



# Senate

General Assembly

**File No. 658**

February Session, 2016

Substitute Senate Bill No. 451

*Senate, April 18, 2016*

The Committee on Finance, Revenue and Bonding reported through SEN. FONFARA of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## ***AN ACT CONCERNING STATE TAX ADMINISTRATION.***

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

1 Section 1. Section 12-39o of the general statutes is repealed and the  
2 following is substituted in lieu thereof (*Effective January 1, 2017*):

3 (a) For purposes of this section, "license" means (1) any license  
4 issued by the commissioner pursuant to the provisions of chapter 214,  
5 (2) any license issued by the commissioner pursuant to the provisions  
6 of section 12-330b, or (3) a seller's permit issued by the commissioner  
7 pursuant to section 12-409.

8 (b) Prior to issuing or renewing the license of any person, the  
9 commissioner may determine whether such person has failed to file  
10 any returns required to be filed with the commissioner by such person.  
11 If the commissioner determines that such person has failed to file any  
12 required returns, the commissioner shall not issue a license to, or  
13 renew the license of, such person until such person files all

14 outstanding returns or makes an arrangement satisfactory to the  
15 commissioner to file all outstanding returns.

16 [(b)] (c) Prior to issuing or renewing the license of any person, the  
17 commissioner may determine whether such person owes taxes to this  
18 state, which taxes are finally due and payable and with respect to  
19 which any administrative or judicial remedies, or both, have been  
20 exhausted or have lapsed. If the commissioner determines that such  
21 person owes such taxes, the commissioner shall not issue a license to,  
22 or renew the license of, such person, until such person pays such taxes,  
23 or makes an arrangement satisfactory to the commissioner to pay such  
24 taxes.

25 Sec. 2. Subsection (a) of section 12-263m of the 2016 supplement to  
26 the general statutes is repealed and the following is substituted in lieu  
27 thereof (*Effective October 1, 2016, and applicable to calendar quarters*  
28 *commencing on or after October 1, 2016*):

29 (a) As used in this section: (1) "Eligible dry cleaning establishment"  
30 means any place of business engaged in the cleaning of clothing or  
31 other fabrics using tetrachlorethylene, Stoddard solvent or other  
32 chemicals, [or any place of business that accepts clothing or other  
33 fabrics to be cleaned by another establishment using such chemicals,]  
34 (2) "gross receipts at retail" means the total amount accruing from dry  
35 cleaning services, [at retail,] valued in money, without any deduction  
36 for the cost of the materials used, labor or service cost or any other  
37 expense, and (3) "eligible applicant" means (A) a business owner or  
38 operator of an eligible dry cleaning establishment, or (B) an owner of  
39 property that is or that was occupied by an eligible dry cleaning  
40 establishment.

41 Sec. 3. Section 12-330i of the general statutes is repealed and the  
42 following is substituted in lieu thereof (*Effective October 1, 2016*):

43 (a) Each distributor and each unclassified importer shall keep  
44 complete and accurate records of all tobacco products manufactured,  
45 produced, purchased and sold. Such records shall be of such kind and

46 in such form as the commissioner may prescribe and shall be [safely  
47 preserved] maintained on the premises where such tobacco products  
48 are possessed, stored or sold for three years [in such manner as to  
49 ensure permanency and accessibility] and shall be available at all times  
50 for inspection by the commissioner and [his] the commissioner's  
51 authorized agents. The commissioner and [his] the commissioner's  
52 authorized agents may examine the books, papers and records of any  
53 distributor or unclassified importer in this state for the purpose of  
54 determining whether the tax imposed by this chapter has been fully  
55 paid, and may investigate and examine the stock of tobacco products  
56 in or upon any premises where such tobacco products are possessed,  
57 stored or sold for the purpose of determining whether the provisions  
58 of this chapter are being obeyed. If, after an examination of the  
59 invoices, books and records of a licensed distributor or unclassified  
60 importer, or if, from any other information obtained by him or his  
61 authorized agents, the commissioner determines that the report of any  
62 licensed distributor or licensed unclassified importer is incorrect, [he]  
63 the commissioner shall thereupon assess the deficiency in tax. Such  
64 amount shall bear interest at the rate of one per cent per month or  
65 fraction thereof from the date when the original tax was due and  
66 payable. When it appears that any part of the deficiency for which a  
67 deficiency assessment is made is due to negligence or intentional  
68 disregard of the provisions of this chapter or regulations promulgated  
69 thereunder, there shall be imposed a penalty equal to ten per cent of  
70 the amount of such deficiency assessment, or fifty dollars, whichever is  
71 greater. When it appears that any part of the deficiency for which a  
72 deficiency assessment is made is due to fraud or intent to evade the  
73 provisions of this chapter or regulations promulgated thereunder,  
74 there shall be imposed a penalty equal to twenty-five per cent of the  
75 amount of such deficiency assessment. No taxpayer shall be subject to  
76 more than one penalty under this subsection in relation to the same tax  
77 period. The amount of any tax, penalty or interest due and unpaid  
78 under the provisions of this chapter may be collected under the  
79 provisions of section 12-35. The warrant therein provided for shall be  
80 signed by the commissioner or his authorized agent. The amount of

