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## OLR Bill Analysis

### sHB 6567

#### ***AN ACT CONCERNING DEPARTMENT OF REVENUE SERVICES PROCEDURES REGARDING PENALTY WAIVERS, PERSONNEL PROCEEDINGS, SALES TAX PERMITS AND LICENSE RENEWALS.***

#### **SUMMARY:**

This bill:

1. allows the Department of Revenue Services (DRS) commissioner to disclose certain tax information in connection with personnel proceedings involving current or former DRS employees;
2. increases, from \$500 to \$1,000, the threshold for penalty waivers requiring Penalty Review Committee review and approval;
3. imposes, on anyone conducting business without a sales tax permit, a civil penalty of \$250 for the first day, and \$100 for each subsequent day; and
4. bars the DRS commissioner from issuing or renewing certain permits and licenses for anyone who he determines owes state taxes for which all administrative or judicial remedies have expired or been exhausted.

EFFECTIVE DATE: July 1, 2013, except the provision concerning the disclosure of certain tax information is effective upon passage.

#### **§§ 2 & 3 — DISCLOSURE OF CERTAIN TAX INFORMATION IN PERSONNEL PROCEEDINGS**

The bill allows the DRS commissioner to disclose tax returns and return information (see BACKGROUND) in connection with personnel proceedings, including any related administrative or judicial proceedings, involving a current or former DRS employee if the commissioner determines that the information is relevant and material

to the proceeding. The commissioner may prescribe terms and conditions for the disclosures, which can be used only for purposes of, and to the extent necessary in, the proceedings.

The bill also requires the commissioner to disclose the tax information to the employee who is the subject of the proceeding, or his or her collective bargaining agent, if the information is relevant and material to the proceeding and the employee requests it. The commissioner must release the information regardless of whether he introduces it or otherwise relies on it during the proceeding.

The bill prohibits anyone involved in the proceeding from further disclosing the information and subjects violators to a fine of up to \$1,000, up to one year in prison, or both. The same penalty already applies under existing law for other unauthorized disclosures of tax information (CGS § 12-15(g)).

#### **§ 1 — TAX AND LOTTERY SALES AGENT PENALTY WAIVERS**

By law, the Penalty Review Committee must review and approve (1) tax penalty waivers granted by the DRS commissioner and (2) lottery sales agent penalty waivers granted by the consumer protection commissioner, if they exceed a minimum threshold. The bill increases this minimum from \$500 to \$1,000.

The Penalty Review Committee consists of the comptroller, DRS commissioner, and Office of Policy and Management secretary or their designees, who must be employees of their respective agencies. The committee (1) must meet as often as needed, but at least monthly, and make an itemized statement of all approved waivers available for public inspection and (2) may approve a waiver only by majority vote.

#### **§ 4 — PENALTY FOR FAILING TO GET OR RENEW A SALES TAX PERMIT**

By law, those engaged in the business of selling in Connecticut must hold a DRS-issued sales tax permit for each place of business.

The bill imposes a civil penalty on anyone who fails to get or renew a sales tax permit of \$250 for the first day, and \$100 for each

subsequent day, that the person conducts business without a permit. It allows the DRS commissioner to waive all or part of the penalty if he finds that the person's failure to get or renew the permit has a reasonable cause and is not intentional or due to neglect. Any waiver is subject to the existing tax penalty waiver requirements described above.

As under current law, the penalty for each knowing violation of the sales tax permit law is a fine of up to \$500, up to three months in prison, or both.

### **§ 5 — STATE TAX PAYMENT AS A CONDITION OF ISSUING A LICENSE**

The bill bars the DRS commissioner from issuing or renewing a (1) cigarette dealer, distributor, or manufacturer license; (2) tobacco product distributor license; and (3) sales tax seller's permit for anyone who he determines owes state taxes for which all administrative or judicial remedies have expired or been exhausted. Under the bill, the applicant must pay what he or she owes or arrange to do so, to the commissioner's satisfaction, before the commissioner may issue or renew the license.

### **BACKGROUND**

#### ***Tax Returns and Return Information***

By law, a "return" is any of the following filed with the DRS commissioner by, on behalf of, or with respect to, anyone: (1) a tax or information return; (2) an estimated tax declaration; (3) a refund claim; or (4) any license, permit, registration, or other application. The term also covers amendments or supplements, including supporting schedules, attachments, or lists that supplement or are part of a filed return.

"Return information" includes:

1. a taxpayer's identity;
2. the nature, source, or amount of the taxpayer's income,

payments, receipts, deductions, exemptions, credits, assets, liabilities, net worth, tax liability, tax collected or withheld, tax under- or over-reportings, or tax payments; and

3. any other data received, recorded, prepared, or collected by or furnished to the DRS commissioner regarding a return or regarding any determination of liability for a tax, penalty, interest, fine, forfeiture, or other imposition or offense (CGS § 12-15 (h)(1) & (2)).

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 51 Nay 0 (04/04/2013)