OLR Bill Analysis
sSB 369

AN ACT CONCERNING CHANGES TO DEPARTMENT OF REVENUE SERVICES STATUTES.

SUMMARY:

This bill:

1. authorizes the Department of Revenue Services (DRS) commissioner to publicly list the people for whom he denied, revoked, or suspended a license, permit, or certificate;
2. requires him to state on the publicly available delinquent taxpayers list why he intends to remove a name from the list;
3. moves up the deadline for remitting monthly sales taxes and filing sales tax returns from the last to the 20th day of the month following the monthly return period and authorizes the commissioner to require weekly sales tax returns from retailers that are delinquent in remitting the tax;
4. requires the commissioner to exchange information about delinquent taxpayers with financial institutions;
5. requires trusts and estates, when calculating their Connecticut income tax, to add certain lump sum distributions to their Connecticut fiduciary adjustment;
6. subjects to Connecticut's personal income tax the income nonresidents receive from (a) nonqualified deferred compensation plans attributable to service performed here and (b) sale or transfer of shares in a business that owns real property in Connecticut; and
7. modifies how nonresidents' business income must be apportioned to Connecticut.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: Various, see below.

§ 1 — DRS TAXPAYER LISTS

Listing Actions Regarding Licenses, Permits, and Certificates

The bill allows the DRS commissioner to create a public list of specific enforcement actions he took regarding licenses, permits, or certificates. He may list each person whose (1) application for a license, permit, or certificate was denied or (2) license was suspended, revoked, or not renewed. If he publishes the list, the commissioner must arrange it by the type of tax and may add the date he took the actions and the reasons for taking them.

Including Reasons for Removing a Taxpayer's Name from the Delinquent Taxpayer List

By law, the DRS commissioner must maintain a publicly available list of delinquent taxpayers. The bill requires that, before removing a name from the list, the commissioner indicate on it his reasons for doing so. He must specifically indicate if the delinquency was (1) resolved by negotiated settlement, (2) paid in full, or (3) designated as uncollectable.

EFFECTIVE DATE: July 1, 2014

§§ 2 & 7 — SALES TAX

Remittance Deadline

The bill moves up the deadline for remitting monthly sales taxes and filing sales tax returns from the last day to the 20th day of the month following the month covered by the return.

Weekly Remittance for Delinquent Parties

The bill allows the commissioner to require retailers that fail to remit the tax on time to file returns and pay the tax weekly. These weekly returns are due by the Wednesday following the end of the weekly period the return covers. The commissioner must notify affected retailers in writing, specifying how they must remit the tax.

He must require weekly remittance for one year, starting on the notice's date.

Current law allows the commissioner to require parties collecting sales taxes to remit them for other than monthly or quarterly periods. Under the bill, if a weekly period straddles two months, retailers must still remit the tax for a week. In addition, retailers required to remit the tax on a weekly basis must also file required monthly or quarterly returns.

Retailers required to remit taxes on a weekly basis are subject to the law's penalties for failing to remit them, including revocation of their sales tax permits.

EFFECTIVE DATE: October 1, 2014

§ 3 — IDENTIFYING DELINQUENT TAXPAYERS' ASSETS

The bill requires the DRS commissioner to contract with financial institutions doing business in Connecticut to exchange information about taxpayers who owe state taxes. Such institutions include banks, credit unions, benefit associations, insurance companies, safe deposit companies, money market mutual funds, and other similar entities authorized to do business here.

Under the contract, the commissioner must provide to these institutions (1) each delinquent taxpayer's name, Social Security number, or other taxpayer identification numbers and (2) the amount of taxes due and payable for which every administrative or judicial remedy has been exhausted. Within 90 days after receiving this list, the financial institution must provide the commissioner with a list of its account holders appearing on the commissioner's list, along with the account holder's Social Security number or taxpayer identification number and a statement about whether their account balance exceeds $1,000.

The bill waives the existing statutory restrictions against releasing taxpayer information when the commissioner exchanges the information with a financial institution. It also relieves contracting institutions from liability to anyone for disclosing customer information to the commissioner or for any other good faith actions they take to comply with the bill.

EFFECTIVE DATE: Upon passage

§ 4 — CONNECTICUT FIDUCIARY ADJUSTMENT

When a trust or estate taxpayer determines its Connecticut adjusted gross income for state income tax purposes, the bill requires it to add any lump sum distributions it receives during the tax year. The required addition is any amount of the distribution that is not included in the trust's or estate's federal taxable income before deductions for distributions to beneficiaries.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2014.

§§ 5-6 — NONRESIDENT INCOME DERIVED FROM CONNECTICUT SOURCES

Nonqualified Deferred Compensation Plans

The bill extends the state income tax to nonresidents' income from nonqualified deferred compensation plans attributable to services performed in Connecticut. Such nonqualified plans are those under which an employer agrees to defer a portion of an employee's wages until a specified future date, thus delaying the employee's tax liability until the deferred amount is paid. Under the bill, the income subject to Connecticut's tax includes such income that is taxable for federal income tax purposes.

EFFECTIVE DATE: Upon passage

Sale or Disposition of Property Interest in an Entity

The bill requires nonresidents to pay Connecticut income tax on gains or losses from the sale or disposition of an interest in an entity (i.e., partnership, limited liability company, or S corporation) that owns certain real property in Connecticut.

Under the bill, all or a portion of the gain or loss from a nonresident taxpayer's sale or disposition of an interest in the entity is considered taxable in Connecticut if the entity owns real property in the state valued at 50% or more of the fair market value of the entity's total assets in the preceding two years. The Connecticut gain or loss from the transaction is the total federal gain or loss multiplied by the ratio of the fair market value of the entity's Connecticut real property to that of its total assets, as of the transaction date.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2014.

Apportioning Nonresident Business Income

The bill modifies how nonresidents' business income is apportioned to Connecticut for income tax purposes by changing the way in which certain sales are sourced to Connecticut.

By law and unchanged by the bill, if a business is carried on partly in and partly outside of Connecticut, its gains and losses derived from or connected with Connecticut must be apportioned to the state. The business' proportion of net income, gain, loss, and deduction sourced to Connecticut equals its average percentage of property, payroll, and gross income in the state.

By law, a business' gross income percentage is calculated by dividing its gross Connecticut sales by its total sales. Under current law, property and service sales are sourced to Connecticut if they are negotiated or performed by an employee, agent, agency, or independent contractor chiefly situated at, contracted with, or sent from the business' Connecticut offices or branches (Conn. Agencies Regs. § 12-711(c)-4). The bill instead sources property sales to Connecticut if the property is delivered or shipped to a purchaser in the state, regardless of the FOB point (i.e., point at which title for the goods transfers to the buyer) or other conditions of the sale.

EFFECTIVE DATE: Upon passage and applicable to taxable years beginning on or after January 1, 2014.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea	49	Nay	1	(03/25/2014)