81 any such tax, penalty and interest shall be a lien, from the last day of  
82 the month next preceding the due date of such tax until discharged by  
83 payment, against all real estate of the taxpayer within the state, and a  
84 certificate of such lien signed by the commissioner may be filed for  
85 record in the office of the clerk of any town in which such real estate is  
86 situated, provided no such lien shall be effective as against any bona  
87 fide purchaser or qualified encumbrancer of any interest in any such  
88 property. When any tax with respect to which a lien has been recorded  
89 under the provisions of this section has been satisfied, the  
90 commissioner, upon request of any interested party, shall issue a  
91 certificate discharging such lien, which certificate shall be recorded in  
92 the same office in which the lien is recorded. Any action for the  
93 foreclosure of such lien shall be brought by the Attorney General in the  
94 name of the state in the superior court for the judicial district in which  
95 the property subject to such lien is situated, or, if such property is  
96 located in two or more judicial districts, in the superior court for any  
97 one such judicial district, and the court may limit the time for  
98 redemption or order the sale of such property or make such other or  
99 further decree as it judges equitable.

100 (b) Except in the case of a wilfully false or fraudulent return with  
101 intent to evade the tax, no assessment of additional tax with respect to  
102 any return shall be made after the expiration of more than three years  
103 from the date of the filing of such return or from the original due date  
104 of such return, whichever is later. If no return has been filed as  
105 provided in this chapter the commissioner may make such return at  
106 any time thereafter, according to the best information obtainable and  
107 according to the form prescribed. To the tax imposed upon the basis of  
108 such return, there shall be added an amount equal to ten per cent of  
109 such tax, or fifty dollars, whichever is greater. The tax shall bear  
110 interest at the rate of one per cent per month or fraction thereof from  
111 the due date of such tax to the date of payment. If prior to the  
112 expiration of the period prescribed in this section for the assessment of  
113 additional tax, a taxpayer has consented in writing that such period  
114 may be extended, the amount of such additional tax due may be  
115 determined at any time within such extended period. Any such

116 extended period may be further extended by consent in writing before  
117 the expiration of such extended period.

118 (c) If, upon request by the commissioner or the commissioner's  
119 authorized agent, any distributor or unclassified importer fails to  
120 immediately produce or immediately provide electronic access to the  
121 records prescribed in subsection (a) of this section, said distributor or  
122 unclassified importer shall be subject to a civil penalty of one thousand  
123 dollars per day until such time as the records are produced or  
124 electronic access is provided to the commissioner. The commissioner  
125 may waive all or any part of the penalties provided for in this  
126 subsection if it is proven to the commissioner's satisfaction that the  
127 failure to immediately produce the requested records was due to  
128 reasonable cause.

129 Sec. 4. Subsection (c) of section 12-409 of the general statutes is  
130 repealed and the following is substituted in lieu thereof (*Effective from*  
131 *passage*):

132 (c) At the time of making an application the applicant shall pay to  
133 the Commissioner of Revenue Services a permit fee of one hundred  
134 dollars for each permit. Any permit issued on or after July 1, 1985, but  
135 prior to October 1, 2003, shall expire biennially on the anniversary date  
136 of the issuance of such permit unless renewed in accordance with such  
137 procedure and application form as prescribed by the commissioner.  
138 Any permit issued on or after October 1, 2003, and prior to January 1,  
139 2017, shall expire on the fifth anniversary date of the issuance of such  
140 permit unless renewed in accordance with such procedure and  
141 application form as prescribed by the commissioner. Any permit  
142 issued on or after January 1, 2017, shall expire biennially on the  
143 anniversary date of the issuance of such permit unless renewed in  
144 accordance with such procedure and application form as prescribed by  
145 the commissioner.

