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## Worse Than Illinois

Connecticut Democrats are raising taxes again after promising not to.



Connecticut Gov. Dannel P. Malloy PHOTO: ASSOCIATED PRESS/JESSICA HILL

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The Census Bureau says Connecticut was one of six states that lost population in fiscal 2013-2014, and a Gallup poll in the second half of 2013 found that about half of Nutmeg Staters would migrate if they could. Now the Democrats who run the state want to drive the other half out too.

That's the best way to explain the frenzy by Governor Dannel Malloy and the legislature to raise taxes again and blow through a state constitutional spending cap. They've been negotiating behind closed-doors over the details of a two-year \$40 billion budget that could be revealed this weekend, but it's already clear that Connecticut residents will pay big time.

Mr. Malloy promised last year during his re-election campaign that he wouldn't raise taxes, but that's what he also said in 2010. In 2011 he signed a \$2.6 billion tax hike promising that it would eliminate a budget deficit. Having won re-election he's now back seeking another \$650 million in tax hikes.

But that's not enough for the legislature, which has floated \$1.5 billion in tax increases. Add a state-wide municipal sales tax that some lawmakers want, and the total could hit \$2.1 billion over two years.

One reason Mr. Malloy needs cash is because the state economy isn't growing. According to the federal Bureau of Economic Analysis, the state grew a scant 0.9% in 2013, the last year state data are available. That was tied for tenth worst in the U.S. The state's average compounded annual growth for the last four years is 0.42%.

Slow growth means less tax revenue but spending never slows down. Some "40% of the state budget goes to government employee compensation and benefits, including payroll, state pensions, teacher pensions and current and retiree health care," says Carol Platt Liebau, president of the Hartford-based Yankee Institute. "These items are growing at a rate that exceeds the growth of the economy."

The Tax Foundation ranks Connecticut as one of the 10 worst states to do business. The state finished last in Gallup's Job Creation Index in 2014 and now ties with Rhode Island for the worst job creation in the index since 2008.

This will only get worse if the state Assembly gets its way. Democrats want to make permanent what has been a temporary surtax of 20% on a company's annual tax liability, while limiting the use of accumulated tax credits. They also want to apply the 6.35% state sales tax to services, increase the top marginal income tax rate for individuals to 6.99% from 6.7%, and add a new 2% surcharge on capital gains income, which is now taxed as ordinary income.

In a sign of grasping desperation, the proposal also calls for the Connecticut Lottery to put keno in bars and restaurants. Not too many years ago Connecticut was a tax refuge

for New York City workers, but since it imposed an income tax in 1991 the rate has kept climbing, as it always does.

We're tempted to say that the Connecticut voters who re-elected Mr. Malloy after he dissembled on taxes the first time are getting what they deserve. But this is what happens when a state, like Illinois and New York, becomes dominated by public unions and gentry liberals. They soak the middle class.

On May 13 Nutmeggers became the last U.S. residents to reach Tax Freedom Day, when they finish paying the government each year and begin working for themselves. No wonder so many want to leave.

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