One Connecticut
the campaign to fight poverty and build economic security

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The One Connecticut Budget:

The Budget Plan to Fix CT's Fiscal Ship & Not Throw People Overboard
Prepared by CT Voices for Children & Approved Unanimously
by *One Connecticut* on December 12, 2002

I. Introduction

This alternative budget proposal, which builds on some of the ideas included in the budget proposals of the Governor, the State Comptroller, and the CT Conference of Municipalities, sets as its goal fixing Connecticut's leaky fiscal boat without throwing its children, families, seniors, small businesses, and state infrastructure and personnel investments overboard. It rests on the following assumptions:

1. *High rates of state spending in the late 1990s are not the cause of the current budget problem, rather inadequate revenues caused by imprudent and excessive tax cuts over this period are.* Excessive state spending is not the primary cause of Connecticut's current state budget challenges. Inflation-adjusted growth in state spending over the 1990s has been less than the average in other states, and very modest given state population increases, especially in Connecticut's K-12 and elderly populations. Connecticut's state and local government sector has been ranked by the *Connecticut Economy* to be the second most thrifty in the nation (to New Hampshire).

   Rather, an antiquated state tax system, further compromised by permanent tax cuts adopted in the late 1990s based on a temporary surge in capital gains income, are the primary causes of the state's current, structural deficit. For this reason, deep spending cuts and short-term revenue fixes cannot solve the state's current, and long-term, budget problems. Rather, more aggressive cost control measures for areas of state government spending that are increasing more rapidly (e.g., prescription drugs) and structural reform of Connecticut's tax system are essential or the quality of life in Connecticut will severely compromised.

2. *Connecticut's structural deficit must be addressed; quick fixes are not enough.* Sharp drops in tax revenues associated with the recession and stock market decline have accelerated Connecticut's fiscal problems, as have the increased costs associated with homeland security after September 11. Improvements in the economy will reduce the depth of state revenue declines, but will not fix Connecticut's structural budget problem.

3. *Today's budget decisions must be made in the context of past budget-balancing choices.* To date, permanent increases in Connecticut's revenue stream have been a relatively modest component of efforts to address SFY 02 and SFY 03 deficits – i.e., only about 12% of the budget "solution" (of which nearly half is attributable to increased cigarette taxes). The rest of the "solution" has involved more than $750 million in spending cuts and the use of various one-time revenues. Budget decisions made *now* must take into account these *prior* budget choices, so that the *overall* set of adjustments made over this several year period is balanced fairly among spending cuts and revenue increases.

4. *Connecticut needs a state and local revenue system that generates adequate and stable revenues.* Connecticut's revenue system should generate sufficient revenues to support the state and local investments essential to maintaining our high quality of life and narrowing our divides. It also should provide a stable source of revenues to reduce a feast and famine budgeting process that is inefficient and makes strategic long-range planning very difficult. This is best achieved by relying more on sources of revenue that grow along with the economy, that are tailored to Connecticut's "new" service-based global economy, and that rely on a variety of taxes with broad bases and few exemptions (so that tax rates can remain as low as possible and better assure a level playing field among businesses). The *One Connecticut* plan does not include an increase in sales or corporate tax *rates*; rather it increases revenues from these taxes by expanding their tax base (e.g., by repealing exemptions).

5. *Connecticut's economic competitiveness remains important, so its investments in economic development must be very strategic and cost-effective.* Maintaining the competitiveness of Connecticut businesses and encouraging the growth of jobs with family-sustaining wages is important to the long-term well being of the state and its families. Factors essential to maintaining this competitiveness include assuring that Connecticut's workforce remains highly-trained, its infrastructure adequate, and its quality of life high.

   Incentives to business growth provided through the tax code (through rate reductions, tax expenditures, definitions of income taxable and apportionment formulas) should be subject to independent evaluation by experts in economics and state tax policy. This assessment should determine what mix of incentives is most cost-effective, produces the most level playing field for *all* business (small compared to large, in-state compared to multi-state), and assures that Connecticut corporations contribute a greater share of the cost of state- and locally-funded services than they currently do and that this responsibility is more equitably shared among Connecticut's smaller and larger corporations.

