

Department of Revenue Services

DRS16000

Position Summary

Account	Actual FY 12	Governor Estimated FY 13	Governor Recommended		Legislative	
			FY 14	FY 15	FY 14	FY 15
Permanent Full-Time - GF	734	670	664	664	665	665

Budget Summary

Account	Actual FY 12	Governor Estimated FY 13	Governor Recommended		Legislative	
			FY 14	FY 15	FY 14	FY 15
Personal Services	56,979,111	55,412,504	57,853,869	60,446,045	57,919,094	60,513,194
Other Expenses	8,008,861	8,153,274	9,409,801	7,704,801	9,409,801	7,704,801
Equipment	0	1	1	1	1	1
Other Current Expenses						
Collection and Litigation Contingency Fund	(21,975)	99,256	94,294	94,294	94,294	94,294
GAAP Adjustments	0	0	323,813	326,251	323,813	326,251
Agency Total - General Fund	64,965,998	63,665,035	67,681,778	68,571,392	67,747,003	68,638,541
Additional Funds Available						
Carry Forward Funding	0	0	0	0	810,000	0
Agency Grand Total	64,965,998	63,665,035	67,681,778	68,571,392	68,557,003	68,638,541

Account	Legislative				Difference from Governor Recommended			
	FY 14		FY 15		FY 14		FY 15	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

Current Services

Adjust Funding to Reflect Wage & Compensation Related Costs

Personal Services	0	2,673,903	0	5,418,043	0	0	0	0
Total - General Fund	0	2,673,903	0	5,418,043	0	0	0	0

Governor

Provide funding of \$2,673,903 in FY 14 and \$5,418,043 in FY 15 to reflect current services wage-related adjustments such as annual increments, general wage increases, overtime, annualization, turnover, and other compensation-related adjustments.

Legislative

Same as Governor

Apply Inflationary Increases

Other Expenses	0	176,149	0	416,341	0	0	0	0
Collection and Litigation Contingency Fund	0	2,154	0	5,095	0	0	0	0
Total - General Fund	0	178,303	0	421,436	0	0	0	0

Background

Applying inflationary factors to current year expenditures provides an estimate of the cost of continuing services into the next year.

Governor

Increase funding for the Other Expenses and Collection and Litigation Contingency accounts by \$178,303 in FY 14 and an additional \$243,133 in FY 15 (for a cumulative total of \$421,436 in the second year) to reflect inflationary increases.

Legislative

Same as Governor

Account	Legislative				Difference from Governor Recommended			
	FY 14		FY 15		FY 14		FY 15	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

Adjust Operating Expenses to Reflect Current Requirements

Other Expenses	0	59,999	0	59,999	0	0	0	0
Total - General Fund	0	59,999	0	59,999	0	0	0	0

Governor

Provide funding of \$59,999 in FY 14 and FY 15 in the Other Expenses account to reflect FY 14 and FY 15 anticipated expenditure requirements for software licenses and information technology applications.

Legislative

Same as Governor

Provide Funding for GAAP

Nonfunctional - Change to Accruals	0	324,800	0	347,010	0	0	0	0
Total - General Fund	0	324,800	0	347,010	0	0	0	0

Background

Each agency's budget will include a new line item account called "Nonfunctional - Change to Accruals". This line item represents the estimate of the difference between an agency's cash-basis budget amounts and the accrual-basis amounts that will be reflected under Generally Accepted Accounting Principles (GAAP). These funds will not be available for spending; in the aggregate they will prevent the state's GAAP deficit from growing.

Governor

Provide funding of \$324,800 in FY 14 and \$347,010 in FY 15 to reflect the implementation of GAAP in the budget.

Legislative

Same as Governor

Policy Revisions

Provide Funding to Implement a Tax Amnesty Program

Personal Services	0	125,000	0	0	0	0	0	0
Other Expenses	0	1,705,000	0	0	0	0	0	0
Total - General Fund	0	1,830,000	0	0	0	0	0	0

Background

The state of Connecticut previously offered Tax Amnesty Programs in 1990, 1995, 2002, and 2009. The cost for the last Tax Amnesty Program was approximately \$873,000.

Governor

Provide one-time funding totaling \$1.83 million in FY 14 to implement a Tax Amnesty Program. Other Expenses funding will be used for media purchases (\$1.0 million), advertising agency fees, and production and consultancy costs (\$300,000), information technology and telecommunication costs for servers and storage (\$200,000), technical costs related to the Taxpayer Service Center (\$175,000), and postage (\$30,000). Personal Services funding will be used to cover temporary workers and overtime costs.

Implementation of a Tax Amnesty Program is estimated to result in a revenue gain of \$25 million in FY 14.

Legislative

Same as Governor, with an updated revenue estimate of a \$35 million gain in FY 14, followed by a \$7 million loss in FY 15 due to a shift in the timing of collections.

Mandate Electronic Filing for Business Tax Returns

Other Expenses	0	(500,000)	0	(500,000)	0	0	0	0
Total - General Fund	0	(500,000)	0	(500,000)	0	0	0	0

Background

The Department of Revenue Services (DRS) currently maintains