

Where is Connecticut Headed?

➤ ***Connecticut's demographic projection implies a bleak future.***

- The share of population 65 and older will grow dramatically, to more than 20%.
- The under 18 population will shrink significantly, perhaps by 90,000, but grow in core urban areas.
- The working age population will shrink—may already be shrinking—and skills will decline.

To change this trajectory, Connecticut needs to create as many as 150,000 net new jobs to draw in new population and retain young college educated individuals now leaving the state. As constructive as current efforts are, they will not deliver the scale of job creation for Connecticut ^{and} leave the state far short of this necessary goal.

➤ **Connecticut's challenge is process, not cost.**

Multiple recent studies put Connecticut at or near the top in terms of its competitive position, especially in manufacturing. So the long-term failure to create net new jobs—now approaching 25 years—is not because the state is a high-cost business environment—the studies disprove that—but because the framework within which businesses must function itself imposes significant costs and uncertainty.

To address the challenge of process, Connecticut needs to vastly simplify its tax structure and make the tax code itself transparent in its meaning and application.

Three suggestions:

- ✓ Within the existing tax system, establish clear, meaningful interpretation of the tax laws. E.g., the criteria that qualifies an independent contractor (1099-MISC).
- ✓ Evaluate the potential for a simple, uniform, lower across-the-board sales tax, ending nearly all current tax expenditures. Replace these, where appropriate, with refunds. E.g. a rebate on the tax on a basic food and clothing budget; a rebate to non-profits on their purchases, perhaps up to some limit.
- ✓ Offer firms current holding unused and unusable tax credits the option to redeeming them ex post to cover the cost of major capital projects after the project is completed and populated. This converts an existing liability into an investment with a measurable and very positive rate of return; it is fully self-funding, would result in 10 million square feet of new facilities and up to 100,000 net new jobs.