146 Sec. 5. Subsection (a) of section 12-727 of the general statutes is  
147 repealed and the following is substituted in lieu thereof (*Effective from*  
148 *passage and applicable to taxable years commencing on or after January 1,*

149 2016):

150 (a) [The Commissioner of Revenue Services may adopt regulations  
151 requiring returns] Returns of information [to] shall be made and filed  
152 on or before the last day of [February] January each year by any person  
153 making payment or crediting in [any] the previous calendar year  
154 amounts of six hundred dollars or more, or ten dollars or more in the  
155 case of interest or dividends, to any person who may be subject to the  
156 tax imposed under this chapter. Such returns may be required of any  
157 person, including lessees or mortgagors of real or personal property,  
158 fiduciaries, employers, and all officers and employees of this state, or  
159 of any municipal corporation or political subdivision of this state,  
160 having the control, receipt, custody, disposal or payment of dividends,  
161 interest, rents, salaries, wages, premiums, annuities, compensations,  
162 remunerations, pensions, gambling winnings, emoluments or other  
163 fixed or determinable gains, profits or income, except interest coupons  
164 payable to bearer. A duplicate of the statement as to tax withheld on  
165 wages, required to be furnished by an employer to an employee, shall  
166 constitute the return of information required to be made under this  
167 section with respect to such wages. [The commissioner may adopt  
168 regulations providing standards for determining which returns must  
169 be filed on magnetic media or in other machine-readable form.]

170 Sec. 6. Subsection (b) of section 12-15 of the general statutes is  
171 repealed and the following is substituted in lieu thereof (*Effective from*  
172 *passage*):

173 (b) The commissioner may disclose (1) returns or return information  
174 to (A) an authorized representative of another state agency or office,  
175 upon written request by the head of such agency or office, when  
176 required in the course of duty or when there is reasonable cause to  
177 believe that any state law is being violated, or (B) an authorized  
178 representative of an agency or office of the United States, upon written  
179 request by the head of such agency or office, when required in the  
180 course of duty or when there is reasonable cause to believe that any  
181 federal law is being violated, provided no such agency or office shall

182 disclose such returns or return information, other than in a judicial or  
183 administrative proceeding to which such agency or office is a party  
184 pertaining to the enforcement of state or federal law, as the case may  
185 be, in a form which can be associated with, or otherwise identify,  
186 directly or indirectly, a particular taxpayer except that the names and  
187 addresses of jurors or potential jurors and the fact that the names were  
188 derived from the list of taxpayers pursuant to chapter 884 may be  
189 disclosed by the Judicial Branch; (2) returns or return information to  
190 the Auditors of Public Accounts, when required in the course of duty  
191 under chapter 23; (3) returns or return information to tax officers of  
192 another state or of a Canadian province or of a political subdivision of  
193 such other state or province or of the District of Columbia or to any  
194 officer of the United States Treasury Department or the United States  
195 Department of Health and Human Services, authorized for such  
196 purpose in accordance with an agreement between this state and such  
197 other state, province, political subdivision, the District of Columbia or  
198 department, respectively, when required in the administration of taxes  
199 imposed under the laws of such other state, province, political  
200 subdivision, the District of Columbia or the United States, respectively,  
201 and when a reciprocal arrangement exists; (4) returns or return  
202 information in any action, case or proceeding in any court of  
203 competent jurisdiction, when the commissioner or any other state  
204 department or agency is a party, and when such information is directly  
205 involved in such action, case or proceeding; (5) returns or return  
206 information to a taxpayer or its authorized representative, upon  
207 written request for a return filed by or return information on such  
208 taxpayer; (6) returns or return information to a successor, receiver,  
209 trustee, executor, administrator, assignee, guardian or guarantor of a  
210 taxpayer, when such person establishes, to the satisfaction of the  
211 commissioner, that such person has a material interest which will be  
212 affected by information contained in such returns or return  
213 information; (7) information to the assessor or an authorized  
214 representative of the chief executive officer of a Connecticut  
215 municipality, when the information disclosed is limited to (A) a list of  
216 real or personal property that is or may be subject to property taxes in

