

**TESTIMONY OF KEVIN B. SULLIVAN  
COMMISSIONER  
DEPARTMENT OF REVENUE SERVICES  
FINANCE REVENUE & BONDING COMMITTEE  
March 16, 2012**

Good morning Senator Daily, Representative Widlitz, Senator Roraback, Representative Williams and members of the Committee.

Thank you for raising our agency bills which are part of the hearing today:

- **SB 357** would make several minor but much needed changes.
  - **Sec. 1** was developed in consultation with OPM's Office of Labor Relations. It addresses very real situations where the tax record non-disclosure requirements of CGS 12-15 bar both the state and state employees from necessary evidence in disciplinary proceedings. For example, a DRS employee might face discipline for browsing taxpayer information. Under current law, neither the state nor the employee would be able to disclose or seek to have disclosed into evidence the identity of the actual taxpayer records involved. The proposed change allows this information into evidence in these state employee matters but otherwise subject to the non-disclosure requirements of CGS 12-15.
  - **Sec. 2** updates the dollar threshold for when action on taxpayer requests for penalty waivers approved by the Commissioner must be reviewed and approved by the Penalty Review Committee. The committee consists of the DRS Commissioner, the State Comptroller or a designee, and the Secretary of OPM or a designee. Waiver requests below the threshold are reviewed by DRS staff and the Commissioner. The current members of the Penalty Review Committee support this change.
  - **Secs. 3 & 4** makes needed technical corrections in the captive insurance company legislation passed during last year's special jobs session. This proposal was developed in consultation with the Insurance Department and is needed so that the state can move forward with planned efforts in this economic sector.
- **HB 5421** would outlaw the sale, installation, possession or use of automated sales suppression devices popularly known as "zappers." This technology is available and used for only one purpose – creating fraudulent retail sales transaction records in order to understate sales tax liability. This "phantom-ware" is easily installed in electronic cash register systems so that unscrupulous merchants can automatically forge sales transaction records in order to under-report and under-pay sales tax otherwise due on the actual value of each of the transactions. This proposal has been developed in consultation with the Attorney General and the Department of Consumer Protection.

In addition to these agency proposals, the Department has an interest in several other bills being heard today. We fully support HB 5425 updating the marine transit and

docking time period that triggers state tax liability. We also support HB 5420 in order to bring hotel remarketers within the scope of the room occupancy tax and level the economic playing field by treating room valuation the same no matter how the accommodation is booked.

We have met with the advocates for SB 354 and to discuss the proposed legislation and we are available to assist the committee if you choose to move with this bill. The Department has no position with respect to SB 356 concerning Neighborhood Assistance Act tax credits, and the same language that is in legislation now before the Commerce Committee. Given the confusion over what was adopted last session, however, I do want to point out what SB 356 does and does not do. The bill only makes business donations eligible for a credit and up to 2-year carry-back under the Business Entity Tax (BET). In other words, the maximum credit any business could receive for an eligible donation would be \$250 annually or a total of \$750 dollars with the maximum carry-back.

Finally, let me offer a general note of caution for this short session. Governor Malloy and the State Legislature have made dramatic progress in turning around the fiscal and economic condition of our state. Much of the heavy-lifting necessary was done by this committee. As you know, the fiscal balance that you have made possible is still fragile, especially given recent volatility in the personal income tax. Having served as a legislator for so many years, I know there is never a lack of ideas about taxes and tax expenditures. This is especially true of bills coming to your committee from other committees. Given all of the revenue and tax credit changes last year, I hope you will agree that this is a year to think small.

Thank you.