



State of Connecticut

HOUSE OF REPRESENTATIVES
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Testimony In Opposition to

S.B. 741, AN ACT CONCERNING A STATE-WIDE PROPERTY TAX ON CERTAIN RESIDENTIAL REAL PROPERTY

And

S.B. 742, AN ACT ESTABLISHING A CAPITAL GAINS SURCHARGE

*Finance, Revenue and Bonding Committee
February 26, 2025*

Dear Co-Chairs Fonfara, Horn, Ranking Members Fazio, Polletta, and distinguished members of the Finance, Revenue and Bonding Committee:

My name is Tina Courpas, and I am State Representative for the 149th District, representing Greenwich and Stamford. I am testifying today in opposition to S.B. 741 and S.B. 742.

We are in a difficult budget year. ARPA funds are completely depleted – the first year since 2021 that the cushion provided by the biggest Federal bailout program in American history is gone. And yet our state's acute needs continue.

Our Budget Reserve Fund has a \$4.1 billion balance, and we have paid down \$7.7 billion of pension debt since 2020 - both evidence that the state's fiscal guardrails have worked. And yet, there is tremendous pressure to violate the Guardrails precisely because they have worked so well – the proverbial victims of their own success. These factors have created the “perfect budgetary storm” this year.

These Bills both propose to solve the budget strain in part by creating two new taxes, aimed directly and exclusively at higher income taxpayers. CT is already the second or third most taxed state in the country. These Bills take us further along the path to becoming #1.

S.B. 741 is a capital gain tax aimed exclusively at the two highest tax brackets. Currently capital gains are taxed in CT at the same level as ordinary income. This tax would make CT one of only three states where capital gains are taxed at a higher level. The towns of lower Fairfield County are bedroom and commuter communities to New York City. Many of these taxpayers are in the investment or financial services businesses and have compensation

structures where they are paid in capital gains versus ordinary income. It is not clear to me why income earned in this fashion should be penalized specifically.

S.B. 742 is a new statewide property tax, levied exclusively on homes of \$2 million or above. We are already one of only seven states which have a progressive real estate conveyance tax structure. If this Bill passes, we will join a short list of states which also charge annual property taxes at the state (in addition to municipal) level, and exclusively on higher priced properties.

I am not challenging the philosophical principles underlying progressive tax structures. I support progressive tax structures as a general principle and have never met a voter in my district who opposes progressive taxation.

But, in my first eight weeks as a legislator, I have heard the following countless times in countless contexts: "It's time that the wealthier towns in CT do their fair share to address the issues in our state." Statements such as those ignore the fact that Connecticut already has one of the most progressive tax structures in the country. And it is driving higher income taxpayers away, and disincentivizing them to move to CT in the first place.

Connecticut already has a significantly progressive tax structure.

- Fewer than 20,000 Connecticut tax filers (1.1% of all tax filers) paid 40% of the state's entire \$10.2 billion income tax in 2020.
- 4,324 filers paid over 26% of the total state income tax in 2020
- 30% of all tax filers (over 530,000 households) paid no income tax in 2020
- CT is the only state among the 50 with a state level gift tax. It is only one of 12 states with an estate tax. These two highly progressive taxes accounted for \$253 million in revenues in 2020.
- The real estate conveyance tax, which amounted to \$259 million in state revenues in 2020 is paid for by households transferring property above the \$2.5 million level
- Property taxes – collected by CT municipal governments, is also progressive, as the rate increases for value of home owned.

Affluent taxpayers are mobile. CT is driving them out of the state.

- Approximately 64,000 people in CT are part-time residents (spend part of their time here, but have elected to be tax residents in other states)
- The data showed that 418 different families totaling 778 people filed their 2019 taxes in Fairfield County and their 2020 taxes in Palm Beach County. That means over \$327 million in income moved from Connecticut down to Florida in that one year alone.

Persons of all income levels have a place in CT. I support a progressive tax structure and believe most taxpayers in the 149th District agree. But more than anything, I believe our state economic policies must exhibit reasonable and moderate balance. There is a point at which our tax laws make it economically irrational for higher income taxpayers to move to CT and to stay here. I believe we are already at that point.

The legislature can certainly vote these Bills into law if they feel that this expresses the will of CT's people. But, as a legislature, we cannot do that without acknowledging that the consequences on CT's tax rolls could be dire.

Sources:

(1) <https://ctmirror.org/2024/11/01/rebutting-the-ct-drs-tax-incidence-study/>

(2) <https://www.ctinsider.com/news/article/connecticut-migration-17367291.php>

(3) <https://taxfoundation.org/data/all/state/state-capital-gains-tax-rates-2024/>

(4) <https://patch.com/connecticut/across-ct/more-people-moving-out-ct-almost-any-other-state-study-says>