6. *Our high quality of life is worth preserving.* Connecticut should be proud of the high quality of life it assures for so many of its residents and of its strong performance on many state-by-state comparisons in such areas as K-12 education success, adult educational attainment, high family income, wealth and other assets, the proportion of our population with health insurance, our competitiveness in economic development, and our relatively frugal state and local government sector. Connecticut's quality of life is not a matter of chance. Rather, it has resulted from decades of strategic investments in education, health, infrastructure, job training, economic development, the arts, and the environment.

7. *Our growing divides should be addressed, and not allowed to widen.* Connecticut must remained attentive to the state's growing divides in income, assets, educational attainment and health since these threaten the long-term stability of the state, just as they threaten the state's overall quality of life and the current well-being of the thousands of Connecticut children, youth and families who are on the "other" side of Connecticut's divides.

8. *Buck-passing budget solutions should be avoided.* Policy leaders should not try to "solve" the state budget problems by passing the buck. State budget decisions that shift funding responsibility to cities and towns (e.g. cuts in K-12 education funding) add to *their* budget problems. Decisions that shift funding responsibility to the next generation (e.g., by bonding, failing to fully fund pension obligations, fully securitizing the tobacco settlement) or that promote short-term cost savings that result in greater long-term costs (e.g., cutting funding for mental health services with the predictable result of increasing costs for incarceration and lost productivity) also are not in the best interest of the state and should be avoided.

9. *Changes in the 1990s help inform who is best able to bear more responsibility and who ought not be asked to bear more burdens.* Economic, policy, and federal and state tax changes over the 1990s resulted in higher income families benefiting far more than lower-income families. Budget-balancing measures should place additional responsibility for maintaining Connecticut's quality of life and narrowing Connecticut's divides on those who gained the most, and less burden on those who already have borne a disproportionate share.

10. *Budget transparency and accountability are essential.* Connecticut could improve its understanding of the impact of its state tax system on businesses and individuals and the cost-effectiveness of budget choices made if there were better reporting of data about taxes and tax incidence, program measures (e.g., good data on number of persons served, cost per service, duration of service) and dynamic modeling of the effects of changes in state tax and budget policy on the state economy and on state families and businesses. All state spending, including through tax expenditures, should be reviewed regularly to ensure that our state dollars are being spent effectively.

It's time to fix CT's fiscal boat, in earnest. The *One Connecticut* budget plan seeks to address the SFY 03 and SFY 04 deficits primarily by restoring Connecticut's revenue stream, not by major additional cuts in spending and state employee layoffs which are counter-productive as Connecticut seeks to recover from its recession. In addition, among revenue-enhancing options, the *One Connecticut* budget plan puts greater reliance on more progressive taxes -- the personal income, corporate income, gift, and succession taxes – instead of making significant increases in its state sales taxes or cutting funding to towns (with the predictable consequence of increasing local property taxes). While the *One Connecticut* plan addresses primarily the SFY 03-04 projected deficit of $1.5 billion, revenue increases adopted as a part of this plan will generate some revenues to address the SFY 02-03 deficit.

The OneConnecticut plan, in brief. The *One Connecticut* budget plan includes about $1.9 billion in deficit mitigation -- $1.35 billion in state revenue increases, $200 million in federal revenue increases, and $340 million in spending cuts, savings, and state employee concessions. Anticipating an SFY 04 deficit of $1.5 billion, this plan provides sufficient cost-savings and revenue enhancements to generate about $375 million to be used for add-backs to accounts cut that provide essential services and for targeted investments to continue Connecticut's efforts to narrow its divides and preserve its high quality of life.[1] Depending on the effective date of the various revenue enhancements included in this plan, much of the deficit in SFY 03 will also be addressed. This *One Connecticut* budget plan provides a stable and adequate funding base for the next several years until the state economy is fully recovered. The *One Connecticut* budget plan also provides sufficient revenues to *restore* some funding to some of the essential programs and services that already have been cut, thereby maintaining and enhancing investments essential to the long-term well-being of *all* Connecticut residents and protecting our high quality of life.

Connecticut residents and businesses collectively will continue to pay* less in taxes *under the One Connecticut plan than they did in 1995. Importantly, though this *One Connecticut* plan includes a number of tax increases, the increases proposed are *less* than the $2 billion in state tax cuts that have been enacted since 1995. That is, Connecticut residents and businesses will collectively continue to pay *less* in state taxes under this plan than they did in 1995.

