this State.

We estimate that Connecticut's financial services industry employs well north of 150,000 people. The industry makes up nearly ten percent of the State's employment base and represents over 30 percent of the State's gross financial product.

Please understand that the State's financial services industry is looking very closely at the -- at this bill and the message that is being sent by this bill. As an industry we are -- we have always been supportive of lending initiatives that help businesses and individuals obtain credit. That's why we're very, very encouraged by the provisions within S.B. 1 that would create a small business assistance program.

We would very much look forward to working with this Committee and others to make that program a reality. However, please understand that the CBA is strongly opposed to the provisions of the bill. It would create a tax -- an unfair tax on the bonuses of individuals who work for banks or bank affiliates that were recipients of federal TARP funds.

We feel that this is an unfair singling out of a group of individuals in a specific industry. And it's an industry that plays -- again, plays a very important role in the State's economy and tax base. This tax provision runs completely counter to the underlying goals of the legislation which is to create jobs. We fail to see how this proposal furthers the -- the job of -- the goal of job retention and growth.

Employers in Connecticut and across the country seek stability and fairness when it comes to tax policy. Singling out a select group of

employees and employers and imposing a retroactive and punitive tax on them cannot be viewed as fair or stable. In this case it is important to note that the Capital Purchase Program, the CPP program under TARP was designed to infuse additional capital into already healthy banks.

Faced with the collapse of the -- of the capital markets in the United States the federal government needed and wanted to quickly stimulate the economy via -- by infusing capital into these healthy banks. To do so they rolled out the CPP and then they went out and they strongly encouraged the banks -- the healthy banks in this country to take advantage of the CPP and to participate in it.

Please understand that the banking industry did not ask for the CPP or the TARP program however many banks did indeed opt into the program and followed the government's lead. And many of those banks have since repaid the TARP funding resulting in billions of dollars of -- of profits to American taxpayers. Now with this bill the employees of the banks and their affiliates will find themselves personally subject to a punitive tax just because they work for a TARP related entity. And I'm out of time. And I'm happy to -- thank you for allowing me to say a few things about the bill and I'd be happy to answer any questions you might have.

SENATOR DAILY: Thank you very much, Mr. Wiese. Do you know how many of your members actually did receive TARP money?

DAVID WIESE: I don't have an exact count but all of the larger national banks -- the ones that operate nationally many -- all of them were summoned to the -- to Washington to meet with then Treasurer Secretary Polson and were -- were asked or strongly encouraged to take TARP money and they did. Here in Connecticut the -- the numbers are much smaller but the -- if you look at the -- sort of the trickle effect of this we do have a lot of affiliates of large holding companies that did receive TARP money that employ people here in Connecticut.

We don't have an exact number of those employees but I would suggest to you that it is relatively significant, primarily in the Fairfield County area. And those people do pay very significant taxes in this State; income taxes, property taxes, sales taxes, and the like. These are the people we want to attract and maintain in Connecticut not frighten away by a punitive tax like this.

SENATOR DAILY: Thank you. I think it must be noted for the record, what might have been stated earlier this tax is not intended to be punitive and it is a surcharge that would still have us -- have a rate that is equal to or lower than neighboring states.

Representative Candelora followed by Representative Brian Barry.

REP. CANDELORA: Thank you, Madam Chairwoman.

You spoke to the retroactivity of this provision and, you know, as I read the bill it does apply to the next income tax years and I was just wondering if you could talk about that. I assume what you're getting at is the applicability of this tax.

DAVID WIESE: Perhaps retroactivity is not the right word. After the fact change in rules may be a better way to look at this. We have institutions, that again, followed the government lead that, you know, the government wanted to infuse capital into the system and they were using the banking system to do that. And when the bank signed up for TARP, you know, they did so with that intention in mind.

And none of the additional rules and tax consequences that we're talking about today were on the horizon at that point in time. And now we find that for those institutions that did fulfill that role in the economic stimulus program that after the fact we're now saying to those institutions -- to the employees of those institutions that you personally are going to have to pay taxes because your institution or an affiliate of your institution participated in the stimulus program.

And, you know, it also is important to note that this also applies to employees of institutions that have already paid the money back. I mean, the TARP money was a preferred stock issued to the federal government where very healthy rates of return were paid to -- in connection with that. And the government is right now projecting that the profit on the banking industry from the TARP program is going to be roughly $19 billion. Again, you know, the reason we're talking about this is that there's been a stigma associated with the TARP program that I think is -- is unfair.

There have been parts of the TARP money that have been used outside of the banking industry to support failing industries and firms like General Motors, Chrysler, AIG, for example. But that's not what we're talking about with the banking industry. So what happened -- we had a lot of understandable concern across the nation for the bailouts of these other types of entities and the bonuses that were paid to AIG employees and the like.

And that created this huge stigma around this and now we're finding that these people are being, you know, after the fact the rules are changing. That we're targeting these employees for having participated in the stimulus program.

REP. CANDELORA: Thank you. And one of the concerns I have just -- and you touched on it is the affiliated entities. I don't know a lot about

the structure of the banking industry. I know -- you know, on a personal level that when you go to a bank they have different businesses they sort of refer you to for, you know, 401(k)s or for the college funds and the 527 plans. Could you I guess talk about how -- how wide of net is potentially casted when we pull in the affiliated entities. Do you have a quantifiable number or --

DAVID WIESE: I apologize. I don't have a quantifiable number. I can just submit to you that a lot of the larger bank holding companies that -- that are associated with, you know, the household name banks that you're -- the big nine if you will across the nation, do have many, many affiliates that provide financial services to both businesses and consumers across the country from investment banking operations to retail broker dealer investment advisory and the like. So that the -- the net is quite broad and I can only offer anecdotal observations that I believe that a lot of those people are working in Connecticut and in particular in Fairfield County.

REP. CANDELORA: I would appreciate that. I don't know if you could do it in the future but maybe try to quantify it for this Committee of -- of what other entities are affected because when we -- when we think of this, you know, we're all tapped into the -- I think the outrage of the effects of what the TARP money caused on a national sense. But in writing this legislation I am concerned. I would not want

to see us affecting industries adversely because of the -- the downward chain of affiliated companies. So if you're able to try to quantify that for us that might be helpful.

DAVID WIESE: We'll see what we can do.

REP. CANDELORA: Thank you.

DAVID WIESE: Thank you.

REP. CANDELORA: Thank you, Madam Chair.

SENATOR DAILY: You're welcome.

Representative Staples followed by Representative Barry and Senator McDonald.

REP. STAPLES: Thank you very much, Madam Chair.

I just wanted to follow-up question. I was getting the implication that you felt there was some pressure to -- on the banks to receive the funds whether they needed it or not. Is that -- is that a fair implication or were you -- was I not hearing you properly.

DAVID WIESE: I -- you heard me properly. There was a lot of pressure. You know, I think it's public knowledge and you saw the testimony down in Congress by the CEOs of the major banks that they were summoned to Washington to meet with Secretary Polson. And although, you know, there's no absolute requirement, you know, I

think there was a strong suggestion by the federal government that these banks take it.

I can tell you on a more local level, particularly in the beginning of the TARP program I sat on panels with -- with high ranking regulatory officials, the FDIC in particular, where they were talking to bankers and strongly encouraging those banks to take part in this. The government wanted to infuse liquidity into the marketplace fast and in a very big way. We were -- they were seeing an incredible situation unfold in front of them.

Capital markets were drying up and they wanted to get the money out there and this is one of the major vehicles that they thought would help to stabilize the markets. And I would submit to you it did help to stabilize the markets. Now, as the program became to age if you will and stigma began to be -- to attach to the program, a lot of banks ultimately said no thank you. But a lot of banks that didn't need the money took the money because of the government encouragement and the need to help to stimulate the economy.

REP. STAPLES: Now, let me ask you a question about it. Is that because the government was wrong about the -- the financial condition of the banks? They thought they were in worse shape than they actually were and they encouraged the banks to take the money because they perceived they were in financial risk but the banks were not in any financial risk?

DAVID WIESE: No. I think they wanted to -- when you can put additional capital into banks that -- that money can be leveraged in the marketplace multiple times. So by putting more money into -- into the banking industry the hope was that some of the markets that had dried up would be back stopped by -- by the healthy banking industry and that was -- that was one of the ways that the Treasury Department and -- and others -- and other regulators felt that they could get the economy moving again and stop the back slide that was obviously happening with the drying up of the marketplace.

REP. STAPLES: What -- do you know what amount of the funds have been repaid? I -- my recollection is that's one of the many untold success stories of the Obama Administration that there's this widespread perception that this program was a disaster when in fact there had been a dramatic success story in terms of repayment. Do you have any numbers about that?

DAVID WIESE: I believe Sally Miller is going to testify a little bit later and may be able to give you more precise numbers than I can but I believe that the number is something like 147 billion out of the 250 billion has been paid back and the projected profit which is I think conservative is about $19 billion.

REP. STAPLES: Profit to?

DAVID WIESE: To the American taxpayer.

REP. STAPLES: To the government. Thank you for your testimony. I appreciate it.

DAVID WIESE: Thank you.

SENATOR DAILY: Representative Barry followed by Representative McDonald.

REP. BARRY: Thank you, Madam Chairwoman.

Thanks, Attorney Wiese for your testimony today. And to answer Representative Staples's question, I just have in front of me a publication from December 2009 that indicates that out of the $247 billion dollars that banks got in TARP funds about $181 billion was repaid. You said 140. Does 181 sound like it could be a more accurate number to you?

DAVID WIESE: Again, I think Sally may have some more up-to-date numbers.

REP. BARRY: Now that was just under the Capital Purchase Program.

DAVID WIESE: Correct.

REP. BARRY: Were there other monies under TARP not under the CPP that were given to banks and how much?

DAVID WIESE: I don't think I know -- well I take that back. There were some additional monies

that circuitously made their way to -- to banks to fund some of the mortgage assistance programs. But then there was a whole chunk of money under -- that was initially allocated under TARP that when other crisis began hitting and other nonbank firms began to fail that money was used for those purposes such as AIG, Chrysler and General Motors.

There may very well be loses and probably will be loses associated with that use of money. But again with respect to the original intent of the CPP program which was designed at healthy banks, that's going to be a very profitable program.

REP. BARRY: All right. Any -- you mentioned the money going to help stabilize the markets, probably invest in the mortgage backed securities, things like that and then also there's intense pressure by regulators to have banks have reserves. How much went to direct lending, if you know?

DAVID WIESE: That's a -- that's a -- I always liken this back to Jimmy Stewart and It's a Wonderful Life. It's hard to, you know, equate a dollar into a bank and a dollar out the door. You know, it's fundable but in different banks have different ways to utilize the capital. Some use it to preserve existing levels of loaning both commercial and retail. Other banks increased their lending.

But just here in Connecticut -- I believe if I'm not mistaken and I hope I'm correct with my facts and can certainly follow up with more details. But the Commissioner -- Commissioner Pitken here in the State conducted a study and -- which indicated that there was an $800 million increase in 2009 in the small business lending.

I have clients who I can tell you had increases of close to a half a billion dollars in residential mortgage lending. So, there are some really good success stories out there with respect to increases in lending or stabilizing lending. I know that there are -- there are dramatic shifts out there and some stories to be told about people who were having trouble getting credit. But it is also, you know, it's important to note that the banks have a duty to lend responsibly. And economic times are harder right now. There's a lot of unemployment right now.

Businesses are also not demanding loans as much as they would. They're pulling in. So there's a lot of details that goes into the description of what's happened to credit but I can say that I think but for the CPP infusion of capital I think the situation would have been much worse.

REP. STAPLES: And then other than the punitive, retroactive argument are there any -- I guess do you have any other constitutional concerns about this particular bill>

DAVID WIESE: Well I'm not a -- I'm not a constitutional scholar and I could be very dangerous if I started to tell you about my concerns. But what I am told that there are some very significant constitutional concerns particularly with respect to bill of attainder provisions. And I believe that Liz Varley of SIFMA is going to follow me right afterwards and is going to spend a little bit more time on the constitutional issues but we do have significant concerns with the constitutional aspects of this bill.

REP. STAPLES: Okay. And I know -- I guess there's been a little bit of a give and take between Yale and Harvard about this one. But I just saw a quote from Lawrence Tribe who's like a -- from law school. I remember reading --

DAVID WIESE: Me too.

REP. STAPLES: -- well attempting to read one of his textbooks on constitutional law. And he's quoted anyway that the Stamford Advocate's saying that a similar effort to what we're doing here in congress was an illegal attempt to punish an identifiable individuals who are the subject of understandable outrage.

You know, it seems to me like healthy -- healthy banks like you say -- and I have no evidence otherwise that healthy banks got close to $250 billion in TARP money under the CPP program and then it seems like the AIG, GM category's a whole different ball game. They

are -- they were not healthy. They were -- they were bailed out institutions. So I guess it would probably be your testimony that this would hurt -- hurt bank employees more than employees in other segments of the financial services industry.

DAVID WIESE: I think that would be true. I think, you know, any employee who -- of an affiliate of a bank that received TARP money would be affected too. If I may though, it reminded me of a point that I wanted to make and that is that the stigma that's associated with TARP has really tainted a lot of decision making in the industry.

And as a case in point President Obama recently as a part of his State of the Union Address announced that what would otherwise be a pretty exciting $30 billion program to stimulate business lending in America and the way it that at least the proposal is looking to take shape is that the program would be funded by recycled TARP money, CPP money that gets paid back by the banks.

So that money would come back -- as it comes back into the system now would go back out and possibly through banks -- through lending programs. If I'm a bank CEO and I'm, you know, looking at, you know, am I going to participate in those types of programs with these types of after the fact, you know, rule changes that seem to be taking place because of the public concern over the TARP stigma if you will. I

have to think long and hard whether I want to participate in that.

And if Connecticut institutions don't participate in that type of federal stimulus we're going to not only lose the money that is, you know, used to promote jobs but the income tax that comes from those jobs. And that would not be good policy. So, you know, again, a lot of people are looking at the messages that are being sent by this bill and asking is this, you know, is this a hospitable State for us to employ people.

REP. STAPLES: All right. And just one last question. Do you think it would be, you know, anymore fair and workable for this proposed tax and bill to limited to other areas of the financial services industry?

DAVID WIESE: I think you'd have similar constitutional problems and I don't wish troubles on other segments of the financial services industry. But I can tell you I think it is unfair to impose this on the CPP TARP recipients and their affiliates or the employees -- personally the employees of these -- of these institutions.

REP. STAPLES: Thanks.

SENATOR DAILY: Thank you very much.

Senator McDonald.

SENATOR McDONALD: Thank you, Madam Chair.

Good afternoon.

DAVID WIESE: Good afternoon, Senator McDonald.

SENATOR McDONALD: Just a couple of quick questions. The -- to your knowledge are the bonuses that are being paid for any of the TARP covered entities in anything other than cash compensation?

