



# House of Representatives

**File No. 671**

General Assembly

February Session, 2010

**(Reprint of File No. 568)**

House Bill No. 5534  
As Amended by House Amendment  
Schedule "A"

Approved by the Legislative Commissioner  
April 29, 2010

***AN ACT ESTABLISHING A REVENUE ACCOUNTABILITY  
COMMISSION.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (*Effective from passage*) (a) There is established a revenue  
2 accountability commission to assess the state's revenue structure on  
3 the basis of adequacy, equity, balance, simplicity, economic  
4 competitiveness, effectiveness and efficiency, and to make  
5 recommendations for improvements.

6 (b) The commission shall consist of the following members:

7 (1) Two appointed by the speaker of the House of Representatives,  
8 who shall have a background as state or local revenue policy  
9 managers;

10 (2) Two appointed by the president pro tempore of the Senate, who  
11 shall have a background in labor issues;

12 (3) One appointed by the majority leader of the House of  
13 Representatives, who shall represent a policy-focused nonprofit entity;

14 (4) One appointed by the majority leader of the Senate, who shall  
15 represent large businesses;

16 (5) One appointed by the minority leader of the House of  
17 Representatives, who shall represent a policy-focused nonprofit entity;

18 (6) One appointed by the minority leader of the Senate, who shall  
19 represent small businesses;

20 (7) Two appointed by the Governor, one of whom shall be a  
21 representative of a state-wide group representing business interests  
22 and the other shall be a representative of a regional group representing  
23 business interests;

24 (8) The Commissioner of Economic and Community Development,  
25 or the commissioner's designee;

26 (9) The Commissioner of Revenue Services, or the commissioner's  
27 designee;

28 (10) The chairpersons and ranking members of the joint standing  
29 committee of the General Assembly having cognizance of matters  
30 relating to finance, revenue and bonding, or their designees; and

31 (11) Three to be appointed jointly by the members of the  
32 commission, not later than fifteen days after the date of the first  
33 meeting of the commission, to ensure that the membership includes  
34 those with adequate knowledge and background, and representation  
35 of diverse viewpoints.

36 (c) All appointments to the commission shall be made no later than  
37 thirty days after the effective date of this section. Any vacancy shall be  
38 filled by the appointing authority.

39 (d) The legislative Office of Fiscal Analysis shall serve as  
40 administrative staff of the commission.

41 (e) The first meeting of the commission shall be held not later than

42 July 1, 2010. The members of such commission shall select two  
43 chairpersons of the commission, from among the members of the  
44 commission. Such chairpersons shall schedule all following meetings  
45 of the commission, which shall be held not less than four times per  
46 year.

47 (f) The commission shall:

48 (1) Gather all state and local revenue data and analyze and evaluate  
49 such data using proven measures of performance;

50 (2) Assess the implications of the revenue policy environment, by  
51 considering such environment in the cities and states of the United  
52 States and in foreign cities, provinces and countries;

53 (3) Compare and contrast the tax structures of this state with  
54 neighboring states and competitor states;

55 (4) Consider the short-term and long-term consequences of the  
56 state's current tax structure and compare with such consequences of  
57 other tax structures studied;

58 (5) Employ appropriate economic forecasting for the viability of the  
59 state's revenue streams;

60 (6) Identify revenue successes and failures; and

61 (7) Review and assess the incidence of the sales, income and  
62 business taxes at various income levels and map and model the  
63 projected revenue that can be raised from various rate changes and  
64 base changes.

65 (g) The commission shall make every effort to ensure that the  
66 process, data gathering, assessment and reporting is open, transparent  
67 and available for future use, by (1) appointing advisory panels of  
68 experts on specific issues, and soliciting information and advice from  
69 such panels, (2) scheduling public hearings as necessary or  
70 appropriate, (3) publishing all meeting minutes, gathered information

71 and reports through any available media channel and make all  
72 information accessible on an Internet web site, and (4) within the  
73 bounds of section 12-15 of the general statutes, as amended by this act,  
74 report as widely as possible aggregated and assimilated tax data.

75 (h) (1) Not later than January 1, 2011, the commission shall submit  
76 to the joint standing committee of the General Assembly having  
77 cognizance of matters relating to finance, revenue and bonding in  
78 accordance with the provisions of section 11-4a of the general statutes,  
79 a report on revenue that includes a mix of options of taxes,  
80 exemptions, rates and base changes that the commission recommends  
81 as necessary to raise the revenue sufficient to balance the budget.

82 (2) The commission may publish at any time information developed  
83 in the course of its work and shall submit a copy of any such  
84 information to the joint standing committee of the General Assembly  
85 having cognizance of matters relating to finance, revenue and bonding.

