STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

TESTIMONY PRESENTED TO THE JUDICIARY COMMITTEE
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Department of Revenue Services

Testimony in support of Senate Bill No. 16, An Act Concerning the Adult Use of Cannabis

Senator Winfield, Representative Stafstrom, Ranking Members, and Distinguished Members of the Judiciary Committee, thank you for the opportunity to present testimony in support of Senate Bill No. 16, An Act Concerning the Adult Use of Cannabis.

The leadership at the Department of Revenue Services ("DRS") relies on three critical elements to formulate an effective tax administration program for the State of Connecticut. It begins with a foundation made up of a strong team of experienced state tax professionals, an infrastructure of effective tax administration policies and procedures and finally, the utilization of cutting edge technology. These three elements currently exist at DRS, which is why I am confident that the agency can successfully support and implement the tax provisions of Senate Bill No. 16.

The state tax professionals at DRS are poised and ready to administer the tax provisions of Senate Bill No. 16. The DRS team has significant experience with new legislation and employs a project management approach to methodically complete complex tasks associated with the implementation of new tax types. Our team has already begun researching and planning for the implementation of tax on adult use cannabis. It is also important to note that, DRS has many years of successful administration of similarly situated excise taxes such as the alcoholic beverage tax and the cigarette and tobacco product taxes, which, like the new tax proposed in Senate Bill No. 16, are imposed at the wholesale level.

Day in and day out, DRS administers a wide variety of state taxes, through advanced processes and analytics. DRS is committed to a program of continuous process improvement that ensures our customers, the taxpayers of this great state, receive the highest level of service. We have reached out to and spoken with our counterparts in the State of Massachusetts to learn about the processes they put in place to administer the taxation of adult use cannabis. We have learned best practices in marijuana tax administration from our counterparts and will continue to collaborate with them should the General Assembly enact an adult use cannabis bill here in Connecticut.
Technology is critical to the successful implementation of a tax on cannabis. Without the right tools, the collection of a tax on adult use cannabis would be very challenging. DRS, however, is in a rather unique position in that we are currently installing a modernized state tax administration system that is utilized in over thirty states across the country. This modernized system includes a platform for the taxation of cannabis. In fact, the State of Massachusetts installed this very system a few years ago and has indicated that there were no issues standing up the platform to administer their tax on adult use cannabis. The DRS leadership had the foresight to plan for the technology needs to administer a tax on adult use cannabis. In anticipation of this possibility, such a tax was included in the scope of DRS’ contract with the vendor who is installing our new tax administration system. As such, from a technological standpoint, DRS is well-positioned to administer the new tax proposed by Senate Bill No. 16.

To summarize, DRS has the most experienced team of people, the right processes in place, as well as a modernized computer system to effectively administer the tax provisions of Senate Bill No.16. We are looking forward to the opportunity to contribute to the success of this important piece of legislation.