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SECRETARY OF THE STATE
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For Immediate Release:
January 23, 2008

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- NEWS RELEASE -

BYSIEWICZ: ABOLISH THE BUSINESS ENTITY TAX NOW!

SECRETARY OF THE STATE, BUSINESS LEADERS, AND LEGISLATORS AGREE: TAX
SENDS WRONG MESSAGE TO BUSINESSES, OBSTACLE FOR GROWTH

Hartford: Secretary of the State Susan Bysiewicz was joined by a bipartisan group of state legislators, business leaders and small business owners at a press conference, on Thursday January 17th, in the Secretary of the State's Office, to announce their plan to abolish the Business Entity Tax.

Created in 2002, the \$250 dollar tax is applied to all foreign and domestic limited liability companies, limited liability partnerships, limited partnerships, and S corporations that are required to file annual reports with the Secretary of the State. More than 118,000 businesses are subject to the tax. Eliminating the tax would save small business owners an estimated \$30 million.

“The time to abolish the business entity tax is now,” said Bysiewicz. “We need to send a message to the business community that Connecticut is the best place in the world to start and grow a business. This tax is an obstacle

to small business owners who are responsible for 80% of new jobs in our state and help make our economy grow. It is also a deterrent to entrepreneurs considering Connecticut as a place to locate their company.”

“Small businesses, which create many of the state’s new jobs, are most affected by the business entity tax,” said Bonnie Stewart, CBIA vice president of government affairs. “Eliminating the business entity tax is a good first step toward developing a long-range tax strategy — one that will encourage sustained business investment in Connecticut, fostering the kind of economic development that allows businesses in the state to compete globally and create jobs locally.”

Earlier this month Secretary Bysiewicz reported that 30,868 new businesses registered with her office to do business in Connecticut in 2007. The total for the year also represents a .8% increase compared to 30,630 starts in 2006. Nearly 90% of the increase is due to an increase in the number of limited liability companies – both domestic and out-of-state. Limited liability companies are most often small businesses which employ fewer than 50 people.

Secretary Bysiewicz also notes that the number of business stops for 2007 reached 11,372 – its highest number since 2003. December was a particularly tough month for Connecticut’s businesses. The 2,012 business starts for the month represented a 19 month low or the smallest number of business starts since August 2003. The 1,895 business stops in December represented the highest number of stops since December 2003 marking the second most number of business stops for any one month since at least 1999.

The Secretary of the State, legislators, business owners and business leaders will work to abolish the business entity tax this upcoming legislative session scheduled to begin February 6, 2008.

Note: Attached are statements of support from legislators and business leaders.

Statements of Support

State Senator Gary LeBeau (3rd District, East Hartford, East Windsor, Ellington, South Windsor): “For many small corporations this tax is nothing but a complete annoyance. This is especially true when a company is essentially dormant or did not make money in the previous fiscal year. The time is right to end this tax.

Representative Diana Urban (43rd District, North Stonington, Stonington): “We have looked at this several times. When you look at the effect this tax has on small business it is incredibly onerous – it is levied regardless if you make a profit – and it sends the wrong message.”

Representative Steve Fontana (87th District, North Haven): “The Business entity tax was a bad idea when we instituted in 2002. If we want to help small businesses this is a good place to start.”

State Representative Jim Shapiro (144th District, Stamford): "The business entity tax is a real barrier to small businesses in Connecticut. Removing this tax will allow small companies to grow and create the jobs people so desperately want. We have to find ways to counter the downward national economic trend, and this is an excellent first step."

State Representative Chris Perone (137th District, Norwalk): “This is an important initiative for small businesses and it sends the right message to small businesses that we are aware of the pressures they face. By eliminating this tax we will lift one more financial burden off them and it will go toward growing small business in our state.”

Representative Arthur O’Neill (69th District of Southbury, Bridgewater, Roxbury, New Milford): “I look forward to working with the Secretary of State to alleviate the burden of the tax on small businesses. This past Sunday I was having breakfast with a businessman from my district and the first thing he raised was the business entity tax. This is clearly an important issue for small businesses in Connecticut.”

State Representative. Ed Jutila (37th District East Lyme, Salem) said: “This has been an important initiative I have promoted since I entered the General Assembly. I am very pleased to join with the Secretary of the State and a number of other legislators in striving to eliminate this burdensome tax in the upcoming legislative session.”

Tony Rescigno, President of the New Haven Chamber of Commerce said: “I applaud the Secretary of the State for taking the initiative in helping reduce the cost of doing business in the state of Connecticut. Anything that helps business survive and do well in the state ultimately helps everyone by creating jobs and wealth.”

John Leone, President of the Bristol Chamber of Commerce: “We certainly support the Secretary’s actions on eliminating the business entity tax especially for small businesses in Connecticut. The elimination of this tax will show the state is serious about aiding small businesses and creating jobs.”

Steve Sasala, President and Chief Executive Officer, Waterbury Regional Chamber of Commerce said: “I can’t think of a more important piece of legislation to effectually change people’s attitudes about the business climate in Connecticut. As we know Connecticut is home to many small if not micro-businesses. Eliminating the corporate entity tax puts hard earned dollars back in their pockets.”

Paul Timpanelli, President and CEO, Bridgeport Regional Business Council: “On behalf of the Bridgeport Regional Business Council, I am pleased to lend my support to Secretary Bysiewicz’s proposal to repeal the business entity tax. As the cost of doing business in Connecticut continues to escalate, many businesses have been forced to shut their doors or reduce their operations. The elimination of this annual fee is a step in the right direction to help reduce the financial burden of small businesses and corporations.”

Séan Moore, President of the Greater Meriden Chamber of Commerce: “By eliminating the tax, it demonstrates that as a state we are friendly to business, encouraging the Connecticut entrepreneurs and risk takers and growing jobs and the economy of the State of Connecticut. I applaud the efforts of Secretary of State Bysiewicz and we will be calling on our small businesses to connect with their State Representatives and State Senators when it comes to a vote and work together towards a swift passage in the upcoming legislative session!”

Tony Sheridan, President, Chamber of Commerce of Eastern Connecticut: “On behalf of the board of directors of the Chamber of Commerce of Eastern Connecticut, we really appreciate the Secretary of the State’s efforts to lower the cost of doing business in Connecticut. Connecticut remains one of the

most costly states to do business in and every effort to reduce costs is greatly appreciated especially by the small business community.”

Frank Alvarado, Director of New Haven and Willimantic offices of the Spanish American Merchants Association: “I am very pleased to hear that Secretary Bysiewicz is proposing legislation to eliminate this tax which is certainly a burden on small businesses and LLCs.”