86 (3) Not later than January 1, 2012, the commission shall submit a  
87 report on its findings and recommendations pursuant to subsection (e)  
88 of this section to the joint standing committee of the General Assembly  
89 having cognizance of matters relating to finance, revenue and bonding,  
90 in accordance with the provisions of section 11-4a of the general  
91 statutes. Such report shall also include the commission's  
92 recommendations for a more permanent and sustainable source of  
93 ongoing reviews of the state's revenue structure. The commission shall  
94 terminate on the date that it submits such report or January 1, 2012,  
95 whichever is later.

96 Sec. 2. Subsection (b) of section 12-15 of the general statutes is  
97 repealed and the following is substituted in lieu thereof (*Effective*  
98 *October 1, 2010*):

99 (b) The commissioner may disclose (1) returns or return information  
100 to (A) an authorized representative of another state agency or office,  
101 upon written request by the head of such agency or office, when  
102 required in the course of duty or when there is reasonable cause to

103 believe that any state law is being violated, or (B) an authorized  
104 representative of an agency or office of the United States, upon written  
105 request by the head of such agency or office, when required in the  
106 course of duty or when there is reasonable cause to believe that any  
107 federal law is being violated, provided no such agency or office shall  
108 disclose such returns or return information, other than in a judicial or  
109 administrative proceeding to which such agency or office is a party  
110 pertaining to the enforcement of state or federal law, as the case may  
111 be, in a form which can be associated with, or otherwise identify,  
112 directly or indirectly, a particular taxpayer except that the names and  
113 addresses of jurors or potential jurors and the fact that the names were  
114 derived from the list of taxpayers pursuant to chapter 884 may be  
115 disclosed by the Judicial Branch; (2) returns or return information to  
116 the Auditors of Public Accounts, when required in the course of duty  
117 under chapter 23; (3) returns or return information to tax officers of  
118 another state or of a Canadian province or of a political subdivision of  
119 such other state or province or of the District of Columbia or to any  
120 officer of the United States Treasury Department or the United States  
121 Department of Health and Human Services, authorized for such  
122 purpose in accordance with an agreement between this state and such  
123 other state, province, political subdivision, the District of Columbia or  
124 department, respectively, when required in the administration of taxes  
125 imposed under the laws of such other state, province, political  
126 subdivision, the District of Columbia or the United States, respectively,  
127 and when a reciprocal arrangement exists; (4) returns or return  
128 information in any action, case or proceeding in any court of  
129 competent jurisdiction, when the commissioner or any other state  
130 department or agency is a party, and when such information is directly  
131 involved in such action, case or proceeding; (5) returns or return  
132 information to a taxpayer or its authorized representative, upon  
133 written request for a return filed by or return information on such  
134 taxpayer; (6) returns or return information to a successor, receiver,  
135 trustee, executor, administrator, assignee, guardian or guarantor of a  
136 taxpayer, when such person establishes, to the satisfaction of the  
137 commissioner, that such person has a material interest which will be

138 affected by information contained in such returns or return  
139 information; (7) information to the assessor or an authorized  
140 representative of the chief executive officer of a Connecticut  
141 municipality, when the information disclosed is limited to (A) a list of  
142 real or personal property that is or may be subject to property taxes in  
143 such municipality, or (B) a list containing the name of each person who  
144 is issued any license, permit or certificate which is required, under the  
145 provisions of this title, to be conspicuously displayed and whose  
146 address is in such municipality; (8) real estate conveyance tax return  
147 information or controlling interest transfer tax return information to  
148 the town clerk or an authorized representative of the chief executive  
149 officer of a Connecticut municipality to which the information relates;  
150 (9) estate tax returns and estate tax return information to the Probate  
151 Court Administrator or to the court of probate for the district within  
152 which a decedent resided at the date of the decedent's death, or within  
153 which the commissioner contends that a decedent resided at the date  
154 of the decedent's death or, if a decedent died a nonresident of this  
155 state, in the court of probate for the district within which real estate or  
156 tangible personal property of the decedent is situated, or within which  
157 the commissioner contends that real estate or tangible personal  
158 property of the decedent is situated; (10) returns or return information  
159 to [the] (A) the Secretary of the Office of Policy and Management for  
160 purposes of subsection (b) of section 12-7a, [and] (B) the Office of Fiscal  
161 Analysis for purposes of, and subject to the provisions of, subdivision  
162 (2) of subsection (f) of section 12-7b, and (C) the Office of Fiscal  
163 Analysis for purposes of converting such returns and return  
164 information into data in a form that cannot be associated with, or  
165 otherwise identify, directly or indirectly, a particular taxpayer, and  
166 providing such data to the revenue accountability commission,  
167 established pursuant to section 1 of this act; (11) return information to  
168 the Jury Administrator, when the information disclosed is limited to  
169 the names, addresses, federal Social Security numbers and dates of  
170 birth, if available, of residents of this state, as defined in subdivision (1)  
171 of subsection (a) of section 12-701; (12) pursuant to regulations  
172 adopted by the commissioner, returns or return information to any

