

Good morning, members of the Finance Committee.

Thank you for allowing me to speak today.

My name is Tim Phelan; I'm the President of the CT Retail Merchants Association.

CRMA is a statewide trade association representing some of the world's largest retailers and Connecticut's main street merchants.

I'm here to testify in opposition to SB 1110, "AN ACT CONCERNING THE COLLECTION AND REMITTAL OF SALES AND USE TAXES".

We oppose the bill for many reasons:

1. It is not possible for credit card companies to remit sales tax on behalf of retailers. Purchases are charged to credit cards as total purchase amounts. The charge is not broken into an item total and a sales tax total. The credit card company would also be unaware as to whether the transaction is subject to Connecticut tax or another state.

It cannot be assumed that the sales tax is tied to the state where the transaction occurred. For example, merchandise might be purchased in a Connecticut location but shipped to another state. The purchase is then subject to the out of state sales tax, not the Connecticut sales tax. Conversely, if a purchase is made out of state, but shipped to Connecticut, then the sales tax collected is a Connecticut tax.

For example, a major multi-state retailer is the only participant in the purchasing process who has access to the purchase details in order to see how much of the total charged is sales tax and to which state the remittance is due.

If a customer charges a purchase, the credit card company will only see a total charged. If the amount is \$107, the credit card company does not receive a breakdown showing that \$7 of the purchase is sales tax. Further, the credit company does not receive a record as to which state sales tax the purchase is subject.

Each retailer is in the best position to determine which purchases are subject to sales tax and in which state. Retailers maintain systems comprised of computer software and informed personnel in order to maintain records to both report and remit accurately as required by law. Some retailers may remit monthly, others quarterly and as mentioned earlier, retailers may be multi-state retailers. That retailer is the gatekeeper of all point of sale information for transactions made.

Again, this bill would only apply to those retailers who collect the state sales tax. NO ONLINE retailer is obligated to collect this tax and therefore only brick and mortar retailer would be subject to this bill.

2. The bill requires remittance of sales tax within two days of a transaction. This requirement presents a tremendous burden on retailers to perform an impossible act.

Before a retailer is able to report and remit sales tax, adjustments are often made due to events such as voided transactions, over rings, or charge backs. The two day requirement would cause retailers to report inaccurate information which they would then attempt to reconcile and correct at a later date causing administrative nightmares.

The burden would not rest simply with the retailer but would also fall on the Department of Revenue Services for the State of CT who would have to continually work to correct and update the accounts of retailers. The accounts would be in a perpetual state of inaccuracy.

3. The purpose of the bill is to improve collection of sales tax from taxpayers who are habitually delinquent in the remittance of monies. However, the bill focuses on large retailers who are rarely delinquent in the remittance of sales tax collected.

In general, large retailers are publicly traded companies which have SEC reporting requirements, maintain internal auditors, undergo external audits and are often audited by DRS. The focus is misdirected.

4. Altering the current process to require credit card companies to remit sales tax to the State of CT would not increase sales tax remittance. It will, however, increase the cost of credit to consumers because these regulations would cause credit card companies to invest in new software and create new processes in an attempt to comply with these proposed regulations. There is not an existing third party program available to meet the complexities involved for a national credit card company or a national retailer.
5. Sales tax returns in Connecticut as well as in other states that impose sales tax include both the remittance of the current period sales tax LESS sales tax associated with returns for that retailer by state. Credit card companies do not have visibility into specific point of sale transaction detail to accurately file these returns.

Thank you again for the opportunity to offer our testimony on this bill. I would be happy to answer any questions you might have.