217 such municipality, or (B) a list containing the name of each person who  
218 is issued any license, permit or certificate which is required, under the  
219 provisions of this title, to be conspicuously displayed and whose  
220 address is in such municipality; (8) real estate conveyance tax return  
221 information or controlling interest transfer tax return information to  
222 the town clerk or an authorized representative of the chief executive  
223 officer of a Connecticut municipality to which the information relates;  
224 (9) estate tax returns and estate tax return information to the Probate  
225 Court Administrator or to the court of probate for the district within  
226 which a decedent resided at the date of the decedent's death, or within  
227 which the commissioner contends that a decedent resided at the date  
228 of the decedent's death or, if a decedent died a nonresident of this  
229 state, in the court of probate for the district within which real estate or  
230 tangible personal property of the decedent is situated, or within which  
231 the commissioner contends that real estate or tangible personal  
232 property of the decedent is situated; (10) returns or return information  
233 to the (A) Secretary of the Office of Policy and Management for  
234 purposes of subsection (b) of section 12-7a, and (B) Office of Fiscal  
235 Analysis for purposes of, and subject to the provisions of, subdivision  
236 (2) of subsection (f) of section 12-7b; (11) return information to the Jury  
237 Administrator, when the information disclosed is limited to the names,  
238 addresses, federal Social Security numbers and dates of birth, if  
239 available, of residents of this state, as defined in subdivision (1) of  
240 subsection (a) of section 12-701; (12) [pursuant to regulations adopted  
241 by the commissioner,] returns or return information to any person to  
242 the extent necessary in connection with the processing, storage,  
243 transmission or reproduction of such returns or return information,  
244 and the programming, maintenance, repair, testing or procurement of  
245 equipment, or the providing of other services, for purposes of tax  
246 administration; (13) without written request and unless the  
247 commissioner determines that disclosure would identify a confidential  
248 informant or seriously impair a civil or criminal tax investigation,  
249 returns and return information which may constitute evidence of a  
250 violation of any civil or criminal law of this state or the United States to  
251 the extent necessary to apprise the head of such agency or office

252 charged with the responsibility of enforcing such law, in which event  
253 the head of such agency or office may disclose such return information  
254 to officers and employees of such agency or office to the extent  
255 necessary to enforce such law; (14) names and addresses of operators,  
256 as defined in section 12-407, to tourism districts, as defined in section  
257 10-397; (15) names of each licensed dealer, as defined in section 12-285,  
258 and the location of the premises covered by the dealer's license; (16) to  
259 a tobacco product manufacturer that places funds into escrow  
260 pursuant to the provisions of subsection (a) of section 4-28i, return  
261 information of a distributor licensed under the provisions of chapter  
262 214 or chapter 214a, provided the information disclosed is limited to  
263 information relating to such manufacturer's sales to consumers within  
264 this state, whether directly or through a distributor, dealer or similar  
265 intermediary or intermediaries, of cigarettes, as defined in section 4-  
266 28h, and further provided there is reasonable cause to believe that such  
267 manufacturer is not in compliance with section 4-28i; (17) returns,  
268 which shall not include a copy of the return filed with the  
269 commissioner, or return information for purposes of section 12-217z;  
270 (18) returns or return information to the State Elections Enforcement  
271 Commission, upon written request by said commission, when  
272 necessary to investigate suspected violations of state election laws; and  
273 (19) returns or return information for purposes of, and subject to the  
274 conditions of, subsection (e) of section 5-240.

275 Sec. 7. Section 12-80b of the general statutes is repealed and the  
276 following is substituted in lieu thereof (*Effective from passage*):

277 (a) (1) Each taxpayer described in subsection (a) of section 12-80a  
278 that owns tangible personal property used both to render  
279 telecommunications service subject to tax under chapter 219 and to  
280 render community antenna television service or a certified competitive  
281 video service subject to tax under said chapter 219, shall have part of  
282 such property taxed as provided in said section 12-80a and part of such  
283 property exempt from property tax in accordance with section 12-268j.