***One CT* Budget Plan**[2]	
Revenue Enhancements	
Tax increases	**FY04 revenue (est)**[3]
Personal income tax[4]	**$564M**
-Increase tax rates on AGI > $200K (4.9% on AGI $200-$500K, 5.5% on AGI $500K-$1M, 6.3% on AGI > $1M, and three-year 0.45% surtax on AGI >$2M, bringing tax rate on AGI >$2M to 6.75% for the three-year period and 6.3% after)[5]	~$555M
-Further delay increase in singles exemption & credit	$ 12M

[1] The *One Connecticut* budget plan assumes that the tax amnesty program revenues ($109 million, which are $85 million above the statutory goal of $24 million) are one-time revenues, representing back taxes due. To the extent this assumption is not correct, and some or many of these revenues represented back payment of taxes by taxpayers who had been avoiding tax and who will now begin to comply with our tax laws, there may be additional revenues generated on an on-going basis. DRS plans to use data from the tax amnesty program to better target its enforcement efforts.

[2] The table includes in brackets proposals also a part of the budget plans of others: the Governor, the State Comptroller, and the CT Conference of Municipalities.

[3] Amount of new revenue in SFY 03 depends on effective date of change.

[4] Creating a more graduated rate structure in Connecticut's personal income tax is an efficient and fair way to generate additional state revenues for the following reasons: a) the state income tax is deductible on the federal income tax form so taxpayers affected by these proposed changes are out-of-pocket for about 2/3rd the cost of each additional dollar in state income tax, and the other 1/3 is subsidized by the federal government; b) only the wealthiest 4.5% of state taxpayers are affected; they have enjoyed the greatest average income growth over the 1990s of all Connecticut families (the bottom 40% of Connecticut families actually having *lost* real income) and also are benefiting most from federal income tax cuts; c) the income tax is more closely tied to current ability to pay than other taxes and a graduated rate structure that asks wealthier taxpayers to pay a greater share of their income in tax makes the state's overall state and local taxes more equitable since lower and middle income taxpayers pay a greater share of their income in sales and property taxes than do high income taxpayers; and d) income tax revenues grow with the economy and so provide a more stable, long-term revenue source than consumption taxes (for example)..

[5] CT also could piggy-back on the federal income tax, as Vermont does, setting CT income tax liability at a percentage of federal income tax liability. This would be a relatively easy way to create a more graduated rate structure. The percentage could be set at that rate that would generate this same amount of additional revenue. Another alternative is to impose a 5% tax on AGI between $200,000 and $500,000, a 5.5% tax on AGI between $500,000-$1 million, a 6.0% tax in AGI between $1 million and $2 million, and a 6.5% tax on AGI over $2 million. This would generate a little more than $500 million (or about $100 less that the proposed plan here). The Governor proposed increasing the tax on AGI over $1 million from 4.5% to 5.5% (generating $164 million), while the Comptroller proposed supplementing the Governor's proposal with a 6.0% tax on AGI over $2 million (resulting in new revenues of $235 million).

-Phase-out $100 property tax credit on highest income taxpayers (Gov.)	$ 12M
-Adopt state EITC set at 10% of federal EITC	($21M)
-Tax as "income" net non-resident casino & Lottery winnings[6]	$6M

[6] The net gambling winnings of non-residents are commonly taxed in other states (e.g., California, Illinois, Minnesota, Colorado). New Jersey taxes the *gross* winnings of both in- and out-of-state residents.

Gift, estate, & inheritance tax[7] -De-couple CT estate tax from federal estate tax changes [CCM; Comptroller][8] -Permanently roll-back & freeze the phase-out of CT's inheritance at 1/1/99 levels (i.e., no tax on transfers to spouse, no tax on transfers to immediate family such as parents or children if <$800,000/person, & no tax on transfers to other relatives if <$200,000/person) -Continue to freeze gift tax phase-out at 1/1/01 levels (i.e., no tax on gifts <$25,000/person/year)	**$92M+** $62M $28M+ $2.6M
Corporation business tax [Comptroller, CCM][9] Restore at least 1/3 of corporate tax revenues cut over 1990s through means (other than a rate increase) that broaden the overall state tax base and ensure a fair contribution from corporations to cost of services provided to them. Consult with both economists and state tax law experts in fashioning best plan. Possible methods include: -Reduce tax avoidance by multi-state and multi-national corporations by either: • Mandate unified reporting for all multi-state corporations (to prevent corporations from moving income out of Connecticut to avoid tax by requiring parent corporation and all subsidiaries to report on single form)[10] • Adopt other measures to thwart tax avoidance (e.g., a throw-back rule allowing CT to tax income of a corporation doing business in CT that is not taxed elsewhere ("no-where" income), amend law to distinguish between apportionable business income and allocable non-business income (defining "business income" to mean all income apportionable under US Constitution and allocable income as all other income), and assign all non-operational income to CT for CT corporations - Further limit[11] use of tax credits to offset substantial tax liability such as by:	**$360M**[13] Unknown

