



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES
PAM LAW, COMMISSIONER

DATE: Tuesday, February 10, 2009

TO: Honorable Toni Harp, Co-Chair
Honorable John Geragosian, Co-Chair
Appropriations Committee

FROM: Pam Law 
Commissioner of Revenue Services

SUBJECT: Department of Revenue Services Budget Appropriations

Good afternoon Senator Harp, Representative Geragosian, and members of the Appropriations Committee. I am Pam Law, Commissioner of the Department of Revenue Services (DRS).

As a brief overview:

DRS is responsible for the collection and oversight of more than \$14 billion in deposits each year, as well as administering the tax laws of the state of Connecticut. It is an agency of 744 employees that processes more than 4.3 million business and individual tax returns each year.

Most of the state's taxpayers are law-abiding individuals and businesses that report and pay their taxes on time. To address those who are not, DRS operates a number of programs designed to ensure that taxpayers are paying their fair share to the state. When DRS appeared before this committee two years ago, we told you about some of these programs. Today, I'd like to update you on their progress.

As part of the last biennial budget, the Appropriations Committee provided the Department, 32 additional positions which were expected to generate an additional \$15.5 million during the 2007-08 fiscal year. The Department actually generated \$17.9 million or \$2.4 million over the original target.

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While the Department generated more in revenue than was projected, the Refund Theft Program did fall short of the original estimate. Because of the specialized skills DRS sought for some of the positions for this program - in particular, a law enforcement individual with accounting credentials -- it took longer to fill the positions than expected. DRS was not able to meet projected revenue in FY 08, but did stop more than \$1 million in fraudulent refunds from being issued.

Equally as important, during 2008, DRS Special Agents arrested the "ringleaders" of five organized refund fraud groups through the Suspicious Filer Program. Agents were able to electronically trace returns back to their source computers and follow the refunds through each step. This prevented additional fraud refunds from being filed and saved the state additional money which is not included in the \$1 million figure.

The current filing season began on January 16, 2009. This unit has already stopped more than \$200,000 in refunds criminals have sought since the current income tax filing season started. Surprisingly, \$166,043 of that has been submitted by a single fraud group. Our agents are collecting evidence against this group and are confident they will soon make arrest in this case.

An area of strength for DRS continues to be electronic filing. The Taxpayer Service Center (TSC) is an interactive website that allows users to file and pay their taxes, as well as register for new tax types, and manage their accounts with DRS. The TSC has helped the agency experience a 4% increase in the number of business returns filed electronically, and a 9% increase in the number of individual returns filed electronically for a total of 2.6 million e-filed returns. During FY 07-08 DRS collected \$5.3 billion in revenue through electronic fund transfers.

DRS is an agency of dedicated and skilled employees who are continually finding newer and better ways to increase efficiency and taxpayer compliance. Even in these difficult times, I am confident in our ability to administer the Connecticut Tax Statutes in the most efficient and fair manner possible while improving the way we do business.

I would be happy to answer any questions you may have.