DAVID WIESE: I'm probably not the best person to talk about the exact form of bonus compensation within the TARP entity structures. Sally Miller is going to testify in a little bit and I think she may have some information on -- on how those are comprised.

SENATOR McDONALD: Okay. I'm just -- I'm interested in learning a little more about the structure of their compensation packages because my understanding is that there are deferred compensation arrangements that are available. There are stock options that are awarded that have varying vesting schedules and I'm just trying to figure out if any of that stuff is contemplated to be within the scope of the bill.

DAVID WIESE: As I -- when I read the bill -- and I'm not a compensation lawyer but when I read the bill I frankly was confused by some of the wording in there. I'm not sure -- quite sure what an arrangement for future compensation is

for example and I do think it would pick up a lot of deferred comp type programs. And there's a lot of question as to exactly how that would work.

But one thing I want to point out and I think Sally's going to amplify this in a little bit. The bank regulators have -- particularly recently been very active in promulgating new rules with respect to compensation and particularly with respect to incentive compensation. And there's always been a rule under the federal Deposit Insurance Act that made it illegal for a bank to compensate somebody in a way that's unsafe and unsound for the institution.

They've further defined that bill and put more detail into the rules these days to -- to indicate that really -- and some of the compensation shouldn't be designed to promote risky behavior, to put the banking entity and the deposits that are insured by the FDIC at risk. Instead what -- if you're going to do incentive compensation what it should be designed to do is promote health performance and good risk management.

And so, if we have people who are employed here in Connecticut that are incented by bonus compensation do to just that -- to manage to strong performance and good risk management and they hit the ball out of the park, these are the people that are going to be singled out for paying this tax which strikes me as just not

good public policy. Again, these are the people that we want to attract and retain because they pay such a large portion of our tax base.

SENATOR McDONALD: Well, and -- I guess my question though is under section two of the bill under the definition of what a TARP bonus is. It includes cash, loans, payments received in a medium other than cash --

DAVID WIESE: Which could be stock.

SENATOR McDONALD: -- or arrangements for payments to be awarded in the future. And I'm trying to figure out if the trigger is a million dollars of TARP bonus that's actually not realized in cash compensation but actually would be a future benefit that is not yet vested over which you have no legal control. It seems that this is trying to say that there be some kind of effort to calculate what the value of a future revenue stream that's not yet realized for taxation purposes.

DAVID WIESE: I agree. I think there's a lot of uncertainty as to exactly how you would do that and what that means and what's included.

SENATOR McDONALD: To your knowledge has the State of Connecticut ever taxed income -- for lack of a better term as that's defined for future years in a current tax year?

DAVID WIESE: Not to my knowledge. I believe the deferred comp is designed to defer the comp for tax purposes and other purposes. So, not to my knowledge.

SENATOR McDONALD: Okay. Thank you very much.

SENATOR DAILY: Any other questions from you? Thank you.

SENATOR McDONALD: Thank you, Madam Chairwoman.

SENATOR DAILY: Elizabeth Varley followed by Donna Wertenback and Lori Pelletier.

ELIZABETH VARLEY: Good afternoon. Good afternoon, Madam Chairwoman and the members of the Committee. My name is Liz Varley and I'm here on behalf of the securities industry and Financial Markets Association. The financial services industry is certainly grateful to the American taxpayers for the unprecedented support they gave to the nation's financial system by underwriting the Troubled Asset Relief Program in October 2008.

The financial services industry takes very seriously our responsibility to repay the taxpayers as quickly as possible. And there was some discussion about what the taxpayers return had been and our numbers indicate that the return to the taxpayers in the TARP program is 8.8 percent at this point.

More broadly, the U.S. financial services industry is making significant changes to the way it operates including implementing changes in compensation policies. In June of 2009 SIFMA and our member firms released a set of guidelines which encouraged firms to establish compensation policies that are consistent with effective risk management, link compensation to long-term sustainable performance, make risk management professionals appropriately independent, and enhance communication to -- to the compensation practices to their shareholders.

Furthermore, the industry supports proposals submitted by the Obama Administration that protect against systemic risk and that would create resolution authority to wind down large, failing financial institutions. As you may know, the bonuses paid to executives and higher earning employees of TARP recipients are already subject to restrictions imposed by both the federal statute and by regulation. Executives are subject to callback of bonuses if financial statements are materially inaccurate. Golden parachutes are prohibited. The bonus payments, retention awards and other incentive compensation are also limited.

Furthermore recipients -- firms that have received TARP funds are also subject to enhanced corporate governance requirements such as holding an advisory vote by shareholders on compensation. In addition to the significant oversight the TARP recipient compensation

programs, federal banking regulators have proposed new rules to oversee compensation programs.

The Federal Reserve Board is close to finalizing new rules that would require a banking institution to ensure that their compensation programs are consistent with three core principles including a balanced approach to risk-taking incentives, effective controls for risk management and strong corporate governance. The Federal Reserve is taking a very hands-on approach and is already reviewing the compensation programs at the top 28 largest banking organizations.

SIFMA has serious concerns about S.B. 1 which would specifically tax the bonuses of employees of TARP recipients. We believe that such a tax is punitive and a misuse of the tax code. SIFMA understands the legislator's frustration with the events of the last 18 months but we encourage you not to enact measures that could as the market approves, discourage additional business investment in the State or prevent current businesses from expanding their presence here.

Senate Bill 1 does raise potential constitutional concerns. The U.S. Constitution prohibits state legislatures from passing bills of attainder. Legislation amounts to a bill of attainder when it is in effect a legislative punishment of any form of severity. It -- if it specifically targets a designated group and

is imposed without first affording the affected individuals a trial.

We also believe that the bill has due process concerns under both the federal and State Constitutions because the act does not have at least a reasonable relation -- okay. Thank you.

SENATOR DAILY: Your time is up. You have written testimony.

ELIZABETH VARLEY: We can submit something.

SENATOR DAILY: Okay. And then we'll make sure every member sees it and reads it.

ELIZABETH VARLEY: Sure.

SENATOR DAILY: Thank you very much.

Other questions? Questions for Ms. Varley? Representative Candelora.

REP. CANDELORA: Thank you, Madam Chairwoman.

You had made reference in the -- on the penalty issue. We heard testimony before that, you know, lowering the rate to eight percent as opposed to the federal level which was looking at a 50 percent tax takes away the punitive measure. And I just heard you had mentioned that it's irregardless of that. Would you be able to explain that?

ELIZABETH VARLEY: I, like other people here, I'm not a constitutional scholar but the legal council that we have consulted have indicated to us that it's -- it could be any form of severity and that if it seeks to punitively tax people and they're not afforded their right to be heard then that is when the bill of attainder clause would be -- would be a concern.

REP. CANDELORA: And there was -- and I don't want to put you on the spot on this but there was some talk about the rationality of it. Because I think of, you know, I would assume for constitutional purposes fees would also fall into the realm of taxation. So there are circumstances where, you know, Connecticut or any state might provide a fee for the privilege of doing business. Maybe that might be constitutional because it's related to the operations. I don't know if you've seen that if you know a distinguishing difference between whether this would be a fee or a tax if that would make a difference.

ELIZABETH VARLEY: Well I think the -- I don't know that much about the relationship with the fees but to me it seems like when a state does assess fee it's usually for a specific purpose of funding the administration of the activity of the banking regulator. And I think one of the prior witnesses discussed where that rational relationship test does kick in and in this case the act -- the purpose of the act would be to create jobs in Connecticut except

that the means of getting there would be to put a tax on another part of the industry which would -- which would take away the ability to create jobs. So I think that's where we believe the rational relationship test may not be met.

REP. CANDELORA: Thank you.

Thank you, Madam Chairwoman.

SENATOR DAILY: You're welcome.

Are there any other questions? Representative Larson.

REP. LARSON: Yeah. Thank you very much for your testimony. I keep on kind of going back to -- I'm just concerned or -- I don't know what your association's approach is but how do you square taking federal money from an entity that's bankrupt, using those dollars to get foot holding and then turn around and pay bonuses. I just -- I can't get my head around how that is okay. And I don't know what you're -- if your association has an opinion on that or has an answer for that.

ELIZABETH VARLEY: Well I think SIFMA's view is that in order for the economy to get back on track, for the firms to get out there and do their lending and do the activities that they need to do, they also need to be able to provide their -- their personnel compensation. They also want to -- want to make sure that they can

retain people that can do the work that they need them to do.

They are concerned about losing their people to other financial services firms that -- that did not take TARP money. So I think they're very concerned about, you know, if we're going to repay the federal government for the funds that they did supply to these firms it's important to keep them healthy. And one way we're going to do that is to make sure that they can retain and attract the talent that they need to eventually repay the money that they received.

SENATOR DAILY: Are there any other questions? Senator McDonald.

SENATOR McDONALD: Just very briefly. I understand you're not a constitutional scholar but did you say your association had retained council to provide you with an opinion about the constitution -- proposed constitutionality of this?

ELIZABETH VARLEY: In preparing for our testimony today we did talk to a firm.

SENATOR McDONALD: Was that part of that formal analysis that was done?

ELIZABETH VARLEY: No. No, not necessarily. We will submit something in writing.

SENATOR McDONALD: If you would and you were -- I don't need to take up the Committee's time now

but you said that you were about to start talking about the due process considerations. So when you do submit your materials if you could please make sure that they address your points about due process I would appreciate that.

ELIZABETH VARLEY: Absolutely.

SENATOR McDONALD: Thank you.

Thank you, Madam Chair.

REP. BARRY: And also just following up on Senator McDonald's question if there are other constitutional concerns besides bill of attainder and due process which I think I have gathered from previous conversations with your association, if you could flesh those out to the Committee too, that would be great.

And then, I just had one question to ask. It's kind of a follow-up on what Representative Larson said. The -- I have a publication that just shows that -- the source is the U.S. Treasury and it shows that data through December 28, 2009 shows that nonbank programs, the total investments in like AIG and autos and CIT were up to $227 billion. And the total return was $4 billion.

You were kind of talking to Representative Larson about the reasons for putting the money into those institutions -- those types of institutions and I was just wondering if you

had any kind of a -- if your association has any kind of prediction as to when and if any more of that money's going to paid back or if that's -- if that's an updated number.

ELIZABETH VARLEY: For nonfinancial services institutions?

REP. BARRY: For nonbank.

ELIZABETH VARLEY: For nonbank?

REP. BARRY: Not bank.

ELIZABETH VARLEY: No. I don't -- we don't have any information on when the nonbank institutions might be able to repay their -- the funds that they've received.

REP. BARRY: Okay. Thanks.

SENATOR DAILY: Miss Varley, would you be kind enough to repeat what your organization is. It just says SIFMA on our sheet.

ELIZABETH VARLEY: It's the Securities Industry and Financial Markets Association.

SENATOR DAILY: Thank you.

Donna Wertenback followed by Sally Miller.

DONNA WERTENBACK: Good afternoon Chairman Daily and Chairman Staples. My name is Donna Wertenback. I'm the President and CEO of the Community

Economic Development Fund. We're a statewide economic development organization that helps start and grow businesses and creates jobs. We use a holistic approach by providing loans up to a quarter of a million dollars, small business skills training, small business consulting. We basically do [inaudible] and remediation to make sure that there's long-term survival.

I'm here to testify in support of Senate Bill number 1. I'm thrilled to hear that you all seem to have really got a great handle on what small businesses are going through and the challenges that exist. So I'm going to skip worrying you with the repetition of all of that small business information and jump to the meat.

The LLC piece, I just want to make two points you seem to all be on board. Besides for the $250 that you're going to be saving these LLC companies, you are going to be saving -- sending a huge message. That message is going to have very significant impact psychologically in their willingness to invest back into the community.

The second point going back to some earlier discussion is remember that in the 1990s when LLCs were created it became the modern version of swapping out sole proprietorships for LLCs. And that means that LLCs have become a major job creator for the members of these LLCs on a very significant level. So I would hope you

would consider counting that as part of the job creation that exists.

I'm going to move onto something that -- that I think needs some analysis which is the small business loan guarantee portion of this. The State of Connecticut according to the SBA last year we lost 17,000 small businesses and hundreds of thousands of jobs. I'm here to give you the bad news that we're looking at something equally big if not bigger this year.

What you need to understand that the dynamic of the businesses that are closing in 2010 are different than the dynamics of the businesses that closed in 2009. The ones that actually survived this long are facing all sorts of new challenges. And they need new kinds of resources and help in order to be able to get themselves through this.

Namely what they need is a holistic approach. Yes, they need access to capital. But that access to capital has got to be flexible. It's got to be able to be adaptive. It has to be able to shift gears in midstream. It has to have flexible amortization schedules. It has to be able to move with their dynamics that are moving that they're adjusting to on a daily basis. The other thing that they're all looking for is some assistance with retooling to figure out how to survive in this new economy that is a totally new ballgame to them. And they're still trying to figure out how to play the game.

The creation of this $20 million loan pool with guarantees could go a really long distance to having huge impacts here. The banks have done the best jobs they possibly can in continuing to do capital for the bankable small businesses but due to a variety of issues cash flow is down, collateral no longer has bankable value.

The credit card new bill in Washington absolutely decimated small businesses because they lost their working capital because now they have to pay 34 percent interest to use it. The utilities securities deposits -- we've got some unique things here in Connecticut that have hurt small businesses. The bottom line is we have tens of thousands of businesses that used to be bankable that no longer are.

REP. STAPLES: Thank you very much. You're very prompt. Did you -- did you have a sentence you wanted to finish or is that --

DONNA WERTENBACK: Well --

REP. STAPLES: We're flexible about that.

DONNA WERTENBACK: Can I add two little things that I think would be beneficial to you as you draft this bill?

REP. STAPLES: As long as they're very quick.

DONNA WERTENBACK: Okay. I will be super -- I promise I'll be super speedy. The guarantees

in the loans need to be placed where there were already structures that can put them on the streets immediately. Whoever has been saying timing is of the essence is absolutely correct. The guarantees would be well housed at the DECD. The loan programs would not be well-suited for the DECD.

You really need to start looking at the nontraditional, nonprofit, small business lending structures that are out there that could put millions of dollars out on the streets very quickly because their systems are in place and exist. If we try to do small business lending the DECD is not used to doing you're going to wait at least a year before you see anything go out the door. That's just the reality of creating a program from scratch.

And what they need is a new type of flexible program that already exists in this nontraditional world and I would hope that you would use it. If there's anything that we can do at CEDF to help you figure out the most effective way to do that I would be delighted to talk to you about that in the future. And I've already abused my privilege. Thank you very much.

REP. STAPLES: Thank you.

Any questions? Representative Barry.

REP. BARRY: Just one question. David Wiese was representing -- is representing the Connecticut

Banker's Association testified earlier that there is not a -- the banks are not reporting a higher demand from businesses for business loans this year than last. Is that consistent with what you're seeing out there?