7 4.3% of CT estates were large enough to be subject to the CT estate tax in 1999. More than half of all gift tax returns filed in 2000 reported gifts of less than $25,000/recipient (so were not subject to gift tax) while about 750 gift tax returns reported taxable gifts of more than $200,000/recipient (generating more than $13 million of the $19.4 million collected in that year).

8 De-coupling would involve freezing the amount of the federal credit as of January 1, 2001. Importantly, *all* states in our region have acted to de-couple their state estate taxes from the federal changes (including NY, NJ, and PA).

9 The Comptroller's plan would add $57.9 million by "closing corporate tax loop-holes" such as be eliminating combined reporting and the dividend exclusion from the corporation tax. Note that the *One CT* plan would *mandate* unified reporting for all multi-state and multi-national corporations.

10 This is currently required by 16 states including California, Colorado, Maine, Illinois, Minnesota, New Hampshire and Oregon. Any corporation doing business in Connecticut that also does business in any state with unified reporting already prepares a unified return.

11 PA 02-1 (MSS) set limits on use of tax credits to eliminate corporate tax liability.

12 These measures were part of the NJ Corporate Tax Reform plan enacted in the last year.

13 Over the 1990s, business taxes were reduced by a total of more than $1.3 billion --$500 million through rate reductions and $800 million through tax expenditures. In addition, Connecticut's failure to require unified reporting by multi-state corporations (to reduce common tax avoidance strategies) and its allowance of single factor apportionment for manufacturers, broadcasters and others has resulted in further loss of tax revenues of unknown but potentially significant amounts. Corporate tax revenues alone fell from 16.6% of all state tax revenues in 1989 to 4.2% in 2000.

• Capping use of tax credits so they can offset no more than 30% of tax liability (currently credits may offset 70% of tax liability)	~40M
• Capping the R & D credit refund at $1M/filer/year (not increase it to $1.5M), capping total credit refund program at $30M/yr. & requiring annual review of cost-effectiveness of credit use by each corporation by DECD	Unknown
• Limit the use of tax credits for equipment and plant expansion to existing facilities or to new facilities that are to be located in sites with existing infrastructure (i.e. use credits to promote "smart growth")	Unknown
- Increase the fairness of tax on pass-through corporations (that are not themselves subject to the 7.5% corporation tax) such as by:	Unknown
• Adding a $150/owner processing fee (if more than 2 owners) to the current $250 entity tax on pass-through corporations (NJ just did)	Unknown
• Requiring the withholding of state income tax from out-of-state owners of pass-through corporations at maximum CT personal income tax rate for individual partners (currently 4.5%) & maximum CT corporate tax rate for business entity partners (currently 7.5%) so they cannot avoid taxation[12]	Unknown
-- Increase the corporate alterative minimum tax from $250 to $500 [CCM would increase to $1,000 adding $25M]	8.25M
Maintain CT's de-coupling from federal bonus depreciation changes	Avoids revenue loss

While about $72 million of new corporate taxes were imposed last session, they restored only 5.5% of the revenues that have been cut over the 1990s. This budget plan seeks to *restore at least one-third* of the business taxes known to have been cut over the 1990s, i.e. increase corporation taxes by an *additional* $360 million (beyond increases adopted last session) and make modest increases in taxes on oil companies and public utilities companies as well.

