Tax Policy Working Group Recommendation 1:
Align State Tax Policy with the Stated Objectives of Connecticut's Strategic Plan of Economic Development.

It is the consensus of this Commission that to promote economic competitiveness as compared to other jurisdictions, Connecticut's tax policy needs to project a clear set of guiding principles and be relevant to today's economy. Coherent and stable tax policy encourages business, location, retention, and growth that provides jobs, stimulates economic activity and strengthens our state and local tax base.

Towards that end, it is our recommendation that, to the extent possible, the development of each two-year state budget, be aligned with the mission and stated objectives included in the Department of Economic and Community Development's four-year ***"Strategic Plan of Economic Development".***

Background:

In 2012, Gov. Dannel P. Malloy, by Executive Order No. 17, established The Business Tax Task Force. As part of its Mission, the Task Force was charged with evaluating the cost, benefit, efficiency, effectiveness and measurable performance of the current tax structure with respect to economic development, business retention and growth, and employment retention and growth.

In their Report dated September 27, 2012 the Task Force concluded that:

1. Connecticut's business tax policy is cumulative, legacy-based, revenue-driven, insufficiently aligned with economic policy, and inadequately reflects the emergent marketplace (global, mobile, virtual, contingent employment, intangible goods and services.
2. Business tax incentives are insufficiently aligned with state economic policy, encourage interstate and intrastate "tax shopping" and are disconnected from state budgeting, but are important economic development tools.
3. To the extent that the annual legislative process continuously raises tax or tax policy questions, discussions and revisions, the result can be unsettled business expectations that undermine a positive business climate.

These findings were echoed in the May 15, 2015 CBIA Corporate Tax Policy Panel presentation to our Commission. The panel noted that in Connecticut today there are inherent differences between the ways the state builds a budget and businesses build their strategic plans. The consensus of the panelists was that businesses need stable state policies to guide their decisions and actions.

The panel urged the development of a sound tax policy that will:
- shape revenue decisions;
- ease revenue insufficiency and volatility;
- foster a predictable and growing business climate;

- make investment and location decisions easier; and
- maintain competitiveness for the state.

In Connecticut, the Department of Economic and Community Development (DECD) is charged with developing Connecticut's economic development strategy. Its mission is to develop and implement strategies to increase the state's economic competitiveness. In developing the strategy, the Department's stated objectives are to:

- Invest in the business clusters that drive Connecticut's economy and encourage entrepreneurial development
- Ensure a workforce that meets the needs of employers
- Create sustainable communities
- Invest in infrastructure and support systems that will foster business growth

By State Statute, (CGS 32-1o), the Commissioner must prepare a "Strategic Plan of Economic Development" every four years. The most recent plan is dated "Spring 2014." The next plan is anticipated in 2018. In preparing the plan, the DECD:

1. reviews and evaluates the state's labor market;
2. reviews and analyzes the extent to which the state's infrastructure, education systems , regulatory structure, technology sector and emerging technologies, health care delivery and costs, affordable housing supply affect the state's economic growth;
3. specifies clear and measurable economic development goals and objectives for the state and its regions and metrics to monitor progress.

Tax Policy Working Group Recommendation 2:
Attach a Business Impact Fiscal Note to Proposed Legislation that Would Have a Cost or Revenue Impact on Businesses in the State.

It is the recommendation of this Commission that to promote the fair, efficient and cost effective administration and foster ease of compliance with tax and regulatory legislative mandates, the State Office of Fiscal Analysis attach a Business Impact Fiscal Note to all proposed legislation that would have a direct cost or revenue impact on businesses in the state.

The fiscal note should include an estimate of the number of businesses that would be subject the bill's provisions and the estimated projected cost to businesses of compliance with such bill, including reporting, recordkeeping and administrative costs.