DONNA WERTENBACK: There's a very simple explanation for that. Small business owners know what banks require in order to be able to get a loan. They don't have the cash flow. They don't have the collateral anymore. They know they're not bankable. So the banks are seeing a reduction. I would agree with him.

They are seeing a reduction in the applications for small business lending. Not because they don't need it. They're turning elsewhere. And it's the nontraditional small business lenders that are absolutely swamped. And while we are not in this position most of them are very close to out of capital. So this bill would go a long distance to getting them back and operational in the neighborhoods.

REP. BARRY: So would you say that the nontraditional -- the businesses that would go to nontraditional lenders are in greater jeopardy when they're going to get loans under terms that would be negotiated by those institutions rather than going through our State charter banks or federally chartered banks backed by a program like this?

DONNA WERTENBACK: The level of flexibility that the nontraditional lenders were designed to provide

because we do what the banks don't do combined with the support that's used to help them retool is the critical combination. Banks provide capital but they don't do retooling. That's not their job. They do very well what they do.

But the nontraditional lender is the one that's being caught and we're getting calls -- we have 20 investor banks that sit at our table. We are getting dozens of calls every single week from our banks asking us to help them with their customers that are falling out of the bankable category because they need this kind of a tool approach. And the demand on these kinds of resources is absolutely explosive.

REP. STAPLES: Thank you. Any more questions? Thanks very much.

Sally Miller followed by Chris Phelps.

SALLY MILLER: Chairman Staples and members of the Committee, my name is Sally Miller and I'm pleased to be here today to testify on behalf of the ABA and the CBA. Before I go into my statement though I thought it would be helpful given the questions I've heard today to touch on a couple of data points. Bank consumer lending has increased over the last year 4.6 percent. Generally in recessions it goes down 3.6 percent.
The Connecticut Department of Banking has indicated that business lending for 2009 has increased by 800 million. And the National

Federation of Independent Businesses and their recent survey of their members found that only four percent cited financing as an issue. It is true from what you've been hearing that small businesses are postponing investment in their inventories. They have record low plans for capital spending at this point in time.

But many of our members are telling us that small businesses are starting to test the waters. They are coming back and talking to us. And data reveals that from the end of a recession it generally takes about 13 months for new loan growth to pick up. There were some questions earlier about the profitability of the bank plans. In addition to the 19 billion that the TARP plan is expected to get from the bank TARP plan, the FDIC's debt guarantee program has netted 9.4 billion.

FDIC Chairman Sheila Bair says this has been a real moneymaker for us. In addition the federal reserve programs have recorded profits of over 52 billion based on these bank programs. And treasuries earned also 1.2 billion in fees with no losses on its money market mutual fund guarantee program.

So I'll go with what I got with the remainder of the time here. This 19 billion profit for taxpayers points out the gross misconception that exists about TARP investments in banks. The bank TARP programs were designed to be used by healthy banks. The nonbank TARP program was money just designed to support troubled

institutions like AIG, GM and Chrysler. And this confusion between capital for healthy banks and bail-outs for weak firms continues to be a source of great frustration to banks. But more importantly can lead to confusion about policy.

This misconception has continued into the public debate about bank compensation practices. Compensation is generally paid out of the income earned, not capital and all federal banking regulators prohibit as an unsafe and unsound practice excessive compensation arrangements. The Special Inspector General for TARP has reported that retroactive application of these executive compensation provisions has caused firms to lose senior employees to foreign and domestic competitors who are not under TARP compensation restrictions.

And our members continue to tell us they experience a talent drain of their firms and that drain is not limited to senior officers specifically impacted by the TARP compensation restrictions. Rather these employees are leaving for opportunities at industries where compensation issues are not in the collectives' bull's eye of federal and state authorities. Also retroactively moving the goal post sends an ominous signal to institutions that may be considering participating in programs designed to get our economy moving. For example many community banks -- can I finish my sentence? May I finish my sentence, sir?

REP. STAPLES: You may finish your sentence.

SALLY MILLER: Many community banks have expressed the interest in small business capital investment program outlined by the President in his State of the Union Address. Understandably however, these community banks are concerned that this program may go the way of the TARP program with after the fact restrictions being added. Thank you very much.

REP. STAPLES: Thank you.

Any questions? Representative Barry.

REP. BARRY: Just a quick question. I think I've asked this before of someone else but you mentioned the difference between banks getting TARP money and nonbanks getting TARP money and how TARP money was given to healthy banks and the nonbanks were not so healthy are getting bailed out and then the numbers have it that they're not sending money back to the Treasury as quickly as they could be. Do you think there would be -- do you think there's any fairness in limiting this bill to nonbanks?

SALLY MILLER: In limiting the bill to nonbanks?

REP. BARRY: Yes.

SALLY MILLER: Well it seems to me that it would be -- if we've got banks that are in the -- institutions that are in the nonbank program

that have as you can -- correctly stated previously borrowed 250 billion and only returned 4 billion to Treasury that adding on another tax on them might not help taxpayers recoup the money that they -- that they deserve. So my answer would probably be no.

REP. BARRY: Okay.

REP. STAPLES: More questions? Yes, Representative Candelora.

REP. CANDELORA: Thank you, Mr. Chairman.

I appreciate this testimony because it sort of reminded me -- I think -- of how the TARP outrage and the bonuses evolved. And my recollection is initially I think it was with those failing nonbank industries I think where the public outrage started. In your testimony you had language in here about the excessive compensation arrangements, where federal law -- I guess -- would prohibit the banks from giving people bonuses when banks are possibly failing or don't have the means to do so. So, I guess -- just to ask in your experience then, were there situations that banks were issued bonuses when they should not have because they were failing?

SALLY MILLER: There has been -- what happens when you have failed banks is the FDIC goes back and does a material loss review. And in the -- there's been about -- oh, my numbers may be off slightly but about 46 of those -- they've done

material loss reviews. All of them have been generally on smaller institutions.

And a very small percentage -- less than -- I'd say something like 17 percent -- I'm sorry. I don't have the number on the tip of my fingers but about 17 percent. There was a citation as not a primary cause of that bank's failure but as more a tangential, you know, cause that there was some compensation issues. But these were CEOS of smaller institutions that were not following the rules or that there were programs designed -- they were credit programs where they were being rewarded for selling loans or putting loans together but not closing them. The bank regulators have come out with guidance. Miss Varley discussed this very much in her testimony.

But they have come out and they are basically saying that you've got to have compensation plans that tie the -- make sure that there's no unnecessary and excessive risk taking. You've got to put controls in place. You've got to test it. And we're going to be examining you on a 24-7 basis for the largest firms which have in-house examiners sitting there night and day as I say. And then they're going to be -- they've got SWAT teams so that the examiners can call back and say does this look like a good compensation practice.

And they're going to be putting out sort of at the end of this year a best practices if you will as to what should be done. What we don't

want to see in the compensation area is everybody's different. Every market's different. Connecticut's different from New Mexico. You know, D.C. is different from Seattle.

So they want to be able -- regulators say this is squarely an issue for bank management, board of directors, corporate governance. We want to see you manage this process and understand what's going on in the compensation and where the risks are. And when you identify those, manage them. You either get rid of them or manage them. And so that's what the bank regulators are doing right now.

REP. CANDELORA: And I guess, you know, looking on the outside looking, you know, looking in, I think it's sort of incredible to see the bonuses that come out of Wall Street and come out of the banks. And certainly those bonuses came out long before the TARP program existed. And I guess, you know, sort of to each his own in some circumstances but I think when you enter the TARP money people start thinking then I guess it's our tax dollars that are being spent on bonuses and that's where the outrage comes and that's where this legislation I think in part generates from.

Have you seen -- I mean I recognize that and then I want to take a step back. I gave concern that, you know, are we going into an area, a slippery slope that we may regret in the future in terms of what impact it would

have certainly on the financial market because we do reap a lot of benefits I think by having a cornerstone in Connecticut that, you know, creates jobs and income certainly through income taxes.

Did you see when the TARP money came through -- do you have information -- did we see an uptake in the bonuses because of the TARP money or was it sort of business as usual with the banks or did they -- bonuses decline as a whole when the industry started to suffer?

SALLY MILLER: Well first of all, any bank that took TARP money -- so for example if they took it in 2008 or 2009 were limited under the regulations or the law that had been put in place in the stimulus package back in February.

And so for example, one third of the bonuses are -- they could only get a bonus at one third of their stock. I'm going to start over -- one third of their base salary and it could only paid in restricted stock and it could not vest -- all of it could not vest during the time of the TARP loan.

So those are the kind of restrictions that are put in place on banks that are still participating in the TARP program. Now it's true that many of the banks have paid back that money and so going forward they are not under those same types of restrictions but they still got -- if you will -- what the federal bank regulators, the Federal Reserve are doing in

terms of it. And believe you me, those compensation practices are being looked at with a fine tooth comb right now.

They are doing what they call in the federal government a horizontal review of compensation practices at the 28 largest firms. So they're going to be in to all of the big guys and gals and saying, you know, this doesn't look right. And they're going to be micromanaging that process until -- and through the end of this month. And then they're going to do for the other banks. It's going to be on a cyclical basis going through and looking at compensation.

REP. CANDELORA: And has that practice occurred -- has that been in place prior to the TARP funding or is this all new?

SALLY MILLER: Bank -- historically bank regulators have always had the authority to go in and take a look at compensation plans that -- that pose an unsafe and unsound practice to banks. I would say that given what has gone on with respect to international authorities, what's gone on in Congress with respect to focusing on TARP recipients, there has been heightened focus by the bank regulators on that. And they are doing -- so it's been rolling out over the course of the last year.

If I may, just on this whole issue I want to sort of point out that again, October of 2008 large banks were called in and requested to

take this money. They were the healthy banks that were going to do it. So everybody else wanted to be painted with this healthy bank sign and everybody was rushing to get in. And in fact, I remember our CEO testifying in January, you haven't got term sheets for the smaller companies, the mutuals, and the S corps and things like that. You've got to come out with it. And then we had the compensation stuff. I cannot tell you how many calls I got from banks that were approved to enter that TARP program and until they knew what those compensation limitations were going to do, they weren't going through with it. So it really did have an effective of -- a chilling effect of you will of banks taking this capital and putting it to use. And that's what I'm here to share that experience with the members of the Committee.

REP. CANDELORA: I appreciate that. I mean -- so that -- I guess what would have been the alternative for these banks? I mean, were they concerned that employees might migrate?

SALLY MILLER: Well it -- definitely they were -- they were going to lose employees. First of all, you know, corporate -- setting compensation standards is a general matter for all of corporate America is a matter between the board of directors who have a fiduciary responsibility, the management, and the extent they're a regulated entity as the banks.

But now you have -- and to a certain extent with the -- and then you have this issue of it being set in federal government. This was unprecedented for the federal government to start dictating what kind of bonuses you should get, what kind of policies you should have for expenditures, et cetera. And so that was sort of -- had a chilling effect on the banks joining the CPP program.

And that's what we worry about with the small business initiative that the President has announced. You can't tell -- I can't tell you how many community banks say this is really good stuff. We want to get involved in it. But if this is going to go away -- remember it was a healthy plan, the TARP plan and then it became this, you know, it was demonized. If it's going to be the same thing we don't want anything to do with it.

REP. CANDELORA: And then finally, we hear about the three percent and in the scheme of things it doesn't sound like a lot of money, you know, three percent of a million dollars. You know, these people could afford to give that up. And I just, you know, what I'm hearing from you is that future programs, you know, if Connecticut puts this -- our foot forward and passes this type of legislation that possibly Connecticut banks would not take future funding that may help small business and job creation in fear of having this sort of imposition put on it.

SALLY MILLER: They would not want to join in any sort of bank -- government sponsored program for fear of what the bells and whistles that may be put on those participators -- participants in that program after the fact.

REP. CANDELORA: Thank you.

Thank you, Mr. Chairman.

REP. STAPLES: Thank you. Any further questions? Yes, Representative Coutu.

REP. COUTU: Thank you, Mr. Chairman.

I just briefly wanted to ask you a question relating to the total taxes if this were to go through on say someone who gets a million -- who already received a million dollar TARP -- bonus from TARP. Potentially already they'd have the income tax which would be 6.5 percent. And this would be another 9 percent tax on top of that and at the federal level, what are the other taxes that they would have? Do you know?

SALLY MILLER: Help me here guys. It's -- I believe on the bonus it's a ten percent. Isn't it at six and a half plus the three percent would be on the -- on the bonus that's over a million dollars. So that's a ten percent tax. And then whatever your federal rate would be whether it's, you know, 34 percent.

REP. COUTU: Okay. So we're basically getting close to the 50 percent threshold.

SALLY MILLER: It's getting up there.

REP. COUTU: Yeah. It's interesting. And the reason I ask is because I'm from eastern Connecticut and I've been I guess thankful when people have quote unquote earned this bonuses -- this fund, they've actually went to support our -- people pay taxes on them.
And last year when we had the major downturn it was because a lot of people on Wall Street were laid off. So, that's pretty much it. I was just curious and trying to figure out the total and where we're going with this. Thank you for your time.

And thank you, Mr. Chairman.

SALLY MILLER: Thank you very much.

REP. STAPLES: Thank you.

Chris Phelps -- rather, followed by Roger Adams. Chris Phelps? Roger Adams? Why don't you come on up. Christine Mansfield is next and Charles Rothenberger after that.

ROGER ADAMS: Mr. Chairman and members of the Committee, thanks for this opportunity. I'm Roger Adams. I live in Mansfield and I've worked for the Chamber of Commerce for the Windham region for several years. I'm here to comment on certain provisions offered by Senate Bill 1 and to suggest some other additions.

At the Chamber we have seen dramatic changes in the make-up of our regional economy in the past 30 years in the Windham region. In that area we are now a region of institutional employers and small businesses. With estimates that the current recession will result in 100,000 total jobs lost in Connecticut it's our hope that small employers where the vast majority of new jobs are being created can help to fill that void.

The definition of small businesses varies a great deal depending on the purpose of the definition. In our 13 town Windham region, small businesses employ closer to five or ten people than 500 and they need loans closer to $20,000 to $50,000 than half a million. In the past decade we've seen some very successful small business revolving loan programs meet the needs of small businesses throughout -- through our regional economic development agencies.

These agencies in eastern Connecticut are the Northeast CT Economic Alliance in the northeast and Sector in the southeast. They have the ability to guide small businesses through business plans at much smaller levels than regional banks and at levels well below those that are practical for our neighbors and friends in the more successful and local community banks.

As an example, in the past year, the Northeast Economic Alliance has handled nearly three quarters of a million dollars in revolving loan funds and small cities loans to 18 clients.

These loans range from $10,000 to $50,000 and all are meeting expectations. They're in nine towns in our region and cover businesses stretching from restaurants to manufacturing.

If a new revolving loan fund is established we urge that it be managed in a way that puts the premium on getting the dollars close to the street and managed in the regional economic development agencies. The regional agencies have boards made up of local professionals and staffs with local ties and lending experience. They're very low operating cost is related to loan volume and a clear familiarity with their regions of the State. They do require some modest administrative fee resources some of which can come from interest fees on the loans as they are paid back.

