

House-Co-Chair Representative Patricia Widliz

Senate-Co-Chair John Fonfara

Finance , Revenue and Bonding Committee

300 Capitol Avenue

Hartford, CT

Dear Chairs, Vice Chairs, Ranking Members and members of the Finance and Revenue Bonding Committee:

I submit this testimony in support of **Senate Bill 1110: an Act Concerning the Collection and Remittal of Sales and Use taxes**

My name is Kimberly McCreven, and I with First Data Corporation, a leading credit card processing and issuing company in the U.S. with assets near \$50 billion dollars. We are a preferred vendor to many state and municipal governments and, in fact, the State of Connecticut is currently a client.

I am here to testify in support of Bill #1110 and to simply address the method by which escrowing for sales taxes could be achieved through credit card processing companies, should this bill be passed and Commissioner Sullivan make a decision to implement some of its provisions to collect more taxes than currently collected.

Several years ago we were approached by certain individuals in CT to partner with them in developing a convenient easy system for escrowing sales tax dollars on a daily basis. After careful deliberation and effort, we developed a successful program now called Pay MY Taxes™ , by which we can deposit a designated percentage of a Merchant's credit and debit card batch receivables on a daily basis. These funds settle to a secondary account, belonging to the Merchant, at the Merchant's bank of choice. The percent deposited into the escrow account is agreed upon by the Merchant and First Data during the set up process, with the objective being to save enough money to equal the Merchant's tax liability. Interest could be earned on such account depending on the relationship of the Merchant and the depository bank.

By way of example, if a Merchant has \$1,000,000 in annual taxable revenue, that Merchant's tax liability in CT would be approximately \$63,500. If all of the revenues came from credit and debit cards, then the appropriate amount to deposit into the tax account would be 6.35% of the daily batch; if half the revenue came from credit and debit cards, and the other half from cash or checks, then the merchant would designate 12.7% of the daily credit and debit card batch to be deposited in the escrow account in order to have enough to cover the sales tax liability.

First Data does not charge a fee for this service, above the normal cost of acceptance, and the technology is such that the merchant would not have to upgrade the equipment to benefit from this Pay My Taxes Program. The Program is not patentable and presumably most credit card processing companies should be able to offer the same service, whether on a fee basis or otherwise.

First Data, as all other credit card processing companies, are required to be in full compliance with the Payment Card Industry Data Security Standard (PCI DSS) meaning the State of Connecticut should not be concerned with the integrity of such system. As the Bill contemplates, these concerns would be the issues that Commissioner Sullivan and his staff would be looking at in their analysis and decision to adopt a daily escrowing program, utilizing credit card receivables, similar to Pay My Taxes. Subject to privacy standards, First Data and the other participating credit card companies may have the availability to share statistical information with the State, to assist in budgetary forecasting.

As stated by Katherin Barrett and Richard Greene in an article entitled "Growth and Taxes" in **Governing Magazine**, *"A Tax Policy is only as good as the systems that collect the taxes and make it simple for people to pay them"*. Today's technology is such that it's time for states to embrace such technology to assist Merchants in paying their sales taxes in a simple, stress-free way, on time, every time, and better serve its citizens by reducing delinquency. I am confident that if this bill passes, the subsequent analysis of the Department of Revenue Services will see the merits of such programs and adopt them accordingly. Thank you very much.

Respectfully submitted,

Kimberly McCreven

Signed: Kimberly McCreven