173 person to the extent necessary in connection with the processing,  
174 storage, transmission or reproduction of such returns or return  
175 information, and the programming, maintenance, repair, testing or  
176 procurement of equipment, or the providing of other services, for  
177 purposes of tax administration; (13) without written request and  
178 unless the commissioner determines that disclosure would identify a  
179 confidential informant or seriously impair a civil or criminal tax  
180 investigation, returns and return information which may constitute  
181 evidence of a violation of any civil or criminal law of this state or the  
182 United States to the extent necessary to apprise the head of such  
183 agency or office charged with the responsibility of enforcing such law,  
184 in which event the head of such agency or office may disclose such  
185 return information to officers and employees of such agency or office  
186 to the extent necessary to enforce such law; (14) names and addresses  
187 of operators, as defined in section 12-407, to tourism districts, as  
188 defined in section 10-397; (15) names of each licensed dealer, as  
189 defined in section 12-285, and the location of the premises covered by  
190 the dealer's license; (16) to a tobacco product manufacturer that places  
191 funds into escrow pursuant to the provisions of subsection (a) of  
192 section 4-28i, return information of a distributor licensed under the  
193 provisions of chapter 214 or chapter 214a, provided the information  
194 disclosed is limited to information relating to such manufacturer's  
195 sales to consumers within this state, whether directly or through a  
196 distributor, dealer or similar intermediary or intermediaries, of  
197 cigarettes, as defined in section 4-28h, and further provided there is  
198 reasonable cause to believe that such manufacturer is not in  
199 compliance with section 4-28i; (17) returns, which shall not include a  
200 copy of the return filed with the commissioner, or return information  
201 for purposes of section 12-217z; and (18) returns or return information  
202 to the State Elections Enforcement Commission, upon written request  
203 by said commission, when necessary to investigate suspected  
204 violations of state election laws.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>October 1, 2010</i>	12-15(b)

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

**OFA Fiscal Note**

**State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 11 \$</b>	<b>FY 12 \$</b>
Legislative Mgmt.	GF - Cost	Potential	Potential

Note: GF=General Fund

**Municipal Impact:** None

**Explanation**

The Office of Legislative Management may incur minimal costs associated with mileage reimbursement of 50 cents per mile for legislators participating on the task force.

House "A" increases the commission's membership from 17 to 19 members, which results in the impact described above. It also makes other changes which do not result in a fiscal impact.

**The Out Years**

The annualized ongoing fiscal impact identified above continues only until FY 12, as the commission terminates by January 1, 2012.

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**OLR Bill Analysis****HB 5534 (as amended by House "A")\******AN ACT ESTABLISHING A REVENUE ACCOUNTABILITY COMMISSION.*****SUMMARY:**

This bill establishes a 19-member Revenue Accountability Commission to review the adequacy, equity, balance, simplicity, economic competitiveness, effectiveness, and efficiency of the state's revenue structure and recommend improvements. It requires the Office of Fiscal Analysis (OFA) to staff the commission and allows the Department of Revenue Services (DRS) commissioner to disclose tax returns or return information (see BACKGROUND) to OFA so that office may convert the data for the commission's purposes into a form that does not permit individual taxpayers to be identified. The commission, within statutory limits on disclosing individual tax information, must publicly report aggregated and assimilated tax data.

The commission must submit reports to the Finance, Revenue and Bonding Committee by January 1, 2011 and January 1, 2012. The first report must include the commission's recommended options for tax, exemption, rate, and tax base changes necessary to raise revenue to balance the state budget. The second report must contain the commission's findings and recommendations, including recommendations for a more permanent and sustainable source of ongoing reviews of the state's revenue structure. The commission terminates after submitting its final report or on January 1, 2012, whichever is later.

