Gov. Lamont was on the receiving end of a bevy of positive headlines recently when he announced he would fully restore the pass-through entity tax credit to 93.01 percent.

It’s been hailed as a move that would help more than 120,000 small businesses, saving them an estimated $60 million annually.

For those who don’t know, I’ll provide a primer on our state’s pass-through entity (PTE) tax. The legislature in 2018 created the scenario where many small and mid-sized businesses pay a 6.99 percent entity tax on their earnings in addition to the 6.99 percent paid through the state income tax. It wasn’t, however, double taxation but rather a bipartisan path to providing them relief from a controversial federal change that limited state and local tax deductions. Working together, legislators from both parties allowed business owners to take a credit against their personal state income tax obligation equal to 93.01 percent of the PTE taxes paid.

These technical changes were viewed as a benefit to the business community.

Unfortunately, a year later the Governor and the General Assembly’s majority Democrats reduced that PTE credit to 87.5 percent. The effect was a tax increase.

That little detail that went missing from news coverage on the recent announcement from the Governor, who was, essentially, taking credit for a fire he started.

It’s not unlike when he and majority lawmakers last year patted themselves on the back for passing what they described as the largest tax cut of all time. Of course, their $600 million cut—much of it one-time relief—was dwarfed by the roughly $5 billion in tax hikes adopted by majority party Democrats over the last decade or so.

I’m glad the Governor is pushing to fully restore the PTE credit; as someone involved in family businesses, I understand the financial pressures posed by even the smallest changes to state tax policy. Republican efforts to restore the credit last year were rebuffed by our colleagues across the aisle. We resubmitted our proposal this year, and with the Governor now interested it seems like one concept we can get across the finish line.

So far, the Governor seems committed to deliver a middle-class income tax cut—another Republican proposal—but at this point I can’t say how much support we’ll see for other ideas pitched by our caucus. Our majority party colleagues in the legislature, already calling for more spending in a variety of areas, will be loath to eliminate the relatively new 1 percent meals tax or reduce the sales tax annually for increased revenues due to inflation.

Republicans will push for theses savings measures, and others, and I’ll let you’ll have an opportunity to weigh in during a public hearing.

In the meantime, feel free to reach out to my office at 860-240-8700 if you have questions about this topic or any other issue related to state government.