

**Testimony Regarding
H.B. 6439, An Act Concerning the State Budget for the Biennium Ending
June 30, 2023, and Making Appropriations Therefor**

Lisa Hammersley, Executive Director
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Chairwomen Osten and Walker, Ranking Members Miner and France, and distinguished members of the Appropriations Committee:

Thank you for the opportunity to submit written testimony regarding Governor Ned Lamont's proposed budget and its elimination of funding for the Connecticut Department of Revenue Services (DRS) to produce a tax incidence report for the state.

The governor's proposed budget continues the unfortunate practice of delaying the production and release of a tax incidence report that is intended to answer the important questions of "Who pays Connecticut's taxes?" and "How much are they paying?"

Tax incidence reports examine the impact of taxes on Connecticut households and businesses, analyze the "results of the interplay of tax impacts,"¹ and provide an overview of Connecticut's tax environment. Among other items, tax incidence reports provide valuable insight into where Connecticut's tax dollars are coming from, the progressivity of Connecticut's tax system, and the population and tax burdens for specific income groups. This information is vital for policymakers to accurately understand how taxes impact, or will impact, individuals and businesses, and make informed decisions when it comes to tax policies.

Despite being a necessary tool for understanding the tax burdens of Connecticut households, the General Assembly has repeatedly delayed the statutory requirement for the DRS to biennially produce a tax incidence report.

Since the General Assembly passed the requirement in 2013² for the DRS to produce a tax incidence report biennially, only one tax incidence report – released in December 2014 – has been produced.³ Since the release of the 2014 tax incidence report, the General Assembly has delayed the tax incidence report requirement four times with the most recent delay occurring as part of the budget for fiscal years 2020 and 2021.⁴

¹ Sullivan, K. (2014). *Connecticut Tax Incidence*. Hartford, CT: State of Connecticut, Department of Revenue Services. Retrieved from <http://ctstatefinance.org/assets/uploads/files/Tax-Incidence-Report-2014.pdf>.

² Conn. Acts 13-247 § 330.

³ Sullivan, K. (2014). *Connecticut Tax Incidence*. Hartford, CT: State of Connecticut, Department of Revenue Services. Retrieved from <http://ctstatefinance.org/assets/uploads/files/Tax-Incidence-Report-2014.pdf>.

⁴ Conn. Gen. Statutes ch. 201, § 12-7c.

The governor's budget seeks to delay the production of a tax incidence report for the fifth straight time, which would push the release of the next report back from February 15, 2022 to February 15, 2024.

Further adding to the need for an updated tax incidence report is the fact that the 2014 report used tax data from the 2011 tax year.⁵ This means the most recent publicly available information about the tax burdens of Connecticut households is a decade old and will be 13 years old by the release of the next tax incidence report if the report is delayed until 2024. Since the 2011 tax year, numerous significant tax changes have been made and Connecticut needs to fully and accurately understand how those changes have impacted its citizens and businesses.

I ask Committee members to reject the delay of the tax incidence report contained in the governor's budget. An updated tax incidence report is far too important to continue kicking the can down the road and delaying the much-needed analysis and examination of the impact of taxes on Connecticut households and businesses.

Thank you again for allowing me the opportunity to provide testimony on H.B. 6439 and the importance of ending the recent tradition of delaying the production and release of a biennial tax incidence report. Please feel free to reach out to me via the contact information below should you have any questions.

Sincerely,

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About the School and State Finance Project

Founded in 2015, the School and State Finance Project is a nonpartisan, nonprofit policy organization, focused on education funding and state finance issues, with a commitment to providing independent analysis, building public knowledge, improving transparency, and developing fair, sustainable solutions.

The organization strives to serve as a trusted, independent source of accurate data, information, and research, and is focused on:

- Increasing awareness and building public knowledge about Connecticut's education finance system, state budget, and overall fiscal health;
- Improving transparency around Connecticut's education and state finances;
- Working collaboratively to develop thoughtful, data-driven solutions that address Connecticut's education funding and state finance challenges; and
- Providing technical assistance to partner organizations seeking to solve education finance-related challenges.

⁵ Sullivan, K. (2014). *Connecticut Tax Incidence*. Hartford, CT: State of Connecticut, Department of Revenue Services. Retrieved from <http://ctstatefinance.org/assets/uploads/files/Tax-Incidence-Report-2014.pdf>.

For more information about the School and State Finance Project, visit www.schoolstatefinance.org.