



**FINANCE, REVENUE & BONDING COMMITTEE
MARCH 11, 2013
TESTIMONY OF COMMISSIONER KEVIN B. SULLIVAN
DEPARTMENT OF REVENUE SERVICES**

Excerpt Re: SB 1052

Senator Fonfara, Representative Widlitz and members of the Committee, thank you for this opportunity to testify in support of the Department's legislative proposals. Thank you also for your hard work in what are much improved but still fiscally challenging times for Connecticut and so many other states.

As you know, the Department of Revenue Services is focused on doing more with less. That includes a workforce that is one-third smaller than just a few years ago, working smarter through lean initiatives and maximizing collections without new taxes. The legislative changes we seek all support these efforts.

SB 1052 - AN ACT CONCERNING IMPROVED TAX COLLECTION

Section 1 will improve and increase cigarette tax collection, allowing better use of agency resources. Primary collection at the point of sale by wholesalers rather than only at the point of final sale by retailers is more effective and efficient given the greater business capacity of cigarette wholesalers, far less costly for the Department, and far more effective in reducing non-payment or delayed payment. Retailers will, of course, be at least made whole in their pricing to consumers and would only remit tax on the difference in the price to

consumers. In the event that a wholesaler is not paid by a retailer, existing state law allows a credit for "bad debts."

Section 2, 3, 6 and 7 provides consistency in the timing when refunds are calculated under several taxes. Practically, this reduces any incentive for extraordinary overpayments leading to refunds that include statutory interest at a much better rate than current market-rates. Low interest loans are not the purpose of providing tax refund interest.

Section 5 provides an offsetting credit under the petroleum gross receipts tax for a variety of products exported outside of Connecticut. This change will assist DECD efforts to support business expansion in the state. Section 4 is *not* proposed by DRS and was identified last session as a small revenue loss, so I defer to the Governor's staff for guidance. That said, the whole petroleum gross receipts tax merits your review at some point.

Thank you for your consideration.