



**TESTIMONY OF COMMISSIONER KEVIN B. SULLIVAN
DEPARTMENT OF REVENUE SERVICES
FINANCE COMMITTEE
MARCH 18, 2013**

Raised Bill 1110; *An Act Concerning the Collection and Remittal of Sales and Use Taxes*, would have the Department of Revenue Services evaluate alternative methods to expedite and increase the collection of sales and use taxes remitted by retailers. The Department is very interested in moving over time to automated point of sale collection but recognizes that this will present challenges to smaller retailers that tend to be the source of most delinquencies.

The Department is aware of and has had preliminary discussions with several private businesses that offer competing approaches. Each claims to improve sales tax collection. Each presents a significant business opportunity with comparatively little business investment. These methods include a software based escrow program, an automated payment system based on credit and debit card activity, and a sales recording module. In addition, the Department continues to explore additional ways under its existing authority that will directly strengthen collection. The question, of course, is whether there would in fact be benefit in terms of increasing collections and reducing deficiencies.

In general, we prefer to do any studies you may seek of the Department without the need for legislation. In this case, however, the methods to be considered represent a significant change and added financial obligations for retail merchants. Therefore, we are providing substitute language for SB 1110 that appropriately clarifies your legislative charge to us and has us report back to you by January 1, 2014. Rather than yield this potentially significant policy decision to the Department, we ask that you review the attached and allow us to report our recommendations before determining what additional collection options or requirements to pursue.

Thank you for your consideration.

General Assembly
January Session, 2013

Raised Bill No. 1110

LCO No. 4373

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Referred to Committee on FINANCE, REVENUE AND BONDING

Introduced by:

(FIN)

AN ACT CONCERNING THE COLLECTION AND REMITTAL OF SALES AND USE TAXES.

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

Section 1. (NEW) (*Effective from passage*) (a) The Commissioner of Revenue Services shall analyze ~~the use of various~~ alternative methods to enforce and enhance the collection and remittal of sales and use taxes by retailers ~~and the subsequent remittal of said taxes~~ to the commissioner, as required pursuant to chapter 219 of the general statutes. The commissioner shall consider (1) the amount of such sales and use taxes that are annually uncollected or consistently delinquent, (2) ~~such~~ the availability and effectiveness of alternative methods that have been used in other states, and any, including electronic software available for purchase or license, to assist in the collection and remittal of said taxes, ~~and whether such methods or software are effective~~, (3) the advisability of requiring more frequent ~~due dates for the~~ remittal of said taxes, particularly for retailers with a higher tax liability, (4) ~~the benefits and drawbacks~~ advisability of instituting a payment system whereby the state may receive payment of said taxes electronically ~~not later than two business days after~~ on or about the date of the taxable transaction, ~~from an institution from third party processing a of consumer credit or debit card payment payments or electronic funds transfer from a consumer transfers~~, and (5) whether such methods, ~~software or payment system, if determined to be advisable~~, should be employed by the commissioner ~~for required for all retailers, only for those that are retailers consistently delinquent in remitting such tax said taxes, or only for those either above or below a specific dollar level of with monthly quarterly tax liability greater than five hundred thousand dollars, or for some combination thereof, and (6) whether such methods are likely to reduce deficiencies and increase collections.~~

(b) ~~After taking all the items listed in subsection (a) of this section into consideration, the~~ The commissioner shall take all reasonable steps to implement any of such methods, software or payment systems that will enhance the

collection of sales and use taxes pursuant to chapter 219 of the general statutes
report his findings and recommendations, if any, to the joint standing committee
on Finance, Revenue and Bonding not later than January 1, 2014.

Proposed Substitute Language (to replace LCO 4373)

SB 1110:

AN ACT CONCERNING THE COLLECTION AND REMITTAL OF SALES AND USE TAXES.

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

Section 1. (NEW) (*Effective from passage*) (a) The Commissioner of Revenue Services shall analyze alternative methods to enforce and enhance the collection and remittal of sales and use taxes by retailers to the commissioner, as required pursuant to chapter 219 of the general statutes. The commissioner shall consider (1) the amount of such sales and use taxes that are annually uncollected or consistently delinquent, (2) the availability and effectiveness of alternative methods, including electronic software available for purchase or license, to assist in the collection and remittal of said taxes, (3) the advisability of requiring more frequent remittal of said taxes, particularly for retailers with a higher tax liability, (4) the advisability of instituting a payment system whereby the state may receive payment of said taxes electronically on or about the date of the taxable transaction, from third party processing of consumer credit or debit card payments or electronic funds transfers, and (5) whether such methods, if determined to be advisable, should be required for all retailers, only for retailers consistently delinquent in remitting said taxes, or only for those either above or below a specific dollar level of quarterly tax liability, and (6) whether such methods are likely to reduce deficiencies and increase collections.

(b) The commissioner shall report his findings and recommendations, if any, to the joint standing committee on Finance, Revenue and Bonding not later than January 1, 2014.