\*House Amendment "A" (1) increases the commission's membership from 17 to 19 by adding two gubernatorial appointees; (2)

requires OFA to serve as the commission’s administrative staff; (3) eliminates a provision allowing DRS to disclose tax returns and return information directly to the commission and instead allows DRS to disclose the information to OFA so that office may convert it for the commission’s purposes into a form that does not identify individual taxpayers; (4) delays the deadline for the commission’s initial report by one month from December 1, 2010 to January 1, 2011; (5) advances the deadline for the commission’s first meeting from September 1 to July 1, 2010; (6) requires the commission to appoint the additional three members it must jointly appoint within 15 days after holding its first meeting; and (7) makes technical and conforming changes.

EFFECTIVE DATE: Upon passage for the commission; October 1, 2010 for the DRS commissioner’s authority to disclose tax returns and return information to OFA for the commission’s purposes.

**REVENUE ACCOUNTABILITY COMMISSION**

***Members, Appointing Authorities, First Meeting***

The commission has 19 members: the economic and community development and revenue services commissioners or their designees, the Finance, Revenue, and Bonding committee chairs and ranking members or their designees, and 13 additional members as shown below.

<b>Number</b>	<b>Appointed By</b>	<b>Criteria</b>
2	Governor	Two business group representatives, one representing a statewide group and one a regional group
2	House speaker	Background as state or local revenue policy managers
2	Senate president pro tempore	Background in labor issues
1	House majority leader	Representing a policy-focused nonprofit entity
1	Senate majority leader	Representing large businesses
1	House minority leader	Representing a policy-focused nonprofit entity
1	Senate minority leader	Representing small businesses

Number	Appointed By	Criteria
3	Commission members, jointly	To ensure the commission includes members with adequate knowledge and background and represents diverse views

Appointments must be made within 30 days after the bill passes. Vacancies are filled by appointing authorities. The commission must hold its first meeting by July 1, 2010. It must select its two chairpersons from among its members and jointly select the additional three members within 15 days after the first meeting. The chairpersons must schedule subsequent meetings, which must occur at least four times per year. OFA serves as the commission’s administrative staff.

**Responsibilities**

The bill requires the commission to:

1. gather, analyze, and evaluate all state and local revenue data using proven performance measures;
2. assess the revenue policy environment implications by considering the revenue environments of U.S. cities and states and of foreign cities, provinces, and countries;
3. compare and contrast Connecticut’s tax structure with those of neighboring and competing states;
4. consider the short- and long-term consequences of Connecticut’s current tax structure compared to those of others studied;
5. use appropriate economic forecasting to judge the viability of the state’s revenue streams;
6. identify revenue successes and failures; and
7. review and assess the incidence of sales, income, and business taxes at various income levels and map and model the projected revenue from various rate and base changes.

***Information Disclosure, Public Hearings, and Reports***

The law prohibits the DRS commissioner from disclosing tax returns and return information (see BACKGROUND) except to statutorily specified entities or people and under specified circumstances and conditions. Under current law, DRS can disclose such information to OFA only for revenue estimating and forecasting purposes. The bill also allows DRS to disclose such information to OFA so that OFA may (1) convert it into a form that cannot be associated with or directly or indirectly identify a particular taxpayer and (2) provide the converted data to the commission.

The bill requires the commission to make every effort to ensure that its process, data gathering, assessment, and reporting are open, transparent, and available for future use. It must do so by (1) appointing and soliciting information and advice from expert advisory panels on specific issues; (2) holding necessary and appropriate public hearings; (3) publishing, through any available media and on an Internet website, all meeting minutes, information gathered, and reports; and (4) within statutory limits on disclosing individual tax information, report aggregated and assimilated tax data as widely as possible.

In addition to the two required reports to the Finance, Revenue and Bonding Committee, the bill allows the commission to publish, at any time, information developed during its work. It must submit a copy of any such published information to the Finance, Revenue and Bonding Committee.

**BACKGROUND*****Tax Returns and Return information***

By law, a “return” is any of the following filed with the DRS commissioner by, on behalf of, or with respect to, any person: (1) a tax or information return; (2) an estimated tax declaration; (3) a refund claim; or (4) any license, permit, registration, or other application. A return includes any amendments or supplements, including supporting schedules, attachments, or lists that supplement or are part

of a filed return (CGS § 12-15 (h)(1)).

“Return information” is (1) a taxpayer's identity; (2) the nature, source, or amount of the taxpayer's income, payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax collected or withheld, under- or over-reporting, or tax payments; (3) whether the return is, was, or will be examined or investigated; or (4) any other data received, recorded, prepared, or collected by or furnished to the DRS commissioner regarding a return or regarding any determination of liability for a tax, penalty, interest, fine, forfeiture, or other imposition or an offense (CGS § 12-15 (h)(2)).

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 40 Nay 15 (04/05/2010)