

COMMERCE COMMITTEE
February 15, 2011

Testimony of Commissioner Kevin B. Sullivan
Department of Revenue Services

Re: **SB 902 – STREAMLINING AND CREATING MORE EFFICIENT AND BUSINESS-FRIENDLY REGISTRATION PROCESS**

HB 6316 – SINGLE POINT OF ENTRY FOR BUSINESSES AT THE OFFICE OF THE SECRETARY OF THE STATE

Senator LeBeau, Representative Berger, Senator Frantz, Representative Camillo and members of the Commerce Committee, thank you for the opportunity to comment on the important objectives identified in SB 902 and HB 6316.

As you know, business registration with the Office of the Secretary of the State does not now provide either a "one stop" portal or a reliable data base of businesses. Past efforts to do better have not succeeded. So, a couple of weeks ago, Secretary of State Merrill and I met to launch a working group with the commitment that we will find a solution at last. Since then, we have reached out to other interested state agencies.

My comments today do not suggest exactly what the solution should be. But I do want you to know that this is an area of great importance to the Department of Revenue Services. Currently, we cannot match the businesses in our ITAS database with the registration data base maintained by the Office of the Secretary of the State. Consequently, in the absence of a workable shared system, we spend a lot of time and a lot of money chasing phantom business entities. Entities may not be properly or currently registered. They may be on file with the Secretary of State but unknown and unknowable to DRS, or vice versa. They may also be still registered with the Secretary of the State but actually out of business or relocated.

At the same time, the lack of a single portal misses the opportunity to provide "one stop" for information that could help avoid problems. For example, DMV is a point of collection for business vehicle registration and applicable sales tax collection, but only DRS is ultimately responsible for determining tax liability. Similarly, proliferation of different forms of business organization beyond the traditional corporate form comes with different issues of taxability. So why not have access to all the relevant sources of information and advice at one time?

Also, there are several aspects of finding a workable solution that are especially important to DRS:

- A common identifier is essential.
- Basic information should identify current business address, business form and business principals.
- Data would best be captured through a series of on-line screens, perhaps similar to the state's existing Connecticut Commercial Licensing Information Center at www.ct-clic.com.
- Remember that common data is only as good as systems compatibility, data accuracy, standardized input, regular updating and periodic functional review.
- Similarly, information needs to be kept current and that includes removing entities after a reasonable period of inactivity and notice.
- Remember that the Office of the Secretary of the State is subject to FOI so identifiers like social security numbers or federal employer numbers would be at risk while even a new, unique and shared identifier would require ample security so as not to be hijacked.
- Notwithstanding any new share system, a new identifier cannot replace either social security numbers or employer identification numbers for internal DRS and IRS purposes or without costly reprogramming of the DRS ITAS system.
- DRS and state agencies that are permitted to receive taxpayer information from DRS are still subject to very strict limits on disclosure and redisclosure under federal and state law.
- Any "one stop" portal should include information or links to information about business tax benefits *and* tax obligations as well as taxpayer assistance available to businesses.

Finally, this could be a great opportunity to collect first year Business Entity Tax payments up front at the time of initial registration with the Office of the Secretary of the State.

The good news is that, with or without the proposed legislation, the Secretary of State and I are committed and already at work on finding a solution at last.