

# Department of Revenue Services

## DRS16000

### Permanent Full-Time Positions

Fund	Actual FY 15	Actual FY 16	Appropriation FY 17	Governor Recommended		Legislative	
				FY 18	FY 19	FY 18	FY 19
General Fund	665	660	660	660	660	660	660

### Budget Summary

Account	Actual FY 15	Actual FY 16	Appropriation FY 17	Governor Recommended		Legislative	
				FY 18	FY 19	FY 18	FY 19
Personal Services	57,853,931	57,801,853	57,419,820	55,180,743	55,010,743	56,380,743	56,210,743
Other Expenses	8,136,912	7,865,293	6,776,492	7,961,117	6,831,117	7,961,117	6,831,117
<b>Other Current Expenses</b>							
Collection and Litigation Contingency Fund	17,077	-	-	-	-	-	-
<b>Nonfunctional - Change to Accruals</b>	<b>530,204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Agency Total - General Fund</b>	<b>66,538,124</b>	<b>65,667,146</b>	<b>64,196,312</b>	<b>63,141,860</b>	<b>61,841,860</b>	<b>64,341,860</b>	<b>63,041,860</b>
<b>Additional Funds Available</b>							
Federal Funds	-	(5,331)	35,000	35,000	35,000	35,000	35,000
Private Contributions & Other Restricted	-	1,260,216	1,259,826	1,187,700	1,187,700	1,187,700	1,187,700
<b>Agency Grand Total</b>	<b>66,538,124</b>	<b>66,922,031</b>	<b>65,491,138</b>	<b>64,364,560</b>	<b>63,064,560</b>	<b>65,564,560</b>	<b>64,264,560</b>

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19

## Policy Revisions

### Provide Funding for the Connecticut Fresh Start Initiative

Personal Services	200,000	30,000	200,000	30,000	-	-
Other Expenses	1,450,000	320,000	1,450,000	320,000	-	-
<b>Total - General Fund</b>	<b>1,650,000</b>	<b>350,000</b>	<b>1,650,000</b>	<b>350,000</b>	<b>-</b>	<b>-</b>

#### Background

Section 2 of SB 787, AAC Revenue Items to Implement the Governor's Budget, establishes a Fresh Start initiative which consists of two main components: 1) incentives (including penalty and interest reductions) to taxpayers who are non-filers, under-reporters, or unregistered in exchange for self-reporting and paying taxes; and 2) a compliance strategy including audits focused on specific segments of the taxpayer population using new tools and techniques to make it easier for those taxpayers to become compliant. This initiative is estimated to result in a revenue gain of \$60 million in FY 18 and \$25 million in FY 19.

#### Governor

Provide funding of \$1,650,000 in FY 18 and \$350,000 in FY 19 to implement the Fresh Start initiative. This includes \$200,000 in FY 18 and \$30,000 in FY 19 in Personal Services for temporary employees and overtime, and \$1,450,000 in FY 18 and \$320,000 in FY 19 in Other Expenses for professional/expert services, travel for audits, marketing, information technology, and postage and printing costs.

#### Legislative

Same as Governor. Section 656 of PA 17-2 JSS, the biennial budget act, implements this policy.

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19

**Provide Funding for Collections and Enforcement**

Personal Services	-	-	1,200,000	1,200,000	1,200,000	1,200,000
<b>Total - General Fund</b>	<b>-</b>	<b>-</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,200,000</b>	<b>1,200,000</b>

**Legislative**

Provide funding of \$1.2 million in Personal Services to re-fill vacant audit, collections & enforcement, and operations & management staff. This is estimated to result in a revenue gain of \$30 million annually in FY 18 and FY 19.

**Delay Funding for Tax Incidence Study**

Other Expenses	(197,100)	-	(197,100)	-	-	-
<b>Total - General Fund</b>	<b>(197,100)</b>	<b>-</b>	<b>(197,100)</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Background**

Section 30 of HB 7051, AA Implementing the Governor's Budget Recommendations for General Government, repeals the statutory requirement that the Department of Revenue Services provide a biennial Tax Incidence Report.

**Governor**

Remove funding of \$197,100 in FY 18 only to reflect the elimination of the biennial Tax Incidence Report and associated costs.

**Legislative**

Remove funding of \$197,100 in FY 18 only to reflect a delay, from February 15, 2018 to February 15, 2020, the deadline for submission of the next biennial Tax Incidence Report. Section 108 of PA 17-2 JSS, the biennial budget act, implements this policy.

**Transfer Funding for MSA Enforcement to Tobacco Account**

Personal Services	(716,483)	(716,483)	(716,483)	(716,483)	-	-
Other Expenses	(62,081)	(62,081)	(62,081)	(62,081)	-	-
<b>Total - General Fund</b>	<b>(778,564)</b>	<b>(778,564)</b>	<b>(778,564)</b>	<b>(778,564)</b>	<b>-</b>	<b>-</b>

**Background**

In May of 2013, Connecticut joined 21 other states in a partial settlement with the major tobacco companies of a dispute dating from 2006 regarding payments to the states under the 1998 tobacco Master Settlement Agreement (MSA), from which Connecticut received approximately \$63 million. Sections 110-112 of PA 13-184 specify that: (1) up to \$40 million of the funds be used to reduce the state's GAAP deficit, (2) up to \$10 million be transferred to the General Fund for FY 14, and (3) a total of \$13 million be transferred to a non-lapsing account to fund enforcement activity related to the agreement by the Department of Revenue Services and the Office of the Attorney General.