Method of payment for a program like this revolving loan project in today's economy is a major challenge but I do think it's critical to public confidence that however the fund is established it be unavailable to be swept into the general fund of other purposes.

Finally we're pleased to support the proposal for a two year suspension on the business entity tax and the widest possible description of beneficiaries. It's a fee that's viewed almost universally as an unjustifiable penalty on every business of every size and profitability level. Thank you for considering our recommendations and I'd be happy to answer any questions.

REP. STAPLES: Thank you.

Questions?

Seeing none, thanks so much for your testimony.

Christine Mansfield followed by Charles Rothenberger.

CHRISTINE MANSFIELD: Thank you, Chairman Staples. Thank you, Chairwoman Daily and members of the Committee. I stand today before you representing two halves. I am a co-Chair of the Legislative Committee for Quinnipiac Chamber of Commerce. Again, a Chamber of 800 plus small businesses and large businesses in Wallingford and North Haven. I'm also the CEO of a training company with hundreds of clients around generally Connecticut but southern New England.

And today you would have written testimony supporting S.B. 1 the intent to generate jobs, of course to stimulate activity not only in creating but retaining jobs here in this great State. We also of course support the other Committee work of retaining a pro-business, pro-jobs business climate of course and keeping our costs of running a business down.

The other hat I wear today of course is a small business owner. I am -- again -- as a training company familiar in investing and stories of employees around the State, of businesses

investing in their own training and retaining their employees. We implore you to consider the pro-intent of these jobs, to keep this great State running with the employees that we have and of course with the businesses that we hope to retain.

We look at the cost-cutting measures and keeping mandates at a minimum. We of course support the intent and again the symbolic gesture of removing the business entity tax. And of course not putting in any other mandates on these small businesses. We thank you for your consideration and again today for the time in submitting our testimony. Thank you.

REP. STAPLES: Thank you.

Questions?

Thanks very much.

Charles Rothenberger.

CHARLES ROTHENBERGER: Good afternoon Senator Daily, Representative Staples and members of the Finance Committee. My name is Charles Rothenberger. I'm a staff attorney with Connecticut Fund for the Environment and I'm here to testify in support of Senate Bill number 1 that would preserve and create jobs in Connecticut. We would also encourage paying special attention however to promoting the most promising jobs which we believe are in the growing green sector of the economy.

Clearly, with Connecticut's unemployment rate at eight and a half percent job creation needs to be a top priority with a particular focus on jobs that are relevant to today's economy. Connecticut needs to capitalize on its highly skilled labor force, top research universities, and its connections to New York and Boston to become a leader in the clean energy and green technology economy.

To do this we believe that job creation in the following green sectors of our economy through the following policies is needed this year. Many of these projects require little or nominal funding. Others like transportation and clean water are necessary to leverage additional federal dollars to support green jobs in the State.

We would support increasing the pool of available funding for energy efficiency projects by leveraging private, municipal and State dollars. Increasing the amount of solar power generation serving homes, businesses and municipalities in the State. Supporting multi-modal transit funding for rail, bus and connections between them. And leveraging federal dollars and providing construction operations, jobs and workforce access. And also support sewage treatment upgrades so that we can again leverage federal dollars allowing municipalities to create storm water authorities to fund clean water act obligations currently existing.

Increasing sustainable harvest in State forests to create jobs and better utilize our natural resources. Improving brownfield restoration to help clean up properties and support economic development in some of our stressed communities. And creating a green chemistry institute to support businesses in creating green products. And there is some legislation already moving through the General Assembly on a number of these issues. I really just bring them to your attention for this port -- this Committee recognizing that these all really represent incredibly sound investments moving forward.

So, for those reasons we certainly support Senate Bill 1 and would ask you to focus on the above policy solutions to effectively grow the economy and keep Connecticut a world-class place to live and to conduct business. Thank you.

REP. STAPLES: Thank you very much.

Any questions? No?

Thank you for your testimony.

Senator Debicella and then we'll have Chris Phelps. Did I hear Chris Phelps is here?

SENATOR DEBICELLA: Mr. Chairman, Madam Chairman, it's good to be in front of the Finance Committee. Greetings from Appropriations.

REP. STAPLES: We're not going to put you under oath although I'm so tempted.

SENATOR DEBICELLA: Thank you. I'm here just to testify on S.B. 1 which I think has some commendable parts to it but some troubling parts as well. First is, fully supportive of the elimination of the business entity tax. It's something that we've all talked about in previous sessions. It is a nuisance tax especially on small businesses.

I would encourage the Committee to -- mostly for logistical reasons in talking with DRS to try eliminating it for everyone. I understand the desire to do it for small businesses but in talking with them it is a logistical nightmare to start to say who has to pay the tax and who doesn't.

Also very supportive of the idea of the loan fund which I think is a way that government can really help small businesses starting out. However, Mr. and Madam Chairman very, very troubled by the section of the bill that seeks to pay for these by raising taxes on -- on Fairfield County quite frankly. Is right now -- in Connecticut half of our income tax comes from 70,000 taxpayers many of whom are in the financial services industry.

And by the State putting a constitutionally questionable surcharge on financial services professionals the end result is going to be

they're going to move out of State. Many of these folks work in New York and could very easily simply move there. And by adding this additional tax which New York does not have, the end result is going to be the middle class is going to have to make up the difference as they leave the State. If you actually think about just 70,000 families -- even if you get a couple hundred families who leave the State because of this, it is going to devastating for the middle class who has to make up that tax revenue.

I'd submit that by our Committees working together we can find a better way. There's actually a number of spending cuts that have been proposed on both sides of the aisle in Appropriations that could pay for this. Senator Slossberg has correctly pointed out, we have seven layers of management at DCF which can easily be eliminated that would pay for this. We've proposed different agency consolidations and there's been numerous permutations to reduce overhead.

The proposal that Human Services is hearing next week to actually shift more of our DDS homes to the not-for-profit sector could have the result of savings upwards of $100 million a year. The list goes on and one. So I would simply encourage us to take the good parts of this bill without relying on a tax increase to pay for them and I think our Committees working together can figure out a way to do that. Thank you.

REP. STAPLES: Thank you.

Any questions? Representative Candelora.

REP. CANDELORA: Thank you, Mr. Chairman.

I just have one -- one question on the business entity tax because it sort of hit me. You were talking about how we would apply it and I think it's well intentioned and I certainly would like to see us eliminate the tax as well. And I don't know in your discussions if you got an answer for basically how the exemption would apply.

I mean, for instance -- I believe -- I think I just received a bill for my company to pay that tax and I think when we discussed this last year these bills go out on a rolling basis so how would we be able to tie in the exemption to the measurement for the exemption which would be, you know, January 1, 2011. And I don't know if that came out of any discussions you might have had.

SENATOR DEBICELLA: With DRS specifically, Representative?

REP. CANDELORA: Correct.

SENATOR DEBICELLA: Yeah. In talking with DRS they have said that they are going to have to add headcount to do exactly what you're talking about because if we're going to say we're going

to apply this tax to some businesses but not others and the fact that it goes out on a rolling basis depending on when they incorporated. They're actually going to have to hire a headcount to go through people's tax returns.

And so -- business tax returns for LLCs, S corps and say geez these guys have more than 50,000 or less than $50,000 in income per year. And I don't have an estimate. I don't have the old bill in front of me about how many people that might require. But it's going to cost, you know, some money if we don't eliminate the tax in its entirety and apply it to some but not others.

REP. CANDELORA: And I -- I just appreciate you pointing that out because as this bill moves forward we certainly want to make it as simple as possible so maybe there's a way that we could streamline this so that we would be able to realize the exemptions. Thank you for your testimony.

REP. STAPLES: Thank you. Any further questions?

Thank you, Senator.

SENATOR DEBICELLA: Thank you, Mr. Chairman.

REP STAPLES: Mark Policki followed by Carmen Saez and then Bonnie Stewart.

SENATOR COLAPIETRO: Thank you, Mr. Chair and Madam Chair. I appreciate the -- I'm only up here to not testify but to support my small businesses and my small business friends. And I'm here with my constituent from my district to have him tell you some of the horror stories that I trust that you will make a proper decision when you do come out with the bill.

MARK POLICKI: Thank you, Senator Colapietro. I'd like to thank you all for having me here and I don't know if I'd they are horror stories but it is somewhat tough these days being in small business. I own two small businesses in the State of Connecticut; a small real estate holding company and I run a dry cleaner's and tailors; Bristol Cleaners and Custom Tailoring on Main Street in Bristol for four years now. It's my every day job.

And I think one of the horrors Tom is talking about is I recently gave up my home -- my apartment of 17 years to try and keep Bristol Cleaners in operation. It's a combination of the way the economy is now and especially downtown Bristol is not an easy place to do business.

So, I made the decision to -- to cut costs in my living area to -- I can subsidize the losses a little bit longer in Bristol Cleaners to see if we can get out of this economy and back into a situation where the business is making a profit again.

It's a very -- it's very important to me to keep that business. It's -- frankly it's the best job I've ever had. I've been -- like I said, doing it for four years. And before I came I spoke with a number of other small business owners in the City of Bristol and we discussed this bill, S.B. 1 and unanimously everyone supports it.

I think that anything you can do to help small businesses in Connecticut is a good thing. And I don't see any bad points in this bill. They can all help. Even if it's just a little bit, it's a little bit of help that we could all use.

REP. STAPLES: Thank you.

MARK POLICKI: You're welcome.

REP. STAPLES: Any questions?

Thank you for your testimony.

MARK POLICKI: My pleasure.

REP. STAPLES: Thank you.

SENATOR DAILY: And thank you for waiting so long.

REP. STAPLES: Carmen Saez.

MARK POLICKI: You're welcome.

REP. STAPLES: Bonnie Stewart and then is Chris Phelps back? There he is. Okay.

CARMEN SAEZ: Good afternoon. My name is Carmen Milagro Saez. This is my first time before this Committee. I'm a little nervous because I'm usually spoiled in the other committees that I'm used to. So, I'm a civil rights activist. I'm from Connecticut my entire life.

I'm going to broaden my civil rights because I pretty much won everything I ever really wanted so now I'm just done with -- you know the main issues and now I have to focus on the State and what's best for the entire State, [inaudible] petty issues to the side, as to what's good for both sides rich or poor, big business, small business, and what's good for the State of Connecticut along with our country.

I'm here to support Bill 1. I believe it is sponsored by Senator McDonald. I'm not sure. Is that true? Yeah? Nobody stop me? Yeah? Okay. All right.

SENATOR DAILY: He's one of the sponsors.

CARMEN SAEZ: And the reason I'm here to -- to -- I'm sorry -- I'm sorry -- I'm a little -- I'm not used to this for this place. I never touch the money issues so this is a big deal for me. I usually deal with just civil rights.

REP. STAPLES: Because we deal with money doesn't mean we're not nice. You can go ahead. You can relax.

CARMEN SAEZ: Okay. I'm sorry.

REP. STAPLES: That's all right. Just take your time.

CARMEN SAEZ: Okay. So basically I think $250 to help small businesses is a good start. It's not the only thing we can do but it's a good start and the right direction. I think that the big businesses don't really need that. They're big businesses for a reason. So we need to focus on the small businesses because they're small businesses for a reason and they're in dire need of our help.

I think that we should get the money from the -- the -- from the taxes of the bailouts. I mean they're lucky that they didn't get a [inaudible] for all that fraud and stealing from getting all the money after they cried wolf and they had the nerve to say they needed money because the economy was going to collapse and then they took the money and they gave it to themselves.

It was pretty embarrassing and Connecticut took a big hit for that not knowingly. And we're still suffering from that and I'm sure tomorrow we could pull Connecticut through this time so that we can get to where we got to get to. And move forward to the future. So the most

important thing is the small businesses. It's a much a part of this State as the maple trees, as the four seasons.

And so it's very important for this State that we never forget the little mom and pop stores and -- whether it be a grocery store or a little furniture store or a candle store or a jewelry store. Whatever. It doesn't matter. Those little stores, all of them, their personality. They bring jobs and they're very special.

So, I'm sure this won't be the first time I come here but you can tell Appropriations I'm not going to visit them because I know that everywhere I'm going they want to tell me that I'm making the rounds.

SENATOR DAILY: Okay.

CARMEN SAEZ: I'll make sure that they help you. Thank you.

SENATOR DAILY: Thank you, Carmen.

Are there any questions for Carmen? Nice to meet you and see that wasn't bad was it?

CARMEN SAEZ: No. I was a little nervous but I did good. Thank you. God bless.

SENATOR DAILY: Bonnie Stewart followed by Chris Phelps.

BONNIE STEWART: Good afternoon. My name is Bonnie Stewart and I'm Vice President of Government Affairs for the Connecticut Business and Industry Association. I appear before you today to testify in support of sections one and four in the bill before you regarding small businesses. Those sections allow for elimination or waiver of the business entity tax for certain small businesses as well as set up a revolving loan fund from the DECD for those small businesses as well.

Oftentimes CBIA is referred to as big business but actually 90 percent of our members have fewer than 50 employees and one of the things that we hear frequently from the employees -- or small employers right now is the fact that they have to pay the business entity tax whether they have any income or not. And that's always a sore point for them. And the other thing is the problems in terms of their ability to get credit right now. So we view both sections one and four of this measure as positive in the sense that it could help some of those small businesses especially in these economic challenging times.

The other measure in here is the TARP issue and that's something that CBIA opposes for all the reasons you heard earlier today.

SENATOR DAILY: Okay. Great. Thank you very much.

Are there any questions for Bonnie?

BONNIE STEWART: Thank you.

SENATOR DAILY: Thanks Bonnie.

And we can try Mark -- or Chris Phelps again. Third time's a charm, right?

CHRISTOPHER PHELPS: That works. And I apologize for being called out of the room earlier. Thank you for fitting me in here at the end. Senator Daily and members of the Committee, my name is Christopher Phelps. I am the Director of Environment Connecticut. We're a member-supported statewide environmental advocacy organization.

One of our top priorities in 2010 is the promotion of policies that can help create and retain jobs in Connecticut. And our -- our organization's primary area of focus is the creation and retention of jobs in industries serving Connecticut's growing clean energy economy. And we do applaud the Committee for taking on this issue and this job focus legislation.

I've offered written testimony and comments on additional policies not necessarily contained in the bill before you but that we do believe would be complimentary. And I won't go into a blow by blow of all of it. Excuse me. But just note a few of the areas.

We identified, for example clean energy jobs proposals authorizing local municipalities and

region -- regional groupings of municipalities to create locally funded, bond funded programs to create revolving loan pools for clean energy installations and energy efficiency improvements primarily serving local, residential, and small businesses across Connecticut. That is policy very much complimentary to the bill before you as it would stimulate programs that help reduce energy costs for homeowners and small businesses in Connecticut and also would support job creation in everything from weatherization companies to solar installers and local companies across the State.

