

CBIA NEWS RELEASE

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BUSINESS COMMUNITY URGES REJECTION OF FINANCE COMMITTEE'S TAX PROPOSALS

Executives from Connecticut's IT firms say plans to eliminate the sales tax exemption on data services would cost thousands of jobs

Business leaders from the Connecticut Business & Industry Association (CBIA), the Connecticut Technology Council, and information technology (IT) companies from across the state are urging legislators to reject the Finance Committee's plan to eliminate the sales tax exemption on certain computer and data processing services because it would cost thousands of jobs. At a news conference in Hartford today, business leaders said repealing the tax exemptions would make our state's IT companies less competitive and would severely impact Connecticut's economic recovery.

"Connecticut's citizens are paying a steep price during this recession, with the economy shedding 58,000 jobs already," said John R. Rathgeber, CBIA president and CEO. "We can't afford to increase the state's unemployment rolls, but that's exactly what will happen with the elimination of the sales tax exemptions. Sales tax exemptions have significantly contributed to investments and job creation in Connecticut. The loss of these exemptions will result in a further loss of jobs."

Today's news conference is one of three scheduled by CBIA to call attention to tax proposals that would negatively affect the economy and cause job losses in key growth industries, including manufacturing, bioscience and IT.

"The decisions our legislature makes this session will not only affect Connecticut's budget but also its economy for years to come," said Rathgeber. "We urge them to proceed with caution."

According to a report from the Department of Economic and Community Development, the elimination of the sales tax exemption on computer and data processing services could:

- Make Connecticut's IT firms less competitive with similar firms in other states
- Cost 2,200 Connecticut jobs per year for the next 10 years
- Cause the state's gross domestic product to drop by \$270 million a year for the next 10 years
- Result in a \$219 million drop in personal income a year for the next 10 years
- Discourage companies from locating in Connecticut

"IT is an important part of Connecticut's economic future," said Matthew Nemerson, president and CEO of the Connecticut Technology Council. "In the past, the state has recognized the value of IT firms and has taken steps to help the industry grow and create jobs. These new taxes will discourage future investments and are specifically targeted at firms that have creatively responded to changing business opportunities to keep jobs here in the state. We need to be sure that we are being strategic as we seek to balance the state budget."

(more)

Computer Sciences Corp. (CSC), a global business and technology services company with 92,000 employees worldwide and 2,043 in Connecticut, has been growing in the state since the tax exemptions were put into place. "Over the past decade, the number of CSC employees in Connecticut has tripled, and its Connecticut facilities have grown from one data center to three," says Joseph Schechter, CSC Americas Outsourcing Services president.

Schechter adds that incentives and operating costs are keys to the company's expansion and job growth in Connecticut. He says the financial impact of the repeal of the sales tax exemption would be significantly negative for CSC and its clients.

CSC is one of many IT companies concerned that if the legislature repeals more than 50 tax exemptions, many of them on IT services, that would make it more difficult for Connecticut companies to compete with IT providers in states that don't have the tax.

"These concerns are echoed by all companies across the state," says Joseph F. Brennan, CBIA senior vice president of public policy. "We are in a global marketplace. The more costs increase in Connecticut, the harder it is to compete, stay in business, and retain jobs. The more attractive other locations become."

"These proposals come at a time of historic economic turmoil when we can least afford them," adds Rathgeber. "We urge our legislative leaders to work together to come up with solutions that encourage business investments and job creation in Connecticut. Our future depends on it."

CBIA has two news conferences scheduled for next week focusing on tax proposals that will threaten the state's high-tech companies and manufacturers.

On Monday, April 27, at 11 a.m. at the LOB, CBIA will be joined by biopharmaceutical, fuel-cell, and high-tech manufacturers and other technology-driven companies to discuss the proposal that would reduce the corporate tax credits, including the research and development tax credit by nearly 30 percent.

On Wednesday, April 29, at 11 a.m. at the LOB, CBIA along with manufacturers from across the state will discuss the negative effects of the Finance Committee's plan to eliminate a number of sales tax exemptions for the state's already struggling manufacturing industry.

CBIA is the state's largest business organization, with 10,000 members.

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