**Governor**

Transfer funding of \$778,564 in both FY 18 and FY 19 to the non-lapsing Tobacco Revenue Enforcement account within the Department of Revenue Services to fund staffing costs associated with enforcement of the MSA.

**Legislative**

Same as Governor

**Annualize FY 17 Holdbacks**

Personal Services	(1,722,594)	(1,722,594)	(1,722,594)	(1,722,594)	-	-
Other Expenses	(203,294)	(203,294)	(203,294)	(203,294)	-	-
<b>Total - General Fund</b>	<b>(1,925,888)</b>	<b>(1,925,888)</b>	<b>(1,925,888)</b>	<b>(1,925,888)</b>	<b>-</b>	<b>-</b>

**Background**

The Governor implemented FY 17 holdbacks totaling \$149.5 million. The Governor's FY 18 and FY 19 Budget annualizes \$81.7 million of FY 17 holdbacks in FY 18 and \$81.8 million in FY 19 across various agencies.

**Governor**

Reduce funding by \$1,925,888 in both FY 18 and FY 19 to annualize FY 17 holdbacks.

**Legislative**

Same as Governor

Account	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19

## Current Services

### Provide Funding for Biennial

### Tax Incidence Study

Other Expenses	197,100	-	197,100	-	-	-
<b>Total - General Fund</b>	<b>197,100</b>	<b>-</b>	<b>197,100</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Background

CGS Sec. 12-7c requires the Department of Revenue Services, by February 15, 2018 and biennially thereafter, to provide a Tax Incidence Report covering all major state and local taxes.

### Governor

Provide funding of \$197,100 in FY 18 only for consulting and information technology costs associated with the Tax Incidence Report due February 15, 2018.

### Legislative

Same as Governor

## Totals

Budget Components	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19
FY 17 Appropriation - GF	64,196,312	64,196,312	64,196,312	64,196,312	-	-
Policy Revisions	(1,251,552)	(2,354,452)	(51,552)	(1,154,452)	1,200,000	1,200,000
Current Services	197,100	-	197,100	-	-	-
<b>Total Recommended - GF</b>	<b>63,141,860</b>	<b>61,841,860</b>	<b>64,341,860</b>	<b>63,041,860</b>	<b>1,200,000</b>	<b>1,200,000</b>

Positions	Governor Recommended		Legislative		Difference from Governor	
	FY 18	FY 19	FY 18	FY 19	FY 18	FY 19
FY 17 Appropriation - GF	660	660	660	660	-	-
<b>Total Recommended - GF</b>	<b>660</b>	<b>660</b>	<b>660</b>	<b>660</b>	<b>-</b>	<b>-</b>

## Other Significant Legislation

### PA 17-2 JSS, An Act Concerning the State Budget for the Biennium Ending June 30, 2019

Sections 12 - 16 contain provisions that allow the Secretary of the Office of Policy and Management (OPM) to allocate specific lapses to state agencies in the three branches of government (these are typically called holdbacks). The agency's FY 18 appropriation levels will be reduced by the amounts shown in the table below to achieve the lapses included in PA 17-2 JSS and amended in PA 17-4 JSS. This includes See the FY 18 Holdbacks schedule in Section V of this document for a further description of these statewide savings targets.

Account	Appropriation \$	Reduction Amount \$	Net Remaining \$	% Reduction
Personal Services	56,380,743	(2,324,909)	54,055,834	4.1%
Other Expenses	7,961,117	(398,056)	7,563,061	5.0%

**PA 17-147, An Act Concerning State Taxation and Collection, Tax Gap Compliance, Tax Preparers and Facilitators, Changes to the Tax and Related Statutes, a Mental Health Community Investment Account and Municipal Bonds**

Section 3 shortens the period, from five to two years, during which sales tax permits issued on or after October 1, 2017 are valid.

Sections 6 and 8 require income tax withholding by certain payers of pensions and annuities, including those from an employer pension, annuity, profit-sharing plan, stock bonus, deferred compensation plan, individual retirement arrangement, endowment, or life insurance contract. The withholding requirement applies to payers of pension or annuity distributions that (1) maintain an office or transact business in Connecticut and (2) make taxable payments to resident individuals.

Sections 12 through 14 apply a uniform 11% room occupancy tax to rent received by bed and breakfast establishments (B&Bs) and specifies that rent received by hotels, lodging houses, and B&Bs includes any meals that are included with the occupancy charge.

Sections 15 through 18 establish a regulatory structure for most tax preparers and facilitators who are not otherwise regulated and prohibit a number of actions by anyone who provides tax preparation services, including those who are otherwise regulated.

Section 26 exempts from the 1% dry cleaning surcharge businesses that accept clothing or other fabrics to be dry cleaned by another establishment (i.e., "drop stores").