Bill No.: SB-417  
Title: AN ACT CONCERNING THE DEPARTMENT OF REVENUE SERVICES’ RECOMMENDATIONS REGARDING STATE TAXATION AND COLLECTION.

Vote Date: 4/5/2018  
Vote Action: Joint Favorable  
PH Date: 3/16/2018  
File No.: 

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SPONSORS OF BILL:

Introduced by: Finance, Revenue and Bonding Committee

REASONS FOR BILL:

Through various methods this bill seeks to increase voluntary tax compliance, collect what’s due to the state while lessening the tax gap, grow and broaden the state tax base all while continuing to assure that tax incentives and other tax expenditures make fiscal and economic sense.

SUMMARY: Under current law, out-of-state retailers that regularly solicit sales in Connecticut by various means must collect and remit state sales tax if they had at least 100 transactions during a twelve-month period. The bill instead requires them to do so if they had at least 200 transactions or gross receipts of $250,000 or more during the twelve-month period. It also expands the means by which such retailers are considered to be soliciting sales in Connecticut to include internet websites, software, or other forms of electronic delivery. The bill authorizes the Department of Revenue Services (DRS) commissioner to charge fees of up to $100 that are sufficient to cover the reasonable expenses the agency incurs in performing an administrative function, including preparing an account reconstruction and certifying a software program or provider. It authorizes (1) anyone subject to such a fee to request a waiver and (2) the commissioner to waive it if he finds that it would result in undue hardship. The bill also decreases, from $5,000 to $2,000, the value of lottery prize claims above which the Connecticut Lottery Corporation must deduct and withhold delinquent taxes.

RESPONSE FROM ADMINISTRATION/AGENCY:

Kevin Sullivan, Commissioner, Department of Revenue Services
Commissioner Sullivan offered testimony in favor of SB 417. His testimony explained the different components of the bill as follows:

- **Agency fees**: According to the Commissioner, one reason Connecticut ranks very low among the states in non-tax revenue rather than tax revenue is the inability of agencies to set service fees without specific statutory authorization. Section 1 of the bill is a short list of extraordinary administrative services where DRS asks for authority to charge reasonable fees that do not exceed $100 and may be waived for good cause (including financial hardship).

- **E-commerce compliance**: DRS continues to push to level the playing field in taxing e-commerce. Efforts during the past few months have resulted in over one hundred retailers – including at least two major companies – agreeing to collect and remit sales tax directly. DRS is hopeful the U. S. Supreme Court will overturn the unfair tax advantages of on-line sales this year and Connecticut is amicus in the pending case. It is constitutionally important that states set a minimal level of economic activity that will not require on-line retailer compliance. Sections 2 and 3 of the proposed bill reset Connecticut’s sales volume and value thresholds consistent with a review of best practices among other states and the comparative size of our state marketplace. Connecticut needs to be prepared no matter how the Supreme Court rules. Therefore, based on consultation with other Northeastern states, DRS plans to submit a proposed amendment to SB 417 further clarifying the state’s tax jurisdiction with respect to e-commerce.

- **CT Lottery offsets**: In cooperation with the state’s Lottery Corporation, Section 4 would lower the threshold to offset winnings for adjudicated state tax debts and increase collections.

**Chelsea Turner, Interim President and CEO, Connecticut Lottery Corporation**

Ms. Turner offered testimony specifically commenting on Section 4 of the bill which would lower the threshold, from the current $5,000, to $2,000, at which the CT Lottery Corporation checks a prizewinner’s name and identifying information against the Department of Revenue Services’ (DRS) list of delinquent taxpayers, and remits any delinquent funds to the DRS from such delinquent winner’s prize. The Lottery supports section 4 of SB 417 because it will be a “win” for the state. By lowering the threshold to $2,000, it is anticipated that the lottery will return to the DRS approximately $300,000 in delinquent taxes in the first full year. Ms. Turner does point out that that this revenue may decline in the out years, as players become aware of the lower threshold.

**NATURE AND SOURCES OF SUPPORT:**

None

**NATURE AND SOURCES OF OPPOSITION:**

None

**Reported by**: Hayden Schwarm  
**Date**: April 12, 2018