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SB-114

TESTIMONY OF
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EXECUTIVE DIRECTOR
CONNECTICUT SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
BEFORE THE
FINANCE REVENUE & BONDING COMMITTEE
MARCH 4, 2019

Good Morning. My name is Bonnie Stewart. I am Executive Director of the Connecticut Society of CPAs (CTCPA). CTCPA represents 6,000 Certified Public Accountants throughout the state. I am here today to express the CTCPA's support for and request an expansion to Proposed SB-114, An Act Concerning the Waiver of Certain Penalties and Interest Incurred by Affected Business Entities to address some of the unintended consequences resulting from the retroactive application of some sections of Public Act 18-49.

Waiver of Penalties and Interest

As proposed, SB-114 calls for the waiver of penalties and interest imposed on business entities "pursuant to section 12-699 of the general statutes prior to May 31, 2018." CTCPA supports the waiver of penalties and interest in these cases, and requests that such a waiver be applied to all penalties and interest (for individuals and business entities) that results from the retroactive application of tax laws. We recommend a new section that reads, “No penalties or interest shall be imposed on any late tax payments where such late payment is solely the result of retroactive legislation.” We also believe that the Commissioner of the Department of Revenue Services should be given discretionary authority for other penalties – specifically underpayment penalties. Adoption of these two fixes would help address the unintended consequences of PA 18-49 and ensure that Connecticut taxpayers are not unjustly penalized.

Bonus Depreciation

Another aspect of PA 18-49 that we do not believe the legislature did not intend was for companies that claimed a bonus depreciation in the 2017 tax year, as permitted by law, to have to go back and amend all of their 2017 returns because Connecticut chose to decouple that aspect of our law from the federal government. We do not oppose decoupling bonus depreciation. We do oppose doing so retroactively, especially into closed tax years. Therefore, we request that language be adopted this year that permits decoupling bonus depreciation in 2017 but does not require it. If such language were adopted, those companies that have already amended their 2017 tax returns would not have to do so again. Those who have not yet amended their returns would simply decouple beginning in the 2018 tax year.

Roughly ninety percent of all companies are passthrough entities. A significant portion of those are partnerships. It is common for such partnerships to each have dozens of tax returns as there are dozens of partners. The time and expense to amend all of the returns is significant and therefore should not be needlessly incurred. Any costs related to allowing the decoupling to begin in 2018 instead of forcing it in 2017 should be insignificant at worse. This is particularly so given the fact that this measure will reduce the strain on DRS staff as tens of thousands of returns will not need to be amended.

Thank you for your time.