We've also talked in our testimony about the creation of -- of a small agricultural farm training and infrastructure program that can leverage available federal matching funds to invest in agricultural workforce training programs and capital investment for agricultural community in Connecticut.

We also talk in our testimony about similar opportunities when it comes to putting a [inaudible] scale for incentivizing job creation in programs that -- in localities served by bus and rail transit in Connecticut to create if you will transit oriented job development in Connecticut. And finally investment in clean water funding and specifically one area would be authorizing local storm water authorities. And there are a few around the State that [inaudible] a pilot program. Authorizing them to issue bonding to

implement clean water infrastructure -- storm water infrastructure programs in Connecticut. In a nutshell those are the areas that we speak in our testimony.

The bottom line is obviously this year our number one priority whether you're an environmental advocate, consumer advocate, a business advocate, a health advocate, a legislator is policies that help Connecticut's economy recover and create jobs. And we offer respectfully these proposals for your consideration.

I'd just also like to just note one other thing as someone who's been formerly a small business owner in Representative -- Senator Daily's district I was looking at the legislation here regarding small businesses. And I am a former small business owner because my small business went belly up years ago. So I applaud you for trying to take on the task of helping small businesses. Thank you.

SENATOR DAILY: Thank you very much, Chris.

Are there any questions for Mr. Phelps?

And is there anybody here who wanted to testify and did not sign up? Move we adjourn? Did you want to say something?

REP. ALTOBELLO: Actually I had some questions that I wanted to ask you earlier --

SENATOR DAILY: Okay.

REP. ALTOBELLO: While Senator Williams was speaking, however I understand he had another commitment and had to leave a little bit early. But I think perhaps it could be answered by the staff as appropriately. If I just may take a moment or two to get technical on the bill?

SENATOR DAILY: You certainly may.

REP. ALTOBELLO: Thank you, Madam.

I think we testimony that confused me. So I was looking -- I can't ask you about the legislative intent but I can ask you about the Scribner's intent perhaps. In line 33 on the bill we'd had some testimony regarding which years the tax would be applicable to -- which tax period years. But when we get to line 33 we've got the or in there and it seems to me that instead of a two year window we might have a -- excuse me -- a three year window on some of this money? Through you, Madam Chair, to the staff.

ANNE BRENNAN-CARROLL: Representative, that should be read in concert with lines 62 to 63. The issue here is if you're performing work in 09 to get the bonus in 10. It's just those two years for the 10 and 11 taxable years. The concern was whether the work performed in 09 was recognized in 10 then it would be subject to this. If the work performed in 10 gets a bonus in 10 or 11. If the work performed -- I

think that's it. Work performed in 11 gets a bonus in 11. We're trying to keep it to two years with the understanding that bonuses are sometimes paid out in March for the preceding year's work.

REP. ALTOBELLO: And if I may -- regarding line 41, it has to do with what the meaning of is is I guess. A TARP recipient such as AIG who is winding down and selling subsidiaries and so on and so forth and has sold a bunch is trying to sell some other ones. How does this provision apply to a person who worked for a company that was formerly with -- let's say under the AIG umbrella?

JUDITH LOHMAN: I don't exactly know about AIG. It -- the affiliated group under the federal -- under the internal revenue code to be part of the affiliated group the corporation has to be 80 percent owned by the affiliate. So like the parent or the other corporation.

REP. ALTOBELLO: I'm not talking --

JUDITH LOHMAN: I guess if AIG sold a piece of itself to say Numoro or something in Japan then it's probably not a TARP recipient anymore and then Numoro gives the employee a bonus. It wouldn't be covered by this.

REP. ALTOBELLO: I'm not specifically talking about that. I'm talking about someone who worked for a subsidiary of AIG. And which subsidiary is no longer a subsidiary of AIG.

JUDITH LOHMAN: I guess it would depend on which entity gave the person the bonus.

REP. ALTOBELLO: AIG. The AIG -- Hartford Steam Boiler is one of 80 or so insurance companies that makes up AIG being basically an insurance company. Immediately after they got into trouble one of the things they started to do is sell off assets. There was one at Bradley with an air jet leasing operation there, and Hartford Steam Boiler. I think Steam Boiler still may be under the umbrella. Of course we the taxpayers now own 80 percent of that company.

But the question is on timing and perhaps instead of keeping going on and on I have just maybe one quick one and then I can maybe meet with staff and -- one of the -- one of the major things is this tax -- this bonus tax is it taxable from dollar one?

JUDITH LOHMAN: Yes.

REP. ALTOBELLO: It is. So, we're not creating a cliff here in that the -- if anyone receives a bonus in this -- whatever time frame this is not only the bonus itself but the base salary or whatever they make interest on, bank accounts or every -- any other kind of income that they happen to have -- rental, anything that's reported would be taxed at this higher rate. Is that correct?

JUDITH LOHMAN: No. Just the bonus. Just the bonus is taxed at a higher rate.

REP. ALTOBELLO: Let me ask the question again then. Are we -- so if someone gets a $999,000 bonus there's no additional tax?

JUDITH LOHMAN: Correct.

REP. ALTOBELLO: But if you get that one dollar extra that flips you into the million dollar bonus you're then taxed on the whole million.

JUDITH LOHMAN: Correct.

ANNE BRENNAN-CARROLL: Correct but just -- just the bonus.

JUDITH LOHMAN: Not all your other income.

REP. ALTOBELLO: So there's a cliff there in other words.

ANNE BRENNAN-CARROLL: There is. Oh, that cliff.

REP. ALTOBELLO: The big cliff.

JUDITH LOHMAN: The big bonus cliff. Yes.

REP. ALTOBELLO: Thank you.

Thank you, Madam Chair.

And I -- if you don't mind hanging around I've got maybe a couple of questions that I could -- thank you.

SENATOR DAILY: I don't see anybody else with any questions. There's just three of us. Five of us. I didn't see you. Okay. I guess we'll adjourn the meeting. Thank you.

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STATE CAPITOL
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Testimony of House Republican Leader Lawrence F. Cafero, Jr. Regarding Senate Bill 1, "An Act Concerning the Preservation and Creation of Jobs in Connecticut."

Before the Finance, Revenue and Bonding Committee

Good morning Chairwoman Daily and Chairman Staples, Ranking Members Roraback and Candelora, and Members of the Finance Committee. I am here to testify on Senate Bill 1, An Act Concerning the Preservation and Creation of Jobs in Connecticut.

I thank the committee for singling out this bill in a way that highlights the importance of the creation and preservation of jobs this session. I view this bill not as a Senate bill or a Democrat bill or Senator Williams' bill. This is a bill with some good ideas that help to address the most critical problems of our state. And, the public needs to see that there are ideas our two parties and the Governor agree on. For us, the key is to focus on the areas of agreement, rather than getting caught up in and wasting time on our differences.

There are basically three proposals in this bill; two of which I support and one that I believe we don't have enough information for me to be able to take a position on.

Section 1 of SB 1 is a two-year moratorium of the Business Entity Tax that applies to companies that earn $50,000 or less and keep at least one person employed for eight months. The House Republican Caucus has a history of proposing the elimination of the Business Entity Tax, since it was first enacted in 2002. I fully support this proposal; however, I hope the Committee would consider increasing the income threshold to $75,000 or $100,000, as this economic crisis is taking a toll on all businesses, not just the smallest ones.

To stay on a positive note, I am going to skip to Sections four and five of the bill. The House Republican Caucus submitted the same concept when the session began. Governor Rell also submitted a similar proposal. These sections make direct loans to and provide loan guarantees for small businesses. Many businesses rely on credit so that they have the money up front to pay for costs associated with producing goods, while income may be slow. Unfortunately, credit markets are still very tight, and an initiative like this could truly be the difference in whether some businesses decide to keep their doors open or close for good, adding to the growing number of unemployed.

With regard to Sections two and three, I'm not prepared to take a position on the TARP-company bonus tax because there is so much that we still don't know. First and foremost, we don't know if this proposal is constitutional. Additionally, we don't know how many people are affected by it. We don't know how much revenue it would bring in. We don't know for sure how to distinguish between different types of compensation according to our law. Fortunately, this tax increase is not essential to the title of the bill, nor does it reflect what should be the priority of this legislature – creating and preserving jobs. If it is the will of the Committee, you can still debate the bonus tax as a separate bill; it doesn't have to jeopardize the other pieces, where there is broad agreement.

Thank you for the opportunity to testify on this important issue. The House Republican Caucus is ready to work with this Committee and members on both sides of the aisle, in both chambers.

For The Record.

CONNECTICUT AFL-CIO

56 Town Line Road, Rocky Hill, CT 06067
860-571-6191 fax: 860-571-6190

Testimony before the

Finance, Revenue and Bonding Committee

Monday, March 1st, 2010

Senator Daily, Representative Staples and members of the Finance, Revenue and Bonding Committee, my name is Lori Pelletier and I serve as the Secretary-Treasurer of the Connecticut AFL-CIO, which has over 900 affiliated local unions representing the working men and women from every one of our 169 cities and towns, and am here to testify in favor of the following bills.

S.B. No. 1 AN ACT CONCERNING THE PRESERVATION AND CREATION OF JOBS IN CONNECTICUT.

We applaud Senators Williams and Looney and the co-sponsors of this legislation. Connecticut workers are looking to the legislature for leadership on creating jobs, and SB 1 is one of the answers. The problem we face is massive job losses, rapid technological change, global competition and stagnating wages and benefits have left today's workers and their families with anxiety and uncertainty about their prospects for good jobs and upward mobility. We need greater systematic public investment in education and skills-development programs linked to economic policies that support high-wage job creation, improved living standards and stronger worker bargaining power.

To solve this we must expand support for career and technical education at the high school level, and call on Congress to retool and modernize the Wagner-Peyser Act to establish a stronger federal-state partnership that can make available (through online tools and counseling services) accurate up-to-date information about job vacancies, labor market trends, emerging careers, requirements for skills, education and credentialing and the availability and quality of education and training programs in communities.

We must urge Congress to pass a federal jobs training initiative to get Americans back to work quickly in high-growth sectors, while creating career paths so incumbent workers can upgrade their skills and advance into quality jobs with family-sustaining wages and benefits as well as call on Congress to reauthorize the Trade Adjustment Assistance (TAA) Act. A greatly improved version of TAA was enacted in the 2009 ARRA, but it expires on Dec. 31, 2010. Unless Congress takes action, TAA will revert to its weaker version and then terminate completely on Sept. 30, 2011.

SB 1 calls for a tax on those state income tax rates on the very rich or limit some of the available deductions, exemptions and credits that the highest paid taxpayers are able to claim. According to the Center on Budget and Policy Priorities, if every state with a personal income tax were to pass a 1 percentage point increase in the tax rate for households with incomes greater than $500,000 per year, as much as $8 billion could be raised. In late January 2010, Oregon voters passed a ballot initiative raising taxes on household incomes at or above $250,000. The funds generated from this tax increase on the very rich will be used to pay for education, health care, public safety and other services.

SB 1 lays the groundwork for Connecticut to step up and take on this economic challenge by devoting increased tax revenues into retooling our education and training opportunities for our workforce. Connecticut's workers need this legislation, small business owners need this legislation and our children need this legislation. Thank you to the Committee for holding this public hearing and if you have any question I'd be happy to address them.

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EXECUTIVE VICE PRESIDENT
Salvatore Luciano
SECRETARY-TREASURER
Lori J. Pelletier
EXECUTIVE SECRETARY
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GENERAL VICE PRESIDENT
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Written Testimony of Christopher Phelps
Environment Connecticut Program Director

Before the Connecticut General Assembly Finance Committee

Monday, March 1, 2010

Supporting Senate Bill 1, An Act Concerning The Preservation And Creation Of Jobs In Connecticut.

Senator Daily, Representative Staples, and members of the Committee:

On behalf of Environment Connecticut, I am submitting this testimony supporting SB1. Environment Connecticut is a statewide, member-supported non-profit environmental advocacy organization. One of our top priorities in 2010 is promotion of policies to create and retain jobs in Connecticut's clean energy economy. We applaud the committee for considering this job-focused legislation and offer the following additional policies for your consideration. These proposals would support job growth in clean energy and other sectors promoting a clean, healthy environment.

Clean Energy Jobs:

> Authorize creation of bond-funded municipal clean energy and energy efficiency loan funds. Such a program, modeled on successful and innovative "Property Assessed Clean Energy" (PACE) initiatives in jurisdictions nationwide involves creation of revolving loan pools at the municipal and regional level. Such loan pools are funded through municipal bonding and used to offer low-interest loans to local homeowners and small businesses investing in clean energy systems and energy efficiency improvements.
>
> Such programs provide the dual economic benefit of cutting energy bills for residential and business customers and promoting the creation and retention of local jobs in clean energy businesses.

Agricultural Jobs:

> Establish a Farm Training & Infrastructure Match Program funded with a combined $1.5 million in state bond funding and prioritizing programs eligible for federal matching funding. The program would provide grants supporting agriculture workforce training and capital investment benefiting Connecticut agricultural producers.

Transit-Oriented Jobs:

Require the Department of Economic & Community Development and Connecticut Development Authority to prioritize granting of tax credits, business incentives, loans, etc., to businesses expanding operations and hiring employees at job sites located in proximity to existing bus and rail transit lines.

Clean Water Jobs:

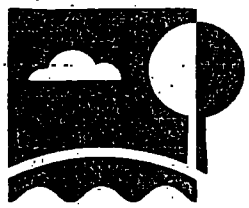
Enable municipalities to create stormwater authorities to fund measures to reduce stormwater pollution and meet Clean Water Act obligations.

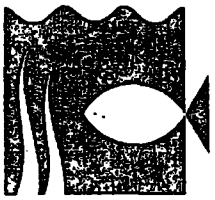
Support investment in sewage treatment plant and infrastructure upgrades. Such initiatives create and retain local jobs, reduce pollution flowing into the state's waterways and Long Island Sound, and can leverage available federal funds.

We urge the legislature to support legislative proposals such as these that can stimulate growth of jobs in business sectors that benefit both the state's environment and economy. Thank you again for the opportunity to offer this testimony and comments supporting Senate Bill 1.

Sincerely,

Christopher Phelps
Program Director
Environment Connecticut





Testimony of Connecticut Fund for the Environment
Before the Finance Committee

March 1, 2010

SUPPORTING **Senate Bill 1** . AN ACT CONCERNING THE PRESERVATION AND CREATION OF JOBS IN CONNECTICUT

Charles Rothenberger, Staff Attorney

Connecticut Fund for the Environment ("CFE") is a non-profit environmental organization with over 6,500 members statewide. For thirty years, CFE has used law, science and education protect and preserve Connecticut's natural resources.

