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## State House Approves Budget

### Compromise Hikes Business, Estate Taxes

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In a compromise that delighted Democrats and frustrated Republicans, the House of Representatives approved a two-year state budget early this morning that increases taxes on businesses and estates greater than \$2 million while increasing aid to municipalities and nursing homes.

The deal, crafted over the weekend by Republican Gov. M. Jodi Rell and Democratic leaders, was opposed by Republican legislators who said the state should not be raising taxes when the state's projected surplus for the current fiscal year is \$702 million - the largest surplus in state history. But Democrats said no one expected the surplus to be so high and more than \$400 million was collected this year in one-shot revenues that will not be available next year.

Rep. Cameron Staples, a New Haven Democrat who co-chairs the tax-writing committee, said the package increases taxes "on those who can afford it," and that the constituents of most legislators "will be happy to see" the wide range of services that are funded in the \$15.6 billion package. The bill raises spending by 8.7 percent for the fiscal year that starts July 1 and 3.3 percent in the second year, according to the legislature's nonpartisan fiscal office.

The highest drama of the evening was whether the House had the 91 votes necessary to pass the measure, which required a three-fifths margin because the budget exceeds the constitutional spending cap. The final vote was 100-50 at 12:25 a.m., with two Democrats voting no. Only three House Republicans sided with Rell by voting for the budget.

Rep. William R. Dyson, the former co-chairman of the budget-writing committee who lost the battle for House speaker to James Amann, voted no. The legislature, he said, is "always committing the same mistakes and always repeating our history" by spending too much, piling up debt in an unsustainable way and then setting up the state for big deficits

in the future.

Republicans were particularly disturbed about re-imposing the state's estate tax, which expired Jan. 1. As a result, they complained that the legislature will be retroactively taxing dead millionaires.

Under the highly complicated measure, estates over \$2 million would be taxed at a progressive rate, starting with 5 percent of the first \$100,000 over the threshold and rising to 16 percent for the amount above \$10 million.

"My worry is a small farm of 50 acres or even a larger farm of 100 acres will be beyond that \$2 million mark," said Rep. Anne L. Ruwet, a Torrington Republican whose father's farm still produces corn and pumpkins. "This tax is going to hurt."

In an early test vote about 8:45 p.m., Democrats defeated a Republican amendment to strip the estate tax out of the budget on a strict party line vote of 99-51.

Republicans argued that the state's wealthiest residents would flee to lower-tax states like Florida, but Democrats countered that the wealthy would have fled in the past under previous estate and inheritance taxes. Democrats noted that survivors must file an estate-tax return as long as the person owned a home or cars in Connecticut at their death - even if the person had moved their permanent residence to Florida.

Hammering away at the budget during eight hours of debate, Republicans blamed Democrats for the deal but did not criticize Rell - the leader of their party - by name.

Acknowledging the opposition among Republicans, Rell's chief budget negotiator, Robert Genuario, said that Rell was forced to make difficult choices to reach an agreement with the Democrats, who control nearly two-thirds of all seats in the legislature. Rell refused to raise the so-called millionaires' tax on the state's wealthiest residents and agreed on the estate tax instead.

"We were looking for a budget deal," Genuario said. "We did it to raise revenue."

The budget funds a wide variety of state programs, ranging from dental care for prison inmates to salaries and benefits for more than 50,000 state employees.

One of the biggest items is \$2.448 billion in aid for cities and towns, an increase of more than 5 percent over the current year. Lobbyists for the Connecticut Conference of Municipalities had wide smiles on their faces at the Capitol as towns have received more funding than expected. Rell set aside \$100 million from the surplus, and Democrats pushed for even more funding on top of that. Overall, the biggest winner was Hartford at \$218.9 million, while smaller and more affluent towns received less. In the Hartford region, the totals include \$14.7 million for West Hartford, \$4.6 million for Glastonbury, \$2.95 million for Simsbury and \$1.1 million for Avon for the fiscal year that starts on July 1.

Some of the other large items include about \$1.7 billion in debt service and nearly \$1 billion for prescription drugs for the elderly, the poor, state employees, and retirees. Rep. Denise Merrill, a Mansfield Democrat who is a chairwoman of the budget-writing committee, said the state needs to take action to slow down the fast-rising cost of the drugs.

The budget, Merrill said in an interview, is filled with items that were high priorities for Democrats.

Those included restoring the popular HUSKY health insurance program for adults and eliminating Rell's plan for a \$3 co-payment for Medicaid fee-for-service for prescription drugs and doctors' visits.

For the first time in nearly 15 years, an estimated 16,000 blind, disabled and elderly people will be able to keep a 2.7 percent cost-of-living increase in their federal benefit checks.

Previously, the cost-of-living increase was deducted because the beneficiaries were also receiving state supplemental benefits at the same time.

"This means those in the program who are older, some blind and disabled have been forced to live on their same income, while the cost of living has skyrocketed for them during this period of time," said Rep. Marie Lopez Kirkley-Bey, a Hartford Democrat who serves as a deputy speaker.

In another priority for their caucus, Democrats also blocked Rell's plan to increase the current \$1.25 bus fare to \$1.50 on Sept. 1.

During the long debate on the House floor that lasted into Monday night, many of the comments focused on the tax side of the 177-page budget amendment. Some complained about the plan to increase corporate taxes by \$43.4 million in the 2006 fiscal year, \$50.8 million in 2007 and \$16.4 million in 2008 - a total of about \$110 million over three years. A Republican amendment to strip out the corporate taxes failed on a party-line vote.

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