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National Business Group Ranks Connecticut's Business Taxes As Nation's Lowest

As Governor Malloy's "jobs tour" and a planned special legislative session focus attention on job creation in the state, a new report from a national business organization suggests that state's employment problems are not a result of its business taxes. The report by the Council on State Taxation, a trade association of multistate corporations, ranks Connecticut's business taxes as the lowest in the nation. In fiscal year 2010, Connecticut's state and local taxes on business comprised only 3.3% of private sector economic activity (private sector gross state product or GSP), compared to the national average of 5.0%. The business group has placed Connecticut at or near the bottom of its tax rankings for the last seven years.

In a summary of the analysis, Connecticut Voices for Children, a research-based think tank, suggested that in the upcoming special session, the Governor and state legislators should turn their attention to other costs that weigh more heavily on decision making for Connecticut businesses, such as energy, health care, and transportation costs.

"For many years, Connecticut's economic development efforts have been heavily focused on tax subsidies for big businesses," said Wade Gibson, Senior Policy Fellow at Connecticut Voices. "In light of 20 years of anemic job creation, this study suggests that strategy is misguided."

As in years past, the study was conducted for COST by the Ernst & Young accounting firm based on what businesses actually pay in taxes (rather than relying on tax rates, which are peppered with loopholes and difficult to compare across states). The Ernst & Young measure is also comprehensive, including not just the corporation business tax (CBT), but also the other taxes that fall on businesses: property taxes on business property; general sales taxes on business inputs; unemployment insurance taxes; business and corporate license fees; public utility taxes; personal income taxes on pass-through business income; excise taxes; insurance premium taxes; and other miscellaneous taxes.

A summary of Connecticut findings of the report, "National Business Group Ranks Connecticut Business Taxes As Nation's Lowest," is available on the CT Voices Web site at ctkidslink.org. The full COST report can be found at cost.org.

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