Connecticut Fund for the Environment **SUPPORTS** **Senate Bill No. 1** that would preserve and create jobs in Connecticut. We also encourage the bill to pay special attention to the promoting the most promising jobs, which we believe are in the growing "green sector" of the economy.

With unemployment at 8.5% in Connecticut, priority number one is jobs -- and in particular, good jobs that are relevant to today's economy. CT needs to capitalize on its highly skilled labor force, top research universities and connections to New York and Boston to become a leader in the clean energy and green technology economy. To do this, we believe that job creation in one or more of the following green sectors of our economy through the following policies is needed this year.

Many of these projects require little or nominal funding. Others, like transportation and clean water are necessary to leverage additional federal dollars to support green jobs in the state.

Energy Efficiency and Renewables

- ✓ Increase the pool of available funding for energy efficiency projects by leveraging private, municipal and state dollars,
- ✓ increase the amount of solar power generation serving homes, businesses and municipalities in Connecticut

Job and Economic Benefit: Every million dollars invested in energy efficiency programs creates an average of 41 jobs for electric, 45 for natural gas and 48 for oil and respectively contributes $5.70, $7.00 and $7.10 to the state Gross State Product for every dollar invested. Using new program money in a way that attracts renewable

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energy technology manufacturers to the state would provide additional long-term benefits.

Transportation

- ✓ Multi-modal transit funding for rail, bus and connections between them leveraging federal dollars and providing construction and operations jobs and workforce access.

  Job and Economic Benefit: Every million dollars invested in mass transportation creates 35 jobs and saves workers time and money. The bulk of the jobs would be construction initially, followed with continued employment for operators, mechanics, administrative staff and new jobs created by ancillary services, etc.

Clean Land and Water Investments

- ✓ Sewage treatment upgrades to leverage federal dollars, create quality jobs and support municipalities.
- ✓ Allow municipalities to create stormwater authorities to fund clean water act obligations.
- ✓ Increase sustainable harvests in state forests to create jobs and better utilize resources.
- ✓ Brownfields Restoration to clean up properties and support economic development.
- ✓ Create green chemistry institute to support businesses in creating green products.

  Job and Economic Benefit: Every million dollars invested in upgrading water treatment infrastructure creates at least 10 new, direct, jobs. Additionally, investments in lower cost alternatives, like green-infrastructure and LID stormwater management strategies, have the potential to grow a new industry of landscape architects, stormwater engineers, and infrastructure developers here in Connecticut. Not only do both types of investment create jobs, they support local businesses and tourism by providing the clean water needed to open beaches and shellfish beds. Help retain 20,000 agricultural jobs, generate more than 300 new forestry-related jobs and create additional jobs in habitat restoration and brownfield remediation.

Workforce Development

- ✓ Increase opportunities and incentives for training for in-demand green jobs.

We ask the legislature and Governor to pass a meaningful bill this year to position CT to compete in the green economy for today and the future.

For the above reasons, we **SUPPORT** **Senate Bill No. 1** and ask the legislature to focus on the above policy solutions that will most effectively grow the economy and keep Connecticut a world class place to live and conduct business.

Connecticut Fund for the Environment and Save the Sound
142 Temple Street • New Haven, Connecticut 06510 • (203) 787-0646
www.ctenvironment.org • www.savethesound.org

TESTIMONY
CHRISTINE MANSFIELD
LEGISLATIVE COMMITTEE CHAIR
QUINNIPIAC CHAMBER OF COMMERCE
BEFORE THE FINANCE COMMITTEE
MARCH 1, 2010

RE: SB-1, AN ACT CONCERNING THE PRESERVATION AND CREATION OF JOBS IN CONNECTICUT.

The Quinnipiac Chamber of Commerce **supports the intent of SB-1**, to preserve and create jobs in Connecticut. Since March 2008, Connecticut has lost 94,500 jobs. Given the job losses and high unemployment rate, creating a more competitive business climate that nurtures and supports job growth must be a top priority this year.

Connecticut's tax policies are certainly a factor in how competitive Connecticut is with other states. **We therefore *support* the provisions in the bill which eliminates the Business Entity Tax** for certain LLCs, LLPs and other pass through entities. However, we believe the tax should be eliminated in its entirety. When the business entity tax was adopted in 2002, it was understood that this was a short-term fix to address a looming budget deficit. But now, small businesses are facing turbulent economic times and need our help. While $250 doesn't sound like a lot, repealing what is considered a nuisance tax on small businesses would shine a spotlight on the state's commitment to small business growth.

Some argue that Limited Liability Companies and other business entities pay no other taxes except the Business Entity Tax. This is simply not true. LLCs, LLPs, S Corporations and other pass through entities pay state and federal income taxes on the net income generated by the company, regardless of whether that income is distributed to the owners. They also pay dozens of state and local taxes every year, including sales and use taxes, property taxes, unemployment compensation taxes, insurance premium taxes, licensing fees, registration fees, workers' compensation and Second Injury Fund assessments, etc.

We also *support* provisions in the bill which create a small business loan or loan guarantee program. Our small business members are consistently saying that obtaining financing for expansion and new projects is almost impossible to achieve. They need help and a loan fund would help them.

In addition to the issues included in this bill, the Quinnipiac Chamber urges you to take other steps to create a competitive business climate in this state by rejecting any and all legislation that will add to the cost of doing business. Legislation such as the paid sick leave mandate sends a very negative signal to the business community that undermines efforts like SB-1 to encourage job creation.

In addition, we urge lawmakers to focus on ways to ease the regulatory burden on businesses and ensure that state agencies are a partner in supporting job growth, not an adversary. Costly and burdensome state regulations should not be imposed ***without a thorough analysis of the short and long-term impacts on business and job growth.***

The Quinnipiac Chamber of Commerce serves more than 750 member companies from the North Haven and Wallingford area. We are the largest non-metropolitan chamber in the state.

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STATEMENT OF

Roger A. Adams

Executive Director

The Chamber of Commerce, Inc.

Windham Region

Finance Committee

Public Hearing

Senate Bill 1

AN ACT CONCERNING THE PRESERVATION

AND CREATION OF JOBS IN CONNECTICUT

March 1, 2010

Hartford, Connecticut

My name is Roger Adams. I am a resident of Mansfield, Connecticut residing at 282 Wormwood Hill Road. I am employed as executive director of the Chamber of Commerce, Inc., Windham Region where I have worked for over 30 years. I am here today to support certain provisions offered in Senate Bill 1 and to suggest some specific additions.

At the Chamber of Commerce, Inc. we have seen dramatic changes in the make-up of our regional economy in the past 30 years. The large industrial employers, with two notable exceptions, have dramatically downsized, merged, moved away or gone out of business. In the Windham area, we are a region of institutional employers and small businesses. We have Eastern Connecticut State University, UConn, Windham Hospital and Natchaug Hospital as four of our largest employers. In past economic downturns, state agencies in our region were still expanding at a rate which allowed assimilation of many workers losing industrial jobs. They are no longer in a position to absorb layoffs or to even provide meaningful hope of future opportunities.

With estimates that the current recession will result in 100,000 total jobs lost in Connecticut, it is our hope that small employers, where the vast majority of new jobs are being created, can help fill the void. The definition of "small business" varies widely depending on the purpose of the definition. In our 13-town Windham Region, small businesses employ closer to five or ten people than five hundred and they need loans closer to twenty to fifty thousand dollars than half a million.

In the past decade we have seen very successful small business revolving loan programs meeting the needs of small businesses through regional economic development agencies. These agencies in eastern Connecticut are the Northeast CT Economic Alliance in the northeast and seCTer (Southeast CT Economic Region) in the southeast. They have the ability to investigate, analyze and guide small businesses through business plans at much smaller levels that regional

banks and at levels well below those practical for the more successful community banks. As an example, in the past year, the Northeast CT Economic Alliance has handled nearly ¾ of a million dollars in revolving loan fund and Small Cities loans to 18 clients. These loans range from $10,000 to $50,000 and all are meeting expectations. These loans are in nine towns and cover businesses from restaurants to manufacturing.

If a new revolving loan fund is established, we urge that it be managed in a way that keeps it out of a central bureaucracy, and puts the premium on getting the dollars close to the street and managed in the regional economic development agencies. The regional agencies have boards made up of local professionals and staff with local ties and lending experience. They have very low operating costs as related to loan volume and a clear familiarity with their regions of the state. They do require some modest administrative fee resources, some of which can come from interest fees on the loans as they are paid back.

Method of payment for the revolving loan program in today's economy is a major challenge but one worth pursuing. A surcharge on the income taxes paid on certain large bonuses and bonding authorization are two methods that have been mentioned. I think it is critical to public confidence that, however the fund is established, it be unavailable to be swept into the General Fund for other purposes.

Finally, we are pleased to support the proposal for a two year suspension of the business entity tax. It is a fee viewed almost universally as an unjustifiable penalty on every business of every size. In addition, the establishment of a formal, regular review process to evaluate the impact of regulations on small businesses is long overdue.

Thank you for considering our recommendations.

Administration Officials: Bank Programs Are Profitable

President Obama

"While we know that we will not escape the worst financial crisis in decades without some losses to the taxpayers, it is worth noting that in the first round of repayments from these companies, the government has actually turned a profit." *December 8, 2009*

http://www.whitehouse.gov/the-press-office/remarks-president-job-creation-and-economic-growth

"In fact, because of our stewardship of this program, and the transparency and accountability we put in place, TARP is expected to cost the taxpayer at least $200 billion less than what was anticipated just this summer. And the assistance to banks, once thought to cost the taxpayers untold billions, is on track to actually reap billions in profit for the taxpaying public. This gives us a chance to pay down the deficit faster than we thought possible and to shift funds that would have gone to help the banks on Wall Street to help create jobs on Main Street." *June 9, 2009*

http://blogs.abcnews.com/politicalpunch/2009/06/potus-touts-tarp-repayment-.html

Treasury Secretary Geithner

"TARP programs have already generated significant income – roughly $15 billion – which has been used to pay down the debt. Our outstanding equity investments continue to generate substantial income through dividends. And we are adding to the taxpayer's return by auctioning warrants. Last week, for example, we raised nearly $150 million from the sale of Capital One warrants. We expect substantial income from additional warrant sales over the next few weeks.

However, we do not expect all TARP investments to generate positive returns. There is a significant likelihood that we will not be repaid for the full value of our investments in AIG, GM, and Chrysler. But here too the outlook has improved. We now expect these institutions to repay $14 billion more than was originally projected."

"In September, Treasury ended its Money Market Fund Guarantee Program, which guaranteed at its peak over $3 trillion of assets. The program incurred no losses, and generated $1.2 billion in fees."

December 10, 2009

http://treasury.gov/press/releases/tg437.htm

Treasury Press Release On Profitability of Programs

"Today, the U.S. Department of the Treasury received full repayment on its Troubled Asset Relief Program (TARP) investments in Bank of America in the sum of $45 billion, bringing the total amount of repaid TARP funds to $118 billion. Treasury now estimates that total bank repayments could reach up to $175 billion by the end of 2010, cutting total taxpayer exposure to the banks by almost three-quarters from the peak.

Treasury currently estimates that every one of its programs aimed at stabilizing the banking system – the Capital Purchase Program, the Targeted Investment Program, the Asset Guarantee Program, and the Consumer and Business Lending Initiative – will earn a profit thanks to dividends, interest, early repayments, and the sale of warrants. Total bank investments of $245 billion in FY2009 that were initially projected to cost $76 billion are now projected to bring a profit of $19 billion. Taxpayers have already received about $15 billion in revenue through interest, dividends, and the sale of warrants, and that profit could be considerably higher as Treasury sells additional warrants in the weeks ahead." December 9, 2009

http://treasury.gov/press/releases/tg436.htm

Treasury TARP Warrant Disposition Report

"To date, the disposition of warrants has succeeded in significantly increasing taxpayer returns on the CPP preferred investments that have been repaid. As of December 31, 2009, Treasury has received $4 billion in gross proceeds on the disposition of warrants in 34 banks, consisting of (i) $2.9 billion from repurchases by the issuers at agreed upon fair market values and (ii) $1.1 billion from auctions.1 For those 34 institutions, Treasury received an absolute return of 3.1% from dividends and an added 5.7% return from the sale of the warrants for a total absolute return of 8.8%.2 These returns are not predictive of the eventual return on the entire CPP portfolio." *January 20, 2010*

Herbert M. Allison, Jr., Assistant Secretary for Financial Stability

"With the recent announcements of repayments by Bank of America, Citigroup, and Wells Fargo, banks will have soon repaid nearly two-thirds of the total amount invested in banks under the program. We also expect a positive return from the government's investments in banks. Investments are generating more income than previously anticipated – more than $15 billion in income so far – and we expect substantial additional income going forward."

"Ending the financial crisis is not primarily about helping banks, but about restoring the flow of credit to consumers and businesses and alleviating the real hardships that Americans face every day. Healthy and vibrant financial institutions are critical for this, as they are the key sources of a range of financial services that we depend on every day. Without healthy banks, consumers cannot access the credit they need to buy a home, finance an education, manage everyday expenses or make other financial commitments. Small businesses cannot buy the new equipment, raw materials and inventory that they need to expand. Larger businesses cannot make the continuous adjustments required to function in a changing global marketplace.

It is with these goals in mind that we have created the programs under the TARP and the Financial Stability Plan." *December 17, 2009*

FDIC Chairman Sheila Bair

"The TLGP program has been a moneymaker for us," FDIC chief Sheila Bair said this month in Senate testimony. "We've collected over $7 billion in payments from it, and we've had no losses." *May 2009*

http://money.cnn.com/2009/05/12/news/fdic.guarantee.fortune/

March 1, 2009

To: Members of the Finance Revenue and Bonding Committee

Fr: Sally Miller, Senior Vice-President, American Bankers Association

Re: Testimony regarding Senate Bill 1, An Act Concerning the Preservation and Creation of Jobs in Connecticut

Chairwoman Dailey, Chairman Staples and members of the Committee, my name is Sally Miller and I am a senior vice-president, with the American Bankers Association. I am pleased to be here today to testify on behalf of the ABA and the Connecticut Bankers Association regarding Senate Bill 1. In my testimony, I would like to provide you with a brief update on the TARP program and current regulatory checks on compensation practices. I would like to conclude with a few comments about the unintended consequences of the TARP bonus tax provisions of SB 1.

By way of background, the ABA works to enhance the competitiveness of the nation's banking industry and strengthen America's economy and communities. Its members represent over 95 percent of the industry's $13.1 trillion in assets and employ over 2 million men and women. Just as with the CBA, our members range from small community banks to some of the largest banks in the country. In fact, the majority of our members are banks with less than $125 million in assets.

The ABA and the CBA support the goals of SB 1, namely to preserve jobs and encourage job creation through the establishment of a State small business assistance program. As President Obama recognized in his recent State of the Union address, it is imperative that we find ways to ensure that small businesses get the credit they need. Small businesses of all kinds—including banks—are suffering from the severe economic recession. I would encourage the members of the Committee to work with the CBA on the program details as their members can bring to the table a wealth of knowledge, both as lenders to small businesses and as small businesses themselves.