284 (2) The portion of such property to be taxed [as provided in section

285 12-80a and the portion exempt under section 12-268j shall be  
286 computed, as provided in regulations adopted by the Commissioner of  
287 Revenue Services in accordance with the provisions of chapter 54] on  
288 the basis of the taxpayer's gross receipts from rendering  
289 telecommunications service or a certified competitive video service, as  
290 defined in chapter 219, and from rendering community antenna  
291 television service, as defined in said chapter 219, or on some other  
292 basis permitted under [such] regulations that may be adopted by the  
293 commissioner in accordance with the provisions of chapter 54.

294 (b) (1) Each taxpayer not described in subsection (a) of section 12-  
295 80a that owns tangible personal property used both to render  
296 telecommunications service subject to tax under chapter 219 and to  
297 render community antenna television service or a certified competitive  
298 video service subject to tax under said chapter 219 shall have part of  
299 such property taxed as provided in this chapter, without regard to said  
300 section 12-80a, and part of such property exempt from property tax in  
301 accordance with section 12-268j.

302 (2) The portion of such property to be taxed as provided in this  
303 chapter, without regard to section 12-80a and the portion exempt  
304 under section 12-268j shall be computed [, as provided in regulations  
305 adopted by the Commissioner of Revenue Services in accordance with  
306 the provisions of chapter 54,] on the basis of the taxpayer's gross  
307 receipts from rendering telecommunications service, as defined in  
308 chapter 219, and from rendering community antenna television service  
309 or a certified competitive video service, as defined in said chapter 219,  
310 or on some other basis permitted under [such] regulations that may be  
311 adopted by the commissioner in accordance with the provisions of  
312 chapter 54.

313 (c) For purposes of this section, "assessment year" means the  
314 assessment year under this chapter.

315 (d) For purposes of this section, "community antenna television  
316 service" shall include service provided by a holder of a certificate of  
317 cable franchise authority pursuant to section 16-331p.

318 Sec. 8. Subsection (b) of section 12-408c of the general statutes is  
319 repealed and the following is substituted in lieu thereof (*Effective from*  
320 *passage*):

321 (b) (1) Whenever any holder of a permit issued under this  
322 subsection purchases from a retailer tangible personal property for use  
323 or consumption in carrying on the trade, occupation, business or  
324 profession of such person, (A) for the purpose of subsequently  
325 transporting it outside this state for use or consumption thereafter  
326 solely outside this state or (B) for the purpose of being processed,  
327 fabricated or manufactured into, attached to or incorporated into, other  
328 tangible personal property to be transported outside this state and  
329 thereafter used or consumed solely outside this state, such holder may  
330 purchase such property without payment of the taxes otherwise  
331 imposed by this chapter on the purchase of such property.

332 (2) The Commissioner of Revenue Services may [pursuant to  
333 regulations adopted in accordance with chapter 54] issue a permit to  
334 any person carrying on a trade, occupation, business or profession in  
335 this state who purchases from a retailer tangible personal property for  
336 use or consumption in carrying on such trade, occupation, business or  
337 profession, (A) for the purpose of subsequently transporting it outside  
338 this state for use or consumption thereafter solely outside this state or  
339 (B) for the purpose of being processed, fabricated or manufactured  
340 into, attached to or incorporated into, other tangible personal property  
341 to be transported outside this state and thereafter used or consumed  
342 solely outside this state, if the commissioner determines that the  
343 person is carrying on a trade, occupation, business or profession in this  
344 state and is filing the returns required to be filed by such person under  
345 section 12-414 and that the enforcement of the provisions of this  
346 chapter shall not be adversely affected.

347 (3) The permit issued under subdivision (2) of this subsection shall  
348 authorize the holder to the extent and in the manner specified [in the  
349 regulations adopted under said subdivision (2),] by the commissioner  
350 to purchase tangible personal property from a retailer on which the

351 taxes imposed by this chapter shall not be payable. The [regulations  
352 adopted under this subsection] commissioner shall require (A) a  
353 declaration, prescribed as to form by the commissioner and bearing  
354 notice to the effect that false statements made in such declaration are  
355 punishable, stating that such property is purchased for a purpose  
356 permitted by this subsection, (B) a report to be submitted with, and to  
357 be a part of, each return that is required to be filed under section 12-  
358 414 by the holder of such permit detailing the persons from whom  
359 such tangible personal property was purchased during the period  
360 covered by such return, the quantities in which and the dates on which  
361 such property was purchased and any other information deemed  
362 necessary by the commissioner, and (C) periodic registration, at least  
363 annually, for the purpose of the issuance of a permit, including  
364 procedures relating to the application for the permit and notice  
365 concerning the penalty for misuse of the permit.