Oil companies tax -Increase rate from 5.0% to 6.0% -Suspend SFY 03 payment to Special Transportation Fund (Gov)	**$22M** $22M (on-going) $20M (in FY 03 only)
Public utilities companies tax **-I**ncrease rate from 5.0% to 6.0%	**$36M**
Sales & use tax -Reduce clothing/footwear exemption from $75 to $50/item [Gov] -Eliminate sales tax holiday[14] [CCM] -Partially restore sales tax on computer/data processing services (increase from 1% to 3% rate)[Gov.] -Institute 10% luxury tax on cars, pleasure boats, and non-commercial airplanes over $50K -Eliminate trade-in of cars, snowmobiles, aircraft & other vehicles to calculate tax on new vehicles -Eliminate exemption from tax on advertising services for direct mail/media advertising -Eliminate exemption of vending machine sales of food/other items -Eliminate exemption for non-commercial winter boat storage -Eliminate exemption for sale of gold & silver bullion & rare coins -Other possible: Impose sales tax on "luxury" services (e.g., health & athletic clubs, amusement parks and arcades, golf courses and country clubs) Tax repair & maintenance services boats & repeal exemption from use tax for boats brought into CT for storage, maintenance, repair -DRS more aggressively collect sales/use tax on catalog & Internet sales where company has a CT presence (store, customer service contracts, operations)	**$116M** 33.6M 3M 20.5M 2M+ 40M 20M 1.2M 0.3M 0.1M 12M $5M Unknown
Tobacco taxes -Increase cigarette tax from $1.11 to $1.51 (w/ additional $ in 03 from floor tax)[Gov, Comptroller, CCM [by $0.39/pack]) -Make corresponding % increase in other tobacco products [CCM]	**$73.5M+** 73.5M Unknown
Alcoholic beverages tax -Increase tax by 50% on all alcoholic beverages [Gov] or double tax rates [CCM][15]	**$19-42M**

[14] The sales tax holiday provides for the exemption from the sales tax of items of clothing or shoes that cost between $75 and $300 *per item* for a one-week period in August.. There is no support for this concept in the economic literature; it benefits higher-income individuals and families primarily (who can afford to pay this much per article of clothing) and generates no new net economic activity for the state.

Real estate conveyance tax -Increase conveyance tax on all classes of property [Gov, CCM].[16]	**$50-59M**
Escheat unclaimed bottle deposits to state [Gov 02]	**$15M**
Double interest on taxpayers who liable for taxes during period of tax amnesty who still owe taxes	
Suspend all tax reductions enacted in prior legislative sessions that are scheduled to take effect in the next three years	**Not yet determined**
Federal Funds • Maximize Medicaid & Title IV-E reimbursements[17] • Aggressively seek available federal grants • Minimize spending cuts that result in reduce federal reimbursements (e.g. Medicaid, SCHIP, DSH) • Governor & leadership of General Assembly meet with CT Congressional delegation to seek federal financial relief (increased Medicaid matching rate, increased funds to offset homeland security costs, federal revenue-sharing, increased funds to meet Leave No Child Behind and special education mandates, etc.)	**$200M** (through maximizing federal reimbursements and new federal grants)
Spending Reductions	

[15] CCM proposes to double tax rates on beer, wine and liquor and projects this would add $42 million, based on OFA's fiscal note on SB 611, *AAC Revenue Enhancements* (March 14, 2002)..

[16] Governor's proposal increases rate on transfers of residential property from 0.5% to 1% on transfers between $300,000 and $800,000 and from 1.0% to 2.0% on transfers over $800,000. It also increases the rate on transfers of any commercial property from 1.0% to 2.0%. This would generate $20 million in SFY 03 and $50 million in years thereafter. CCM's proposal would increase the conveyance tax by 50% for all classes of property (e.g. the rate for a residential property less than $800,000 would go from 0.5% to 0.75%) generating $59 million.

[17] For example, Connecticut is the *only* state that does not use the Rehabilitation Option under Title XIX (Medicaid). This option would allow CT to claim a 50% federal reimbursement for a variety of currently state-funded services for adults and children with mental health problems. DMHAS also projects an additional $1.175 million/year in federal reimbursements are possible by maximizing claiming by timely and accurate reporting by private non-profit providers of their targeted case management services to clients with mental health and substance abuse problems (TCM). More aggressive claiming for school-based health services would also generate additional needed revenues.