TARP investments in banks—primarily through the Capital Purchase Program (CPP)—are providing US taxpayers with a significant return. To date, over $247 billion has been invested in more than 700 banks of all sizes, earning Treasury $15.6 billion in interest and dividends on its investment. Of the $247 billion invested, $174.7 billion has been repaid and Treasury projects that bank programs will earn taxpayers a profit of at least $19 billion.

The reason why US taxpayers are receiving such a significant return on their investment is because the CPP was a direct investment of capital targeted to healthy financial institutions. Designed in the fall of 2008, the program was intended, among other things,

to instill stability in the nation's financial system and to prevent severe contraction in lending that is typical of most recessions.

The CPP has helped support lending through this market disruption and the longest recession since the Great Depression. Typically, a recession is accompanied by a severe contraction in lending; however, the TARP's bank programs have supported banks' continued efforts to make prudent loans in their communities. According to US government reports, over 80 percent of CPP participants used their capital injections in part to directly support lending and the 10 largest CPP participants increased total originations 17 percent and total average outstanding loan balances 13 percent from December 2008 to December 2009. These funds were also used to bolster bank reserves that are required by the regulators to absorb losses and investments in agency mortgage-backed securities which provided immediate support to funding markets which had largely disappeared.

The $19 billion plus profit for taxpayers points out the gross misperception that has been created about the TARP investments in banks. The CPP program and other bank programs were designed to be used by healthy banks. The non-bank TARP money was designed to support troubled institutions, like AIG, General Motors and Chrysler. This confusion between capital for healthy banks and bailouts for weak firms continues to be a source of great frustration to banks, but more importantly can lead to confusion about policy.

The misconception continues with respect to bank compensation practices. Compensation is generally paid out of income earned, not capital, and all federal banking regulators prohibit, as an unsafe and unsound practice, excessive compensation arrangements. State and federal banking regulators conduct on-site examinations and inspections to ensure that a bank does not engage in any unsafe and unsound practice, including paying compensation that would cause the bank's capital to be impaired.

Public misconception about compensation practices at banks, generally reinforced by press reports concerning pay practices at those troubled non-bank firms that had taken TARP money, led to the enactment of onerous executive compensation and burdensome corporate governance provisions applicable to all entities participating in the TARP program, including the healthy banks whose participation had been strongly encouraged by the government in the first place.

These restrictions included, among other things, a prohibition on cash bonuses for senior executives, strict limits on deferred restricted stock grants and golden parachute payments, and an ability for TARP firms to recoup or "clawback" bonuses paid, under certain circumstances. Significant oversight responsibility was vested in the Treasury Department's Special Master or Pay Czar.

The Office of the Special Inspector General for TARP has reported that the retroactive application of these executive compensation provisions has caused firms to lose senior employees to "foreign and domestic competitors who are not under CPP compensation

restrictions." These compensation restrictions have also had a negative impact on firm recruitment efforts.

Our members continue to tell us that they are experiencing a talent drain at their firms and that that drain is not limited to the senior officers specifically impacted by the TARP compensation restrictions. These employees are leaving for opportunities at industries where compensation issues are not in the collective bull's eye of federal and state authorities.

Iit is for this reason that the ABA recently encouraged the federal banking regulators to consult with other authorities when issuing guidance directed to bank bonuses. Given the global nature of financial services, coordination with international and other domestic authorities on compensation issues is central to the banking industry's continued ability to retain and attract talented employees.

Moreover, retroactively moving the goalposts sends an ominous signal to institutions that may be considering participating in programs designed to get our economy moving. For example, many community banks have expressed interest in the small business capital investment program outlined by the President in his State of the Union address. Understandably, community banks are concerned that this program may go the way of the TARP program with after-the-fact restrictions being added.

The ABA and CBA respectfully urge the Committee to consider these and other unintended consequences of specifically targeting the employees of entities—entities that were strongly encouraged by the government to participate in the bank TARP programs--for special tax treatment. I would like to thank the members of the Committee for the opportunity to testify here today. I am happy to answer any questions the Committee may have.

March 1, 2009

To: Members of the Finance Revenue and Bonding committee

Fr: David J. Wiese on behalf of the Connecticut Bankers Association

Re: Testimony regarding Senate Bill 1, An Act Concerning the Preservation and Creation of Jobs in Connecticut

Chairwoman Dailey, Chairman Staples and members of the Committee, I'm Dave Wiese, counsel for the Connecticut Bankers Association and I'm here today to provide you with testimony on behalf of the Connecticut Bankers Association regarding Senate Bill 1.

The Connecticut Bankers Association represents the 80 domestic banks that provide traditional banking services in the State of Connecticut. Our members range from small community banks to some of the largest banks in the country. Connecticut's banks make up just a part of the State's Financial Services Industry. We hope you would agree that this industry sector is vital to Connecticut's economic wellbeing. We estimate that Connecticut's Financial Services Industry employs over 150,000 people in over 5,000 establishments. This industry makes up nearly 10 percent of the state's employment base and represents over 30% percent of the state's gross product.

As an industry we have always been, and will continue to be, supportive of lending initiatives, both public and private, that help businesses and individuals obtain credit. Broader availability of credit can help to stimulate the economy by creating jobs and fueling the purchase of goods and services. That, in turn, can have a tremendous trickle down impact on housing values as well as sales tax, income tax and property tax revenues. That is why we are very encouraged by the provisions within SB 1 that would create a small business assistance program. We very much look forward to working with the committee and others to make that program a reality.

The Connecticut Bankers Association is, however, strongly opposed to the provisions of SB 1 that would create a tax on the bonuses of individuals who have worked for banks or bank affiliates that were recipients of the federal TARP funds. We feel this is a unique and unfortunate singling out of a group of individuals employed by a specific industry. Even more troubling is the fact that it is an industry that plays an integral role in the State's economy. We believe this proposed tax structure is misaligned with thoughtful public policy. The provision is anti-job, anti employee, anti-resident and anti-business. Indeed, this tax provision runs completely counter to the underlying goal of the bill, which is job creation.

Connecticut, like every other state, is grappling with one of the worst economic recessions in our nation's history. Job growth and retention levels in Connecticut are at all time lows. The State's budget crisis continues to loom large as economists forecast multibillion dollar deficits in the coming fiscal years. Faced with these challenges, we

are frankly dumbfounded that policymakers would suggest the type of tax proposal contained in SB 1.

Specifically, with respect to Connecticut's need to create and retain jobs, we fail to see how this proposal furthers that goal. Employers in the Financial Services Industry, like every other type of employer, seek stability and fairness, among other things, when it comes to tax policy. Singling out a select group of employees and employers and imposing a retroactive and punitive tax on them cannot be viewed as fair or stable tax policy.

In this case, it is important to note that the capital purchase program under TARP was designed to infuse additional capital into already healthy banks. Faced with unprecedented economic turmoil, and the collapse of the capital markets, the federal government wanted to quickly stimulate lending and liquidity. To do so, they strongly "encouraged" banks to participate in the CPP. The banking industry did not ask the government to create this program. However, many banks voluntarily followed the government's lead. Moreover, many of those banks have since repaid the TARP funding, resulting in billions of dollars of profits to American taxpayers. Now, with SB 1, the employees of those banks (and their affiliates) will find themselves personally subject to with a retroactive and punitive tax just because they live in Connecticut and work for a TARP related entity.

Faced with these types of legislative proposals, employers in the Financial Services Industry will surely look to alternative States when considering where to place jobs. In fact, we would suggest that consideration of these types of proposals has a chilling effect on all employers regardless of their industry sector.

We also believe this tax proposal could have a detrimental effect on our State's budget crisis. Financial Service Industry workers – particularly the high earners, which are targeted under this proposal, pay a large percentage of the State's income tax receipts. In fact, reports show that the top 1.3 percent of the State's taxpayers or those earning one million dollars or more paid 35 percent of the State's income taxes in 2007. Imposing a punitively higher tax on this type of earner could result in the relocation of some of these workers and therefore the loss of their income, employment and sales tax contributions. At a time when State government is looking to preserve programs and retain revenue, we fail to see the wisdom in this approach.

Connecticut's tax rate is currently more favorable than New York or New Jersey, and that rate has encouraged people to stay or relocate here from throughout the tri-state area. The TARP bonus tax will eliminate that advantage for employees of businesses who received TARP funds. Those employees can easily choose to live somewhere else.

Lastly, programs like the TARP continue. As a case in point, the Obama administration wants to create a 30 billion dollar small business lending initiative by funneling paid-back tarp funds though lending institutions in the form of loans. We are quite sure that if a state TARP bonus tax goes into effect – Connecticut lenders will think twice about

participating. What Bank would risk an unanticipated targeting of their employees or of the institution for future negative treatment, because it took part in a government-sponsored program? The net effect would be that Connecticut fails to capitalize on Federal stimulus dollars aimed at creating jobs, and the additional income tax revenues generated from them.

Again, the Connecticut Bankers Association stands ready to work with the Committee to make the small business assistance program a reality, however we strongly encourage your rejection of the TARP employee bonus tax.

Thank you for the opportunity to provide our comments on the bill, and I'd be happy to answer any questions you may have.

Testimony in support of concerning "The Preservation And Creation of Jobs in Connecticut".

By Tony Sheridan

President & CEO

Chamber of Commerce of Eastern Connecticut

March 1, 2010

Dear Finance Revenue and Bonding Committee Members:

Thank you for the opportunity to share a few thoughts with you this morning. I am here specifically to lend my support for proposed legislation concerning "The Preservation And Creation of Jobs in Connecticut".

The Chamber of Commerce Of Eastern Connecticut has a membership of approximately 1,600 member companies. Our mission is to promote and support the business community of eastern Connecticut. In addition, this past year the Chamber received a congressional grant to establish up to 10 incubators for start-up companies. We opened our incubator in January and we already have five new companies in place. The process for being accepted into an incubator space includes a rigorous interview process with Chamber staff and with SCORE, which is also housed in the Chamber offices. I mention this only to share with you that we have firsthand experience at the Chamber on what it takes to open a business in CT. Let me assure that entrepreneurs find this to be a challenging process.

As I understand, the proposed legislation would provide a modest amount of tax relief to struggling small businesses by suspending the $250 Business Entity Tax for two years. This proposed legislation is a positive gesture, but hopefully, one of more to come. This gesture is important, not because of the savings involved but, equally importantly, because of the message it sends to the small business community, demonstration that our legislators are aware of the difficult times confronting the small business community and that they are interested in responding in a proactive fashion.

Unemployment is high all across Connecticut. People are hurting. Small businesses are hurting. The state has an important role to play in response to these concerns. As you well know, the small business community is the originator of almost 90% of jobs created in this country. This trend is even higher in Connecticut. Small businesses account for 97 percent of all Connecticut employers and nearly half of private-sector employment, according to the state Department of Labor. Nearly 95,000 people have lost their job since the recession began in 2008, and many economists predict the total number of lost jobs in Connecticut will reach 100,000.

It is critically important that the legislature does everything in its power to create a positive, helpful and supportive atmosphere for the entrepreneur. You need to take steps to limit the impediments that slow down and discourage the opening of new businesses in our state.

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Finally, economic practitioners know that the fundamental societal factors in developing and growing a positive business atmosphere include the availability of resources, as well as the recognition, admiration and respect that these entrepreneurs deserve for the risks they take for the common good. Business leaders need our encouragement and support as they establish business and create employment opportunities for others. Their efforts are the corner stone of our economic well being and the quality of life we all strive for. Your support of "The Preservation And Creation of Jobs in Connecticut" is a step in the right direction.

Thank you for the opportunity to address you today.

Tony Sheridan.

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Create small business revolving loan fund
Big banks were bailed out by the federal government, but they have failed to make these bailout funds available to small businesses. Big banks have significantly restricted loans and lines of credit to small businesses, and in so doing, have severely restricted small businesses' ability to survive and succeed during the economic downturn and beyond.

A small business revolving loan fund will be administered by a business financing entity with the consolidated business knowledge and the diversity of involvement necessary to serve all types of small businesses in Connecticut. It is critical that this new entity have the flexibility to offer loans to businesses that have been caught in the credit crunch, not because their business has changed, but because the rules of banking have changed.

1. **Consolidate state economic development entities**
   Consolidate CDA, CI and the direct business financing function of DECD into one single entity, as recommended by the recent bipartisan report from the General Assembly's Program Review & Investigations (PRI) Committee. This will provide a benefit to small businesses and the state in the following ways:
   a. Cuts costs by streamlining functions.
      i. Operating expenses at CI are high: they have even exceeded loans awarded in some years.
   b. Avoids duplication of efforts—eliminates administrative duplication and helps avoid situations where two agencies are working on the same issue.
   c. Establishes a one-stop shopping option for small businesses who might not know where to go for help.
   d. Combines knowledge accumulated from different agencies into one location where this knowledge can be benefit all businesses in Connecticut.
   e. Creates new entity that will administer new small business revolving loan fund.

4. **Hold formal hearing to review state regulations and their impact on small businesses.**

How to Pay for It: Temporary surcharge on TARP supported bonuses

After receiving billions of taxpayer dollars from TARP, the nation's biggest banks are back to handing out enormous bonuses and raises. Under the Senate Democrats' job plan, bonuses of $1 million or more paid to employees of TARP recipient entities will be subject to a temporary surcharge.

a. The surcharge will apply for two years only—Income years 2010 and 2011.
b. The surcharge rate will be 2.47 percent on the entire amount of a bonus that totals $1 million or more. This 2.47 percent is on top of Connecticut's existing top income tax rate, meaning that the total state income tax rate on these bonuses is 8.97 percent.
   1. Recipients of these bonuses will pay an income tax rate on the bonuses that is equivalent to the top NY state income tax rate of 8.97 percent.
   2. This rate is still lower than the top NY City / State combined rate of by 12.6 percent and lower than the top NJ rate of 10.75 percent

the compassion to care, the leadership to conquer

TESTIMONY
of
Laurie Julian
Before the Finance, Revenue and Bonding Committee
of the
Connecticut General Assembly
S.B. 1, An Act Concerning the Preservation and Creation of Jobs in Connecticut

March 1, 2010

Chairpersons Senator Eileen Daily, Rep. Cameron Staples and Honorable Members of the Committee my name is Laurie Julian, Public Policy Director of the Alzheimer's Association, Connecticut Chapter. I am here today to testify about this devastating disease and its economic costs, and ask you to support re-opening the Alzheimer's Respite Care Program **(see Section 1 of H.B. 5111, An Act Concerning the Alzheimer's Respite Care Program).**

The Alzheimer's Association is a donor supported, non-profit organization serving the needs of families, health care professionals and those individuals who are affected with Alzheimer's disease and related dementias. The Association provides information and resources, support groups, education and training, and a 24 hour, 7 day a week Helpline.