366 Sec. 9. Section 12-580 of the general statutes is repealed and the  
367 following is substituted in lieu thereof (*Effective from passage*):

368 This chapter shall be administered by the tax collector of the  
369 municipality. All forms necessary or convenient for the enforcement of  
370 this chapter shall be prescribed by the Commissioner of Revenue  
371 Services and shall be printed and furnished by said tax collector. The  
372 Commissioner of Revenue Services [shall] may adopt and enforce rules  
373 and regulations relating to the administration and enforcement of this  
374 chapter.

375 Sec. 10. Subsection (a) of section 12-719 of the general statutes is  
376 repealed and the following is substituted in lieu thereof (*Effective from*  
377 *passage*):

378 (a) The income tax return required under this chapter shall be filed  
379 on or before the fifteenth day of the fourth month following the close  
380 of the taxpayer's taxable year. A person required to make and file a  
381 return shall, without assessment, notice or demand, pay any tax due  
382 thereon to the Commissioner of Revenue Services on or before the date  
383 fixed for filing such return, determined without regard to any

384 extension of time for filing the return. [The commissioner shall  
 385 prescribe by regulation the place for filing any return, declaration,  
 386 statement or other document required pursuant to this chapter and for  
 387 the payment of any tax.]

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>January 1, 2017</i>	12-39o
Sec. 2	<i>October 1, 2016, and applicable to calendar quarters commencing on or after October 1, 2016</i>	12-263m(a)
Sec. 3	<i>October 1, 2016</i>	12-330i
Sec. 4	<i>from passage</i>	12-409(c)
Sec. 5	<i>from passage and applicable to taxable years commencing on or after January 1, 2016</i>	12-727(a)
Sec. 6	<i>from passage</i>	12-15(b)
Sec. 7	<i>from passage</i>	12-80b
Sec. 8	<i>from passage</i>	12-408c(b)
Sec. 9	<i>from passage</i>	12-580
Sec. 10	<i>from passage</i>	12-719(a)

**FIN**      *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

### **OFA Fiscal Note**

#### **State Impact:**

<b>Agency Affected</b>	<b>Fund-Effect</b>	<b>FY 17 \$</b>	<b>FY 18 \$</b>
Revenue Serv., Dept.	GF - Net Revenue Gain	Less than 1.0 million	Less than 1.0 million

Note: GF=General Fund

**Municipal Impact:** None

#### **Explanation**

The bill makes a number of changes to tax collection policies and procedures which are anticipated to result in a net revenue gain of less than \$1.0 million annually in the aggregate.

**Sections 1 and 4** allow the Commissioner of the Department of Revenue Services to not issue or renew certain permits or licenses if taxpayers have any outstanding unfiled tax returns, and establish a two-year (rather than five-year) renewal cycle for sales tax permits. To the extent these provisions increase compliance with existing tax laws, this results in a revenue gain which may be significant.

**Section 2** exempts certain stores that do not perform dry cleaning services from the Dry Cleaning Surcharge, which is anticipated to result in a revenue loss of less than \$50,000 annually.

**Section 3** establishes a waivable \$1,000 penalty per day for failure to produce tobacco products tax records upon request. This results in a potential minimal revenue gain from penalty collections.

