

Frilling, Tara

From: Leonard Wyeth AIA <lwyeth@wyetharchitects.com>
Sent: Wednesday, May 06, 2015 3:22 PM
To: Sen. Fasano, Len
Cc: Frilling, Tara
Subject: Tax Hike - Public Hearing Testimony

Dear Senator Fasano and Representative Klarides:

May 6th, 2015

CONNECTICUT GENERAL ASSEMBLY
Hartford, CT 06106

Re: LETTER OPPOSING SALES TAX ON ARCHITECTURE SERVICES

Dear Members of the Connecticut General Assembly,

I understand that The Finance Committee of the Connecticut General Assembly has proposed applying the State's Sales Tax on architectural services.

I am an Architect, licensed in CT, working with Wyeth Architects LLC of Chester, CT.

Please oppose any possibility of the imposition of State Sales Tax on architectural services (or any other professional services).

Please consider the following:

- The design and construction market in CT is not recovering at the same rate as the rest of the nation (CT is #50 out of 50 by one measure). By imposing the CT State Sales Tax, CT architectural firms will find themselves at another competitive disadvantage. Owners will find ways to have their architectural design work performed out-of-state. Architecture firms outside of CT will not collect the sales tax for Connecticut. This will encourage Owners to select out-of-State firms. The loss of work will mean fewer jobs for CT architects and their staff. Perhaps we should be encouraging professionals to come to the State rather than imposing reasons to move their businesses to adjacent States.
- The 6.35% increase in the cost of construction projects will discourage businesses from locating or expanding in CT. Construction costs in CT are already among the highest in the nation.
- The sales tax will also impact the housing market (by increasing the cost of the construction process), making housing less affordable for residents in the state.
- I am familiar with documenting, collecting and reporting Sales Tax in CT. It will be time-consuming and complicated to administer, as the multi-state nature of our clients and service providers often makes it difficult to determine where, when, and how the services take place. Please remember that the State of CT taxed architectural services about 25 years ago and the Department of Revenue Services recommended that the tax be eliminated. This was due, in part, to the complexity of administering the tax.
- It is the nature of our business (the practice of architecture) that there is a lag-time between invoicing for our services and actually getting paid. In most cases (private clients) this can be 30 to 60 days. In the case of institutional clients (colleges and larger businesses) it can be 60 to 120 days. In the case of development work it can be up to a year

and a half. In the case of work for the State of CT, the lag-time can be embarrassingly long. Monthly filing for sales tax requires payment to the State by the 20th day of the next month. In other words, an architect would be required to pay sales tax on fees that may not be collected for 6 months (if at all). An architectural firm may be required to pay 5 months of sales taxes before any portion of the original fees are collected. To be sure, the architect will need to borrow money to pay the State – adding to the cost of this taxation. This is even true for performing architectural work for the State of CT. There is nothing fair about this model of taxation.

Please feel free to contact me if you have any questions.

Thank-you,

Leonard Wyeth AIA

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Chester