November 8, 2017

Honorable John B. Larson
United States House of Representatives
1501 Longworth HOB
Washington, DC 20515

Dear Congressman Larson:

Thank you for opportunity to comment on the federal tax changes being considered in H.R. 1. We appreciate your leadership in trying to set the record straight as this partisan effort is rushed to judgment with no real input and much fiscal uncertainty.

Unfortunately, what we see so far from a national and state perspective is very troubling. Some of the proposals to reduce taxes on corporate and pass-through business income could provide needed economic stimulus nationally and for states like Connecticut. Unfortunately, on balance, H.R. 1 is fundamentally flawed:

- Even the low estimate of a $1.5 trillion cost is not paid for and is really massive federal tax deficit spending. The nation has been down this road before and surely we should have learned something from the worst economic recession in modern times.

- Otherwise unaffordable tax cuts have long been part of a political strategy to “starve the beast.” Due to its long term unfunded cost, this Republican tax plan will compel big cuts in federal funding, such as Medicaid, that are important to states like Connecticut.

- Contrary to all the talk of a “middle income tax cut,” the plan actually represents a huge windfall to the very wealthiest federal taxpayers and is truly regressive. For our own state of Connecticut, over 75% of the tax cut goes to the top 1% who would pay 8.5% less on average. Everyone else would see a trivial 1.2% reduction in federal tax liability and many will actually owe much more in federal income taxes.

- As discussed more specifically below, the proposed plan shifts most of the tax cost and the least of any tax benefit to states in the Northeast, Great Lakes and West Coast regions of the country. Thus, Connecticut and similar states will even more disproportionately pay in federal taxes far more than is received in federal benefits – further subsidizing regions of the country where states make far less of a state and local tax effort.

Drilling down a bit further, several aspects of this partisan plan will hit especially hard:

- Eliminating deductibility of state income tax paid is worth an estimated $8.7 billion to mostly middle income Connecticut taxpayers.

- Capping deductibility of local property tax paid at $10,000 will increase federal income taxes for a significant proportion of Connecticut taxpayers who claim $4.9 billion.

- Any benefit to lower and lower moderate income taxpayers from higher standard deductions and child care credits will likely be more than offset by the shell game of imposing a higher lowest rate bracket of 12% and replacing the current $4,050 personal exemption with a $300 deduction that is proposed to end in 5 years.

- Eliminating deductibility of medical/dental expenses will be $1.6 billion hardship for Connecticut taxpayers at all levels who are out of work and have catastrophic medical costs.

- Eliminating deductibility of student loan interest only adds a further financial burden for primarily younger taxpayers and their families already struggling with educational indebtedness.

Sadly, these and many other significant issues of fiscal irresponsibility and tax unfairness seem to be of no concern in the partisan rush to pass legislation before taxpayers see through the slogans and realize the costs. Indeed, glimpses of what may be in the Republican Senate version suggests that it will only get worse. Thank you for your efforts to speak out for our Connecticut taxpayers and set the record straight.

Sincerely,

Kevin B. Sullivan
Commissioner