Alzheimer's disease costs American businesses $61 billion a year. Of that figure, $24.6 billion covers Alzheimer health care and $36.5 billion covers costs related to caregivers

of individuals with Alzheimer's, including lost productivity, absenteeism and worker replacement.[1]

Currently in Connecticut there are approximately 70,000 residents who have Alzheimer's and related dementias with over 113,000 caregivers. Those caregivers, usually family, provide over 97 million hours of unpaid care that would equal over a billion dollars. The Respite program allows many of these families the time they need to keep their loved one home.

Recent studies have documented the harm that Alzheimer's disease does to the informal caregiver. This disease can affect a caregiver's health, resulting in a measurable reduction in the caregiver's own life expectancy. It can also affect a family's economic security, as spouses and children are forced to leave their jobs to care for an aging relative with the disease. These are the indirect costs attributed to quitting one's job to provide uncompensated care at home.

The Connecticut Long-Term Care Needs Assessment, commissioned by the legislature,[2] reports that informal caregivers are family and friends who provide care without pay, and are the primary source of long-term care. Seventy percent of people with Alzheimer's disease live at home, cared for by family and friends. The importance of unpaid care provided by family and friends cannot be overemphasized, as it constitutes the back bone of the long-term care system.

Unfortunately, this comes at a price in terms of compromising the caregivers' health. Due to the specialized care required of Alzheimer and dementia patients, we hear from caregivers who endure overwhelming stress and are at their breaking points.

For many, the grants awarded through the Alzheimer's Respite Care Program has extended the patients' care allowing them to continue to live at home while it affords the

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[1] Koppel, R. Alzheimer's disease: *The Costs to U.S. Businesses in 2002.* Washington, D.C.: Alzheimer's Association; 2002.

[2] Connecticut Long-Term Care Needs Assessment (P.A. 06-188) is the first comprehensive statewide study to help guide crucial planning and was funded by the Connecticut General Assembly.

3.

caregiver much needed relief, permitting the caregiver to maintain employment outside the home.

The Long Term Care Needs Assessment predicts there will be a demand for over 9,000 jobs in the health care industry over the next five years to serve the growing/aging population. The average cost of health and long-term care for people with Alzheimer's is 3 times the average cost incurred by individuals 65 and older without this condition, due to the specialized care required of Alzheimer's patients. Alzheimer's disease is predicted to expand rapidly in the coming years.

In closing, the Alzheimer's Respite Care Program with its support services employs companions and homemakers, home aides, adult day care centers, personal care assistants and case managers, preserving and creating thousands of sorely needed jobs in the health care industry. Given that the long-term care industry employs more people than nearly any other industry, and direct-care jobs are the employment core of this industry and are among the nation's fastest-growing occupations, the Respite Program is a small investment, which protects the care of the Alzheimer's patient and caregiver while preserving and creating jobs in Connecticut.

Thank you for the opportunity to testify. Please contact me if you have questions or concerns.

Laurie Julian, Director of Public Policy

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State of Connecticut

SENATOR DONALD E. WILLIAMS, JR.
Twenty-ninth District
President Pro Tempore

Testimony of Senator Donald E. Williams, Jr.
Senate President Pro Tempore

On

Senate Bill 1: AAC THE PRESERVATION AND CREATION OF JOBS IN CONNECTICUT
Finance, Revenue and Bonding Committee
March 1, 2010

Senator Daily, Representative Staples, Senator Roraback, Representative Candelora and Members of the Committee:

Thank you for the opportunity to testify today in strong support of SB 1, AAC The Preservation And Creation Of Jobs In Connecticut. As we all are well aware, Connecticut, like the other states, has suffered mightily in the current economic downturn. According to the Center on Budget and Policy Priorities, this is "[t]he worst recession since the 1930s [and] has caused the steepest decline in state tax receipts on record." Not surprisingly, "[n]ew shortfalls have opened up in the budgets of at least 41 states for the current fiscal year [2010]."

Our revenues have fallen by close to $3 billion since fiscal year 2008, including a drop of $350 million for FY 10 that was projected only after we adopted the budget for this fiscal year. Connecticut is facing its most severe job loss in recent memory: 95,000 people have lost their jobs since the recession began in 2008. Although our unemployment rate remains slightly better than the national average, it is still a staggering 8.9%.

This session, as we struggle to find the necessary cuts to bring our budget into balance, we must also look to the future and take steps to jumpstart our economy by retaining existing jobs and creating new ones. Many bills to accomplish these goals are being heard by our legislative committees. While I am here today in support of the job creation proposals contained in SB 1, I look forward to working with you and the other committees to advance other ideas as well.

costs basis of the product that the business sells. For example, while a service business such as a business that provides computer technical support and a business that sells computers both may reach the $50,000 dollar income threshold, the computer store has a significant cost of goods while the service business has no substantial cost of goods.

In addition, the $50,000 gross income is an extremely low figure and as the bill stands now it would apply more to those business that are created as shell businesses or real estate holding companies that do not necessarily represent the "mom and pop" business this bill seeks to provide relief for.

The next section of the bill, Sections 2 and 3 concern the taxation of bonuses received by TARP fund recipients. Individuals receiving more then $1 million in bonuses would be subject to an additional tax – separate from the income tax – at the rate of 8.97% for the 2010 and 2011 tax years. The Senate Republican leadership stands in strong opposition to this section of the bill.

Notwithstanding the constitutional arguments concerning bills of attainder, proposals like this send exactly the wrong message not only to businesses in this state, but to businesses we are wishing to attract to this state. Connecticut - particularly state government- has benefited immensely from the presence of numerous financial and insurance companies in the state. It would take a somewhat large leap of faith to believe that a proposal such as this one would do anything to attract businesses to the state of Connecticut. A more likely scenario is that this proposal would drive businesses away – fearful that their business may fall into disfavor with the General Assembly and find themselves subject to additional unwarranted taxes. To those who argue that the legislature has not targeted specific industries in the past for additional taxation, I would only mention numerous proposals in the past to tax the supposed "windfall profits" of energy companies.

The final section of the bill requires DECD to establish a program to provide direct loans and loan guarantees to small businesses. The program would be funded by a new bond authorization of $20 million. In her budget, the Governor proposed the creation of a similar program using $100 million in canceled bond authorizations. While I support the creation of a program to extend credit to support small businesses, I would recommend that prior to authorizing new bonds the committee look to see if there are existing bonds that could be canceled to fund the program.

As a final note, we as a legislature need to act now and let businesses in the State of Connecticut know we care. We can not and not wait for the last days of session to act on this bill. As a Republican caucus, we stand ready willing and able to vote on these proposals with minor modifications on the next session day. In taking such a vote early in the session we can send a strong message to the businesses in the State of Connecticut that we want you and we need you. I would be willing to answer any questions at this time.

$55 billion." Even with these types of massive taxpayer rescues, credit is still being withheld from small businesses that require help.

The second source of funding for the small business initiatives is bonding in an amount not to exceed $20M. As noted above, this bonding would be in lieu of cancelled outstanding bond authorizations.

Losing a job is one of the most traumatic life experiences a person can face. It creates stress about not meeting one's obligations and about the inability to provide for one's family, as well as uneasiness about one's uncertain financial future. The New York Times reported last week that losing a job can have "profound health consequences" as well, including heart attack, stroke, diabetes and arthritis.

It behooves us as members of the Connecticut General Assembly to make job retention and job creation a top priority this session and to work together to help the State of Connecticut and its residents come out of this economic recession ready and able to move ahead.

Thank you for your time.

State of Connecticut

SENATE

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CHAIRMAN
LIS LNG TASK FORCE

Public Hearing Testimony
March 1, 2010
Finance, Revenue and Bonding Committee
Len Fasano, Senate Minority Leader Pro Tempore, 34th District

Re: Senate Bill 1 – An Act Concerning the Preservation and Creation of Jobs in Connecticut

Good morning Senator Daily, Representative Staples, Ranking Members Roraback and Candelora and members of the Finance, Revenue and Bonding Committee. Thank you for the opportunity to testify on behalf of Senate Bill 1 – An Act Concerning the Preservation and Creation of Jobs in Connecticut.

While economists have claimed that the recession has ended, for many residents and their families, those words ring hollow. Unemployment continues to remain at its highest level in over three decades, residential foreclosures continue to climb and businesses continue to close their doors in record numbers.

We know that traditionally Connecticut has lagged behind the nation when coming out of a recession. Given the depths of this recession, it is more important than ever that our state is in a position to encourage the growth of businesses and the jobs they bring.

Speaking on Section 1 of the bill, the Senate Republican Caucus has strongly supported a full and permanent repeal of the business entity tax for all businesses. Notwithstanding our support for a full repeal, and in the interest of reaching a bipartisan compromise, we are supportive of a temporary repeal of the business entity tax for certain entities reporting less than $50,000 dollars in income. However, I would recommend changing the threshold to $75,000 in taxable income. I would additionally recommend that this temporary repeal would apply to businesses with 50 employees or less.

The reason is the original language of "$50,000 of gross income or less" doesn't take into account the costs of doing business in the State of Connecticut, nor does it take into account the

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SB 1 focuses on small businesses because they are consistently recognized as the engines of our economy and the loci of job creation. This bill seeks to encourage and support small businesses in two ways:

First, with respect to the very small "Mom and Pop" shops, the bill would suspend the $250 business entity tax for two years. Small "Mom and Pops" are defined as businesses with at least one employee and net income under $50,000; clearly, their gross income could be substantially more.

While $250 is not a significant burden for most businesses, we have heard from these small "Mom and Pops" that relief from this tax would be of help to them; every penny is precious to these very small businesses now. We estimate that this proposal would benefit at least 46,000 small businesses and save them, collectively, approximately $12M. Additionally, I would suggest that the $50,000 threshold be raised should revenues from the TARP bonuses, which are another part of this proposal, be sufficient to cover the additional cost.

The second small business support in the bill is a mechanism to provide credit to small businesses - those with fewer than 50 employees. These small businesses are struggling in this economy, in large part because they do not have access to credit. In order to assist these businesses in accessing credit, SB1 envisions the creation of a new loan fund of up to $20M. Governor Rell has also proposed a loan fund for small and medium businesses, and I look forward to working with her on this and other job creation proposals. Like Governor Rell, we will propose cancelling bond authorizations in an amount at least equal to any new bonding.

Importantly, in this tough economic climate we must be mindful of how we pay for any new proposal. SB 1 includes two sources of funding. First, the bill proposes a temporary, enhanced tax rate of 8.97% to be imposed on bonuses of $1M or more paid to employees of entities that received Troubled Assets Relief Program (TARP) funds. This temporary rate is 2.97% above the current top Connecticut income tax rate of 6.5% on income over $1M; it is equivalent to the top NY state income tax rate of 8.97%; and it is lower than both the top New York City and State combined rate (12.6%) and the top New Jersey rate (10.75%). The temporary rate will apply to bonuses paid in 2010 or 2011 or awarded in connection with work performed in either of those years.

TARP-supported bonuses are an appropriate source of funding for small business assistance because they were made possible by the billions of taxpayer dollars that shored up – and in many cases saved - their employers. The Attorney General for the State of New York, Andrew Cuomo, investigated bonuses in 2008 and concluded that when "banks did well, their employees were paid well. When the banks did poorly, their employees were paid well." For example, Citigroup and Merrill Lynch together "lost $54 billion, paid out nearly $9 billion in bonuses and then received TARP bailouts totaling

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And we're shooting it in Michigan not because I don't love Connecticut and I would love to do it here, and we've been approved for the Connecticut tax credits and I begged Senator LeBeau when the tax credit came up for renewal last year. I said to him, Gary, just do one thing, make the tax credit refundable, so I don't have to go to brokers and sell it. So they take part of the money away from the credit and add no benefit to the taxpayer and add no benefit to the filmmaker. And Senator LeBeau's answer to me was we can't do that because if we did that, the tax credit would wind up in the budget and people would see -- people in Connecticut would see how much we're spending.

To me, that's not responsible government. I think that -- that Mr. Segalla was right, if you cut the credit, producers wouldn't come here because producers go to where there are free money and that's what the credit is, it's free money. There are ways to fix it and I think the biggest thing you need to do is if you're going to -- if -- if it's going to work, and you're going to give a producer money, give the producer money. Don't give it to a broker or middle man; that doesn't benefit anybody. Okay.

REP. MUSHINSKY: Any other questions? Okay.

A VOICE: I think that Senator Frantz has been quiet lately.

REP. MUSHINSKY: Yes, Senator Frantz, you're so quiet lately. He's thinking. Yes. Okay. Matthew Neverson followed by Liddy Karter.

MATTHEW NEVERSON: I -- I just say this is a

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perfect opportunity to follow David, who made a -- a -- a wonderful presentation on a number of issues. I am President of the Connecticut Technology Council. We represent a community of about 2,000 companies, innovation companies and people who support that community. And I want to speak in support of Bill S.B. 307 and 308.

But I also just want to say what an excellent job your committee and your staff did with the Connecticut Economic Competitiveness Study. You know, very few times, we look at a lot of studies and a lot of reports in this state and a lot of them end up on the shelf. But very few of them are both as analytical and descriptive and actually get right to the heart of what we need to address. And really to pick up on what David had said, it's time for a paradigm shift. It's time to shift from sort of one -- looking at information as something that's proprietary that we use as power between agencies and between branches of government and to think of this as we were a little place in a big global sea, everybody competing with everybody. And I know we -- the more we know about ourselves and the more we share data, and the more we really understand what our future is and can analyze it and project it three, four, five years beyond the election cycles but actual -- actual business cycles, we'll be more competitive.

There is a great list in the report on page two, which are the people that your staff talked to and it's about 20 different organizations. So I would say even beyond CDA and CI working together more, if those 20 organizations, the agencies and all of the different business organizations and support

there, because we're like Johnny Appleseed, we're throwing out all the seeds and hopefully some of them will land and we'll start to see some trees. But I appre -- but having folks come in and say this is good, it's a little risky and maybe a little controversial but this is the direction we need to go -- we need to hear -- hear more of that. And I just feel bad that the CT Network isn't broadcasting us today. Not because I need face time, which I always enjoy, but -- but I think this message needs to get out to -- to the public and to the business community.

There is a lot of other things going on in this building right now but to promise the world and not target funds that are going to fund programs, which is my concern with Senate Bill 1, to some extent, which is being pervaded in another part. That's problematic because you know, the resources whether it's a tax credit or something else, we -- we, as a state, have got to put our financing in order, as well. But I think that we could do much better with the limited resources we have. And so please continue to be in touch with this committee as we try to move these bills forward.

MATTHEW NEVERSON: Absolutely. And Senator, if I can just comment, though, just for one -- one second, indulge me that. You know, the history of Connecticut is exactly about -- about this sort of hard scrabble, you know, how do we sort of get, not just a return on our land, but a return on other people's money.

And between New York and Boston, we've had people investing. We've had venture capitalist investing in this state for years.