

# Finance, Revenue and Bonding Committee JOINT FAVORABLE REPORT

**Bill No.:** SB-1239

AN ACT CONCERNING CERTAIN EMPLOYEE STOCK-SHARING

**Title:** ARRANGEMENTS.

**Vote Date:** 4/19/2023

**Vote Action:** Joint Favorable Substitute

**PH Date:** 4/14/2023

**File No.:**

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## **SPONSORS OF BILL:**

Finance, Revenue and Bonding Committee; Senator John Fonfara, 1<sup>st</sup> District.

## **REASONS FOR BILL:**

This bill, and the federal bill introduced in the U.S. House of Representatives by Congressman John Larson after which Senate Bill 1239 is patterned, seeks to address the large and growing wealth gap between the investor and executive class and the middle and working classes, as well as between white households and those of color.

## **SUBSTITUTE LANGUAGE:**

Removes Sections 1 through 3 of the Raised Bill, and changes the effective date of the remaining section.

Starting in 2027, this bill exempts corporations making periodic distributions of their company's common stock to eligible employees (i.e., offering a "share plan") from the corporation business tax surcharge if the DRS commissioner finds that the share plan meets the bill's conditions. If the corporation business tax surcharge expires or is eliminated on or after January 1, 2026, an eligible company may claim a credit against the tax in an amount equal to what the tax would have been if it were still in effect.

To qualify, the employee stock-sharing plan must meet specified requirements, including distributing stock to at least (1) 80% of the company's eligible employees (excluding the 1% of the company's highest paid employees) and (2) some eligible employees who are state residents.

This bill also exempts from state income tax any (1) share plan stock taxpayers receive and (2) net gain on the stock, up to the taxpayer's eligible expenses for certain student loans, medical care, and mortgage payments.

## RESPONSE FROM ADMINISTRATION/AGENCY:

[Jeffery Beckham, Secretary, Office of Policy and Management](#) requested the committee oppose the bill. The bill permanently extends the ten percent corporate income tax surcharge unless there is a stock-sharing arrangement with certain conditions, and exempts personal income tax of any common stock received under specific arrangements. The Administration does not support exempting compensation from personal income tax. Personal income tax is our single largest revenue source and exemption should be considered carefully. The Governor is looking for a broad-based cut in the income tax benefiting over a million filers and extending the corporate income tax surcharge for three years.

## NATURE AND SOURCES OF SUPPORT:

[Robert Patricelli, Co-Chair, 2017-2018 Connecticut Commission on Fiscal Stability and Economic Growth](#) testified that the issues of wealth and race are inextricably linked. We can't fully deal with race without dealing with wealth. In 2022, the top 10% of American earners owned 68% of augmented wealth (including defined benefit pension assets), up from 62% in 1989. The bottom 50% of earners dropped from 4% to 3% over the same period. Probing further into the data, we see that the maldistribution of wealth is mostly accounted for by the even more distorted ownership of stock—the top 10% by wealth owns 88% of corporate equities and mutual funds, while the bottom 50% owns just 0.7%. The top half owns more than 99% of all stock! That's where the wealth is in America—it's in stock.

There is a solution. Working with others, Mr. Patricelli has developed the SHARE Plan Act, which was introduced in the 117th Congress by Congressman John Larson ([House Resolution 4962](#)). The Congressman is preparing to reintroduce the bill soon in the 118th Congress—"let's use capitalism to save capitalism", as he says. This plan would strongly incentivize American companies to distribute over five years not less than 10% of their stock to most employees below senior management levels. It would redistribute \$4.7 trillion in stock wealth to working families. See our website at [shareplanact.com](http://shareplanact.com) for the legislative details on the SHARE Plan.

## NATURE AND SOURCES OF OPPOSITION:

[Eric Gjede, Vice President of Public Policy, Connecticut Business Industry Association](#) testified in opposition to the bill. Senate Bill 1239 again attempts to make the "temporary" corporate surcharge tax permanent. This tax was agreed to by the business community during an economic downturn, with promises that it would sunset in 2019. It was later extended to 2021. Then it was extended to 2023. Addressing Connecticut's long-term fiscal issues has required shared sacrifice. Repeatedly, lawmakers looked to the state's job creators to shoulder a sizable portion of that burden. We are promised that tax relief for businesses is just around the corner, but such promises rarely materialize. Connecticut employers need a stable tax environment so they can implement strategic growth plans and create opportunities for all Connecticut residents. We will do our part if the committee recognizes past promises.

**Reported by: Pamela Bianca**

**Date: April 28, 2023**