BioCT

Connecting Connecticut's Bioscience Community

Judiciary Committee Public Hearing
Monday, March 4, 2019

Representative Christopher Davis and members of the finance, revenue and bonding committee, thank you for the opportunity to submit testimony in support of **H.B. 5261 AN ACT PHASING OUT THE CAPITAL STOCK TAX.**

My name is Dawn Hocevar and I am President and CEO of BioCT. BioCT is the bioscience industry voice for the state of Connecticut. Our mission is to grow the vibrant bioscience ecosystem in Connecticut by supporting innovation, collaboration, networking, education, talent engagement and advocacy. We bring together companies, institutions, entrepreneurs, investors, government, service providers, and other passionate, dedicated people, to build a thriving community to improve patients' lives and public health, while driving economic growth.

On behalf of BioCT and the bioscience community I am asking that you support passage of this bill. This bill will eliminate and unfair tax burden on bioscience companies in Connecticut that raise money to create their startups yet have no revenues during their research and development phase which can last ten plus year.

The Capital Based Tax is inconsistent with federal tax policy which taxes income whether that be operational or capital gains. Furthermore, the Connecticut Capital Based Tax apportions the capital base in a manner that is punitive to C Corps headquartered in Connecticut or managing and controlling cash, intangibles and other assets in Connecticut. Other states that have such a tax (i.e. Massachusetts) apportion the capital base in a manner that does not punish in-state companies.

This disincentivizes companies to locate such personnel and offices within the state and creates a negative perspective of Connecticut as a taxpayer friendly place to do business. Most neighboring states either have not enacted such taxes or have repealed taxes that were similar in nature (i.e. New York, Pennsylvania, Texas) due to the negative impact on its constituents and community.
Effectively, the Capital Based Tax imposes a tax in perpetuity when equity and investment is raised and then managed and controlled in Connecticut. For example, a C Corp headquartered in Connecticut which manages and controls its capital in Connecticut, would pay $31,000 annually on a $10m raise of capital investment. That tax would be paid in perpetuity while such investment resides on the company's balance sheet irrespective of C Corp's revenue or taxable income. Biotech C Corps, especially

start-ups, are significantly impacted by this tax as it could take many years of research and development before any sales are made or taxable income is generated.

I strongly urge the committee to support this bill so that Connecticut encourages startup companies to grow and stay in Connecticut, especially since all our neighboring states don't put this undo burden on these companies. This is detrimental to the bioscience growth in Connecticut.

Sincerely,
Dawn Hocevar

Dawn Hocevar
President & CEO
BioCT, Inc.