**Sections 5 through 10** make clarifying and procedural changes that do not result in any fiscal impact.

### **The Out Years**

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

**OLR Bill Analysis****sSB 451*****AN ACT CONCERNING STATE TAX ADMINISTRATION.*****SUMMARY:**

This bill makes numerous unrelated changes to the state's tax laws. The bill:

1. bars the Department of Revenue Services (DRS) commissioner from issuing or renewing certain permits or licenses for anyone who he determines has failed to file any required tax returns (§ 1);
2. exempts from the 1% dry cleaning surcharge businesses that accept clothing or other fabrics to be dry cleaned by another establishment (i.e., "drop stores") (§ 2);
3. tightens requirements for maintaining tobacco products tax records and establishes a civil penalty of \$1,000 per day for any distributor or importer who fails to immediately produce or provide electronic access to the records upon the commissioner's or agent's request (§ 3);
4. for sales tax permits issued on or after January 1, 2017, requires retailers to renew the permits every two years, rather than every five (§ 4) (see BACKGROUND);
5. sets an earlier date of January 31, instead of the last day of February, by which certain employers and payers must file informational returns with DRS for personal income tax purposes (§ 5); and
6. eliminates provisions requiring or allowing the DRS commissioner to adopt regulations concerning various tax

provisions (§§ 5-10).

EFFECTIVE DATE: Upon passage, except the provision on (1) issuance or renewal of certain DRS permits is effective January 1, 2017; (2) the dry cleaning surcharge is effective October 1, 2016 and applicable to calendar quarters beginning on or after that date; (3) tobacco products tax records is effective October 1, 2016; and (4) the informational return filing deadline is applicable to tax years beginning on or after January 1, 2016.

### **§ 1 — FILING OUTSTANDING RETURNS AS A CONDITION OF LICENSE OR PERMIT ISSUANCE OR RENEWAL**

The bill bars the DRS commissioner from issuing or renewing a (1) cigarette dealer, distributor, or manufacturer license; (2) tobacco product distributor or unclassified importer license; or (3) sales tax seller's permit, for anyone who he determines has failed to file any required tax returns. Under the bill, the applicant must file, arrange to file, all outstanding returns to the commissioner's satisfaction before the commissioner may issue or renew the license or permit.

Existing law bars the commissioner from issuing or renewing such licenses or permits for anyone who he determines owes any state taxes for which all administrative or judicial remedies have expired or been exhausted.

### **§ 3 — TOBACCO PRODUCTS TAX RECORDS**

The bill requires tobacco products distributors and importers to maintain tobacco products tax records on the premises where the products are possessed, stored, or sold and make them available at all time for the DRS commissioner and his authorized agents to inspect. Current law requires them to keep such records safely preserved to ensure their permanency and accessibility for inspection. As under current law, they must keep the records for three years in a form prescribed by the DRS commissioner.

The bill establishes a civil penalty of \$1,000 per day for any distributor or importer who fails to immediately produce or provide

electronic access to the records upon the commissioner's or agent's request. It authorizes the commissioner to waive all or any part of the penalties if he is satisfied that the failure to provide the records was due to reasonable cause.

#### **§ 5 — DEADLINE FOR FILING CERTAIN INFORMATIONAL RETURNS WITH DRS**

The bill advances, from the last day of February to January 31, the date by which certain employers and payers must file informational returns with DRS for personal income tax purposes, thus aligning it to the deadline for employers filing income tax withholding data (i.e., federal W-2 forms) with DRS. By law, the filing requirement applies to individuals and entities (e.g., employers, mortgagors, and fiduciaries) making or crediting payments of \$600 or more (\$10 or more for interest or dividend payments) to anyone who may be subject to Connecticut personal income tax.

#### **§§ 5-10 — DRS REGULATIONS**

The bill eliminates requirements that the DRS commissioner adopt regulations concerning:

1. the disclosure of tax returns or return information for administrative purposes (§ 6);
2. sales and use tax exemption permits for businesses purchasing goods in Connecticut for business use or consumption outside the state (§ 8); and
3. the place for paying income taxes and filing income tax returns, declarations, statements, or documents (§ 10).

It eliminates statutes authorizing him to adopt regulations concerning informational income tax returns filed by certain payers (see above), including standards for determining which returns must be filed on magnetic media or in another machine-readable format (§ 5). And it allows, rather than requires, him to issue regulations concerning the (1) taxation of personal property used in rendering

telecommunications services (§ 7) and (2) administration and enforcement of municipal admissions taxes on pari-mutuel or off-track betting facilities (§ 9).

**BACKGROUND**

***Related Bill***

sHB 5046, favorably reported by the Finance, Revenue and Bonding Committee, contains a similar provision requiring retailers to renew sales tax permits every two years, rather than every five, but it also requires all retailers to renew their permits by January 1, 2017 and pay a renewal fee.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 50 Nay 0 (03/31/2016)