

Finance, Revenue and Bonding Committee

JOINT FAVORABLE REPORT

Bill No.: Senate Bill 381

Title: AN ACT CONCERNING A STUDY OF STATE REVENUE COLLECTIONS.

Vote Date: 4/6/2022

Vote Action: Joint Favorable

PH Date: 3/15/2022

File No.: 539

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SPONSORS OF BILL:

The Finance, Revenue and Bonding Committee

REASONS FOR BILL:

This bill requires that the Commissioner of the Department of Revenue Services (DRS) study the state's revenue collections processes and identify legislative and programmatic changes that may be made to improve efficiency and reduce administrative costs of such collection processes. The findings must be reported to the Finance, Revenue and Bonding Committee by January 1, 2023.

RESPONSE FROM ADMINISTRATION/AGENCY:

None expressed.

NATURE AND SOURCES OF SUPPORT:

The following people testified in support of the bill, and testified that Connecticut remains a state of vast inequality despite being one of the wealthiest states in the nation. They referenced the 2014 State Tax Incidence Analysis performed by DRS, showing that the bottom 50% of earners in the state contribute 23.6% of their income in taxes, however, the top 1% contribute only 7.5%. A follow up report released earlier this year showed that low-income households now pay up to 26% of their income in taxes, middle income households are also paying more – as much as 15.5% – yet the ultra-wealthy's effective tax rate has remained flat. They testified that Connecticut's tax system is even more regressive now than it was in 2014, thus proving that tax fairness in Connecticut is getting worse, and that it is important that the State act soon.

By contrast, the ultra-wealthy have done very well. Just since the beginning of the pandemic, Connecticut's 13 billionaires seized \$13.7 billion in additional wealth – adding on average \$1 billion each – while hundreds of thousands of working people, especially working people of

color, were financially devastated. We are going in the wrong direction, and it is incumbent upon this committee to right the ship. You passed a comprehensive, progressive revenue package in 2021. I'm asking you to do that again to give low- and middle-income earners a fighting chance to thrive. No one should be forced to live in constant survival mode.

The testifiers listed below referenced the 2022 Tax Incidence Report as providing the information needed to enact transformative change and is a roadmap for how to enact that change to create an economy that works for all in this state.

[Beverley Brakeman, Regional Director, United Auto Workers, Region 9A](#)

[Carl Chisem, President, Connecticut Employees Union Independent, SEIU Local 511, Member, Recovery For All Coalition](#)

[Lauren Doninger, Member, Recovery For All Coalition](#)

[John Filchak, Executive Director, Northeastern Connecticut Council of Governments](#)

[Joelle Fishman, Chair, Connecticut Communist Party USA](#)

[Callie Gale Heilmann, President & Co-Director, Bridgeport Generation Now](#)

[Madeline Granato, Policy Director and Brandi A. Kennedy, MSW Policy Practice Intern, Connecticut Women's Education and Legal Fund](#)

[Ed Hawthorne President, Connecticut AFL-CIO, Member, Recovery For All Coalition](#)

[Patrick O'Brien, PhD, Research and Policy Fellow, Connecticut Voices for Children](#)

[William Buhler, Member, CSEA SEIU Local 2001 and the Recovery For All Coalition](#) testified that House and Senate bills enabling the study of revenue collection are more important than ever; given Connecticut's lack of economic growth over the last decade. He questioned the adequacy of government spending, and whether the state was really losing 2.6 billion a year in uncollected taxes. He stated that we should know the answers to these questions.

[Kathleen Flaherty, Esq., Executive Director, Connecticut Legal Rights Project, Inc.](#) supported the bill and appreciated the proposed study. She testified that it's always good to re-examine policies to see if they are accomplishing their goals without unintended adverse consequences, and does not think that the sole focus of the study of revenue policies should be on the efficiency and reduction of administrative costs of collection. She encouraged a more holistic examination of existing tax gaps and the capacity of DRS to enforce compliance.

[Seth Freeman, President, Congress of Connecticut Community Colleges](#) testified in support of the bill, stating that progressive revenue is desperately needed in our state to begin to remedy long-standing inequities along race and class in Connecticut. Progressive revenue is needed to bridge the extreme and growing divide between the rich and poor in our state. Progressive revenue is needed to fund critical public services in health care, housing, education, workforce development, and youth services, and build a more just Connecticut.

Progressive revenue will empower our state to meaningfully invest into our communities and residents in need.

[Stuart Savelkoul, Chief of Staff, American Federation of Teachers \(AFT\) Connecticut](#) testified that it is his hope that the bill would provide the General Assembly with the research required to pass meaningful legislation that will address the inequities that currently plague our state's financial landscape. He thinks that the report released this month by DRS proves that tax fairness in Connecticut is getting worse. If we are to create an economy that works for all in this state, we must first recognize that the current system is designed to disproportionately hinder our working class.

[Ally Sexton, Treasurer, Administrative and Residual Employees Union](#)

A&R represents approximately 2,800 professional employees in the executive branch, including several hundred at DRS. The agency has a system that checks its employees' tax returns to make sure they all pay their fair share. Collecting everyone's fair share of taxes should be the goal of the DRS, this committee, and the entire legislature. Given that Senate Bill 381 is intended to study DRS' collection processes and identify changes that could improve efficiencies, Ms. Sexton urged the committee to require that A&R members, including DRS Revenue Examiners and Tax Correction Examiners, participate in the study to share their perspectives on what is working and what is not.

NATURE AND SOURCES OF OPPOSITION:

[David Godbout, Connecticut Resident](#) opposed the bill on the grounds that the current session of the Connecticut General Assembly is illegal, in breach of Article 3, Section 16 of the State Constitution.

Reported by: Dawn Silveira

Date: 4/18/2022