



Connecticut taxes, fiscal problems bad for business?

Brittany De Lea

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Health insurance giant Cigna reportedly threatened to leave Connecticut, after a number of major companies left – or considered leaving – the state throughout recent years.

Though Cigna, which is headquartered in Bloomfield, Connecticut, was rumored to be weighing the option as the state proposed legislation to create a public health insurance option, other companies have fled as the state faces serious fiscal challenges.

General Electric, for example, moved its headquarters from Stamford to Boston in 2016. Alexion Pharmaceuticals announced in 2017 it would leave New Haven for Boston.

Health insurer Aetna had announced it was relocating to New York City, but after it was acquired by CVS in a \$69 billion deal, the companies decided not to make the move just yet. Aetna will remain in Connecticut for about another 10 years. CVS Caremark Corporation is headquartered in Rhode Island.

Meanwhile, Connecticut is facing a projected budget deficit of about \$3.7 billion over the next two fiscal years. It is also dealing with unfunded pension liabilities that amount to \$32,805 per person.

Chris Edwards, director of tax policy studies at the Cato Institute and editor of www.DownsizingGovernment.org, said the fact that businesses want to leave is unsurprising, since that state has not only high corporate taxes, but also high property taxes – which hurt businesses as well as homeowners.

Tax conditions in Connecticut may also be contributing to residents' decisions to leave the state. As previously reported by FOX Business, of the moves conducted within Connecticut last year, 62 percent were outbound – the third highest of any state. Those with incomes of \$100,000 or higher made up the largest share of exoduses.

Meanwhile, the state government is considering expanding its 6.35 percent sales tax to include parking, dry cleaning, interior design services and clothing and protective equipment worn by workers, according to The Hartford Courant. They are also deciding whether to raise the so-called mansion tax, levied on homes with sales prices over \$2.5 million, to 2.25 percent.

According to a 2018 Tax Foundation analysis, Connecticut collected the second most in per capita state and local individual income taxes.

Unfavorable individual taxes can affect business operations, too.

“Businesses want to locate in places where there are low taxes but also skilled workers. But high personal taxes in Connecticut make it difficult for companies to attract highly skilled workers from elsewhere,” Edwards said.

General Electric cited talent and quality of life for employees as two reasons it opted to make the move in 2016. Similarly, Alexion Pharmaceuticals said Boston would provide “access to a larger pharmaceutical talent pool.” Aetna, at the time it announced its intent to move, said its long-term commitment to Connecticut would be based on the state’s economic health, as it credited a more robust pool of talent as part of its motivation, too.

A spokesperson for Cigna did not return FOX Business’ request for comment. The company denied that it made the threat to relocate in a statement to The Hartford Courant.

A spokesperson for Connecticut Gov. Ned Lamont, who took office in January and therefore was not leading the state during any of the major moves, said Cigna is a “vital piece of Connecticut’s fabric” and he is committed to working “collaboratively and constructively with carriers, stakeholders, and advocates.”