Finance, Revenue and Bonding Committee
JOINT FAVORABLE REPORT

Bill No.: HB-7264
Title: AN ACT CONCERNING THE DEVELOPMENT OF A PILOT PROGRAM FOR THE COLLECTION OF UNPAID TAXES FROM STATE CONTRACTORS AND THE DEPARTMENT OF REVENUE SERVICES' RECOMMENDATIONS FOR REVISIONS TO THE TAX AND RELATED STATUTES.
Vote Date: 4/24/2025
Vote Action: Joint Favorable Substitute
PH Date: 4/2/2025
File No.: 865

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SPONSORS OF BILL:

Finance, Revenue, & Bonding Committee

REASONS FOR BILL:

The bill requires the Office of Policy and Management Secretary and Department of Revenue Services (DRS) Commissioner to set up a pilot program to collect unpaid taxes, penalties, and interest due from state contractors receiving payments from the state.

PROPOSED SUB. LANGUAGE
Sec. 1 was given an addition section.

Sec. 2: CT Housing Finance Authority shall adopt procedures to implement provisions to this section. Must have approval from Commissioner of Dept. of Revenue Services.

Sec. 3 and 4: Gives clarification to the word "tribe."

RESPONSE FROM ADMINISTRATION/AGENCY:

Jeffrey Beckham, Secretary Office of Policy and Management
Testified specifically to section 3 of the bill, which would require agencies to obtain clearance from DRS prior to making payments. In the event a recipient owes taxes, penalties, or fees to the state, agencies would be required to withhold the tax liability from the payment. OPM believes implementation of this section as written will result in significant costs, including staff and one-time programming costs.

Connecticut's state agencies make thousands of payments each month to community providers. Due to the volume of payments made by the state, significant investment would be required to implement this provision in a manner to ensure that payments are not improperly withheld and are made on a timely basis. The Secretary shares how OPM is committed to and would be in support of a sensible pilot program to test a policy of withholding tax liabilities from state payments. He respectfully requests that the committee oppose section 3 of this bill.

NATURE AND SOURCES OF SUPPORT:

Roger Blain, President, TaxServ Capital Services, LLC
Roger testified in support of a HB07264 he is a small business with over 100 municipal and state agreements for tax collection. The state and municipalities must collect the delinquent taxes from all citizens to keep the costs of government services running efficiently. If delinquent taxes are not collected the citizens who do pay their taxes bear the burden of the town the budget, and higher mill rate. He recommends a change in the bill to include Puerto Rico and other US territories.

Patrick O'Brien, of Connecticut Voices for Children (CT Voices),
Submitted testimony in support of the bill. Stating that they're a research-based child advocacy organization. They testified on behalf CT Voices and supports an amended version of H.B. 7264, “An Act Concerning Initiatives for the Collection of Unpaid Taxes and the Department of Revenue Services’. They recommend amending the bill to significantly expand the auditing capacity of the Department of Revenue Services (DRS)—a step that is essential for reducing the state’s tax gap and could generate more than $1 billion a year in additional revenue without raising tax rates.

NATURE AND SOURCES OF OPPOSITION:

Antonio Guerrera, Motor Vehicle Commissioner, testified that the DMV acknowledges the importance of the bill as it flows in accordance with tax collections however this would push core DMV responsibilities to tedious levels that it doesn’t require as we have strived to support customer convenience, first-time transaction success, and availability of digital commerce. We cannot place such a taxing burden on the individuals who make up this organization especially when there is already a lack of manpower and funds. The DMV remains interested in opportunities for collaboration however, at this time the agency respectfully Section 4 of HB 7264 be removed in its entirety.

Jeff Gentes, Connecticut Fair Housing Center, testified in opposition of HB 7264 specifically to sections 1 and 4. Section 1 of the bill would allow DRS to hire a debt collector to collect state tax debts. In our limited experience, gained while working with homeowners in Danbury, Bridgeport and Hartford that was a bad idea. When municipalities were granted the ability to collect property taxes it was a burden on struggling constituents. If there was language that had an extension of state debt collectors' statues to any attorney and collection agencies hired by DRS Connecticut Fair Housing Center could support, it.

Violette Haldane, Executive Director, Advocacy to Legacy, Inc., testified in opposition to Section 3 of H.B. 7246 which proposes that the Motor Vehicle Department (DMV) to enter into an agreement to withhold the issuance or renewal of motor vehicles operator's license. The intent behind the bill is to collect outstanding state debts, it has the potential to be a burden to low-income and disproportionally impact those with limited financial means. There is creative to increase state revenues, offer manageable repayments plan, financial education and help reduce induvial outstanding balances. Reconsider the provisions of HB 7264 and find a more equitable solution.

RaphaeL L. Podolsky, wrote in opposition of Sections 1 through 4 and ask that the committee delete them. Section 1 allows the DRS to enter “agreements’ with collection agencies and private attorneys to collect unpaid taxes. This will result in overly aggressive collection tactics against debtors in dire financial straits. Section 4 of the Bill is also overkill as it allows the DMV to refuse licenses and other such services because of incurred debt. This will just create a structure where more drivers will just drive without a license rather than join a repayment plan seeing as the latter requires less steps.

Bonnie Stewart, CEO of the Connecticut Society of CPAs *testified on* behalf of the 6000 members of CTCPA, to express their opposition to Sections 1 through 4 of H.B. 7264. We take no position on Sections 5 through 8. The concerns are around DRS authority to engage outside collection agencies to collect delinquent taxes. The collection agencies fees are paid first, they focus on rapid recovery, they are very aggressive and have little or no knowledge of tax laws. The bill requires the full amount of the tax liability to be credited to the clients account before fees are assessed. However, the collection agency fees added to the tax bill and additional cost creates an extra layer of financial burden. Consider expanding DRS internal capabilities provide payment arrangements and revitalize DRS past practice of issuing guidance in collaboration with CPAs and other tax professional.

Rodney Moore, Criminal Legal Reform Team of CONECT – Congregations Organized for a New Connecticut. CONECT is an organization comprised of 37 congregations in the New Haven and Fairfield Counties representing over 30,000 people. During the organization work in the communities they serve the hear about the impact suspension driver's license have on poor communities and communities of color. The leaders of CONECT respectfully request that you oppose HB 7264.

Reported by: Jean Holloway **Date: 5/13/25**