

Common Sense Approaches to Closing the FY '03 Budget Gaps¹

Maximize CT's receipt of federal funds. Increase federal revenues by maximizing all reimbursement possibilities under Medicaid, Title IV-E and other federal matching programs and by aggressively seeking federal grant funds. **Estimated Revenue Increase: \$100 M**

Reverse fund transfers made between the General Fund and the Transportation Fund. Return the Town Aid Grant program to the Transportation Fund (reducing expenditures from the General Fund). Additionally, return sales tax revenues from certain motor vehicle sales from the Transportation Fund to the General Fund. **Estimated Revenue Increase: \$65 M**

Impose a temporary income tax surcharge on taxpayers with AGI greater than \$1 Million. Create a new top bracket income tax rate for CT taxpayers with the highest incomes, raising their rate from 4.5% to 5.0%. By allowing the state to maintain spending in other areas, this measure will actually have a stimulative economic effect. Also, taxpayers subject to the increased tax can deduct it from their federal income tax, reducing the total cost to those taxpayers and indirectly helping to maximize federal financial support for CT. **Estimated Revenue Increase: \$122 M**

Delay changes or impose freezes in the Inheritance Tax, the Estate Tax and the Gift Tax. Rescind the phase-out of the CT Inheritance/Succession Tax; de-link the CT Estate Tax from changes in the federal estate tax; and rescind the continued phase-out of the gift tax on taxable gifts under \$1 Million (while keeping gifts under \$50,000/year tax free). **Estimated Revenue Increase: \$48 M**

Cut spending on the tax side of the budget. Review and sunset the many exemptions, credits and deductions in CT's tax code. Focus on those characterized by OFA as "expedient" or serving as "incentives" to assess if they serve essential state purposes and outweigh other expenditures in these difficult fiscal times.² **Estimated Revenue Increase: \$442 M**

Increase the rate of the state Cigarette Tax. Increase the tax on cigarettes from \$0.50 to \$1.11 per pack. Not only will this bring in increased revenue, it will have the additional benefit of deterring smoking, especially for CT's youth. **Estimated Revenue Increase: \$130 M**

These common sense approaches to closing the budget gaps:

- increase the progressivity and stability of CT's tax code;
- contribute to CT's recovery from the recession by fueling consumer demand; and
- allow CT to continue to make essential investments in its future, including both in economic and human development.

¹ This fact sheet is based on a CT Voices for Children report, *Enhancing State Investments Through Smart Budget Choices*, available at <http://info.med.yale.edu/chldstdy/CTvoices/kidslink/kidslink2/reports/PDFs/SmartBudgetChoices.pdf>

² See OFA, *Connecticut Tax Expenditure Report* (January 2002) <http://www.cga.state.ct.us/ofa/documents/taxexp1-2002.pdf>

Common Sense Approaches to Closing the FY '03 Budget Gaps

	Expenditure	Revenue
OPM Projected SFY 03 Deficit	(~\$650 M)	
<hr/>		
Maximize federal funds		~\$100 M
Reverse transfers from General Fund/Special Transportation Fund (made in '98 and '01)		~\$65 M
Impose a temporary 0.5 % surcharge on CT taxpayers with AGI in excess of \$1M		~\$122 M
Delay changes or impose freezes in the phase-out of Inheritance, Gift, and Estate Taxes		~\$48 M
Cut spending on tax side of the budget (with a focus on tax expenditures deemed "expedient")		~\$442 M
Increase the state Cigarette Tax From \$0.50 to \$1.11 per pack		~\$130 M
<hr/>		
Balance		~\$257 M
Replenish the Rainy Day Fund (used in FY '02)	(~\$257 M)	

For more information, contact:

Ellen Scalettar or Shelley Geballe

Advocates for Connecticut's Children
and Youth

33 Whitney Avenue
New Haven, CT 06510
Voice: 203-498-4240
Fax: 203-498-4242
www.ctkidslink.org