Counting the Cost of Connecticut’s Business Tax Breaks, New Report Advocates for Increased Scrutiny

Study Finds $707 Million in Business Tax Breaks in Fiscal Year 2017

NEW HAVEN – A new report from Connecticut Voices for Children examines the cost of business tax breaks to the state and recommends reforms to increase transparency and to position tax breaks as a more potent economic development tool. The report evaluates business tax breaks, such as credits, exemptions, and deductions, estimating the costs of these tax breaks to be $707 million in fiscal year (FY) 2017: an amount equal to about 40 percent of the current fiscal year deficit.

"By tallying the total cost of business tax breaks using available data, we found that from FY 2016 through 2017, the cost of business tax breaks outpaced spending on children,” says Derek Thomas, Fiscal Policy Fellow at Connecticut Voices for Children. “It may be that prioritizing an educated and healthy workforce provides a greater return on investment for businesses than tax breaks, but as it stands now, not all spending is equally scrutinized.”

The report recommends expanding the current tax expenditures report with additional information, as well as legislative changes that would require regular review of all business tax breaks, with independent auditors evaluating who benefits and at what cost to the state. The study also suggests additional steps to increase transparency, including public tax filings by corporations to assure disclosure of all tax breaks and creation of a centralized database for forthcoming data on the cost of local business tax breaks.

“Many business tax breaks, once enacted, require no further review, permanently eroding the tax base,” says Ellen Shemitz, Executive Director at Connecticut Voices for Children. “A strategic approach to tax policy should include periodic assessments to align our fiscal policy with our economic development policy. We need to be certain that all business tax incentives provide an adequate return on investment, and be able to compare the relative efficacy of tax expenditures with appropriated expenditures on healthcare, education, workforce development and infrastructure needs.”

“Connecticut has become a leader in state data transparency, as evidenced by this year’s bipartisan legislation to enhance the review process for economic development incentives,” Thomas states. “The current fiscal challenges, however, demand nothing less than full transparency for all business tax breaks.”
About Connecticut Voices for Children:

Connecticut Voices for Children is a research-based child advocacy organization working to ensure that all Connecticut children have an equitable opportunity to achieve their full potential. In furtherance of its mission, Connecticut Voices for Children produces high quality research and analysis, promotes citizen education, advocates for policy change at the state and local level and works to develop the next generation of leaders.