State Employees[18] • Rescind layoffs and negotiate mutually-agreed upon package of savings of at least $140 million[19] Include workforce analysis in "top-to-bottom" productivity analysis described below.	**$140M+**
Spend It Smarter measures • Declare a moratorium on construction of new adult and juvenile prison beds and addition of out-of-state beds; enhance community-based treatment and supervision programs and revise current state law to divert non-violent offenders with mental health & substance abuse problems to community-based settings and return to early 1990s proportion of 60% of DOC population in secure prison settings (rather than current 90%) • Require dog-tracks to reimburse state for costs of urine tests on race dogs • Re-evaluate and refinance any possible additional state debt to take advantage of low interest rates [CCM] • Implement cost-control measures for prescription drugs (using successful models from other states) • Review economic development assistance (through grants, loans, and tax expenditures) to corporations that fail to create jobs with family-sustaining wages or to large corporations not truly in need of such assistance & eliminate all assistance without proven cost-effectiveness • "Top to bottom" review of state government organization and functions to eliminate overlapping and redundant jurisdictions, program inefficiencies, and unnecessary administrative and other overhead to improve efficiency, cost-effectiveness and productivity. Productivity savings of 0.5% would result in overall savings of $66M [CCM]	**$200M target** 100M (from diversion alone) 0.5M Unknown Unknown Unknown Unknown
Capital projects • Postpone, or slow-down, non-essential capital projects	**Unknown**

[18] This plan does not include the Comptroller's proposal to make lower contributions to the state employees retirement fund ("saving" $40 million); it simply defers a funding obligation onto the next generation. The plan also does not include her anticipated savings from an early retirement program; there is no good evidence that this level of savings would actually be achieved and there is great concern that an early retirement program could result in some of the state's most experienced staff leaving state service at a particularly challenging time in the delivery of state services. A precondition for any enactment of an early retirement plan should be that the early retirements do not negatively impact the delivery of state services and the welfare of the thousands of Connecticut residents who rely on these services, nor overburden those state employees who remain. *One Connecticut* further believes that if an early retirement plan is adopted, that funding that has been cut from community-based services meeting the essential needs of CT families *must* be restored, as these community-based services will be need to fill the gap.

[19] CCM includes as an option cutting salary and fringe benefit costs of state employees by 1% ($22 million) and cutting health care costs for current and retired state employees by 1% ($5.5 million). *One Connecticut* takes no position regarding the best way to achieve these savings.

<table>
<tr><th colspan="2">Funding Restorations & Investments</th></tr>
<tr><td>Restore aid to cities and towns and funding cut from programs that help low-income families (e.g., child care subsidies, housing subsidies) meet their essential needs and from pre-school, K-12, and higher education.
Enhance investments in tobacco cessation and drug & alcohol treatment programs, and in early care and education and higher education so keep Connecticut economically competitive</td><td>Depends on New Revenues Generated & Other Cost Reductions</td></tr>
<tr><th colspan="2">Transparency & Accountability</th></tr>
<tr><td colspan="2">Require firm-specific reporting of all corporations claiming credits against any tax, with total credits claimed per tax year, total taxes paid, and data about size and type of corporation

Require DRS to prepare annual summary of total income reported by largest 200 corporations conducting any business in Connecticut, total credits claimed, and total tax paid. Data to be reported without firm name.

Require tax incidence analysis & reporting

Require Governor's proposed budget to include program measures (as had previously)(e.g., data re number of clients served by program)

Institute annual cost-benefit analysis of state tax breaks and tax expenditures to determine their continued appropriateness or sunset all tax expenditures so they must make the case for extension, just as budgeted line items must [CCM]

Amend statute regarding Rainy Day Fund to set at 7-10% of appropriations (rather than 5%) to avert budget problems in future</td></tr>
<tr><th colspan="2">Blue Ribbon Commission on Taxation</th></tr>
<tr><td colspan="2">Establish a Blue Ribbon Tax Commission with broad representation from the not-for-profit, government, academic, and corporate sectors to identify ways to update CT's outmoded tax code and make recommendations for reform. Review of the property tax should include evaluation of merits of eliminating the property tax credit and re-directing the funds to create a homestead exemption against the property tax and instituting a state-wide property tax to generate state additional funds for K-12 education, or other ways of reducing reliance on the local property tax. Review of corporate taxation could review the recently-enacted New Jersey corporate tax re-vitalization model to identify the best ways to update the corporate tax and make it more equitable for small businesses (including evaluation of NJ's alternative minimum assessment). Review of sales taxes should include assessment of current scope of taxation of services and the cost-effectiveness of eliminating exemptions and lowering the rate. The Commission should also review CT's other state taxes, assessments and fees and evaluate the merits of having CT join the Multi-state Tax Commission and/or of adopting the emerging multi-state compacts (e.g. on sales tax)</td></tr>
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Funds should be appropriated to hire economists and state tax experts to provide independent consultation to this Commission, which should issue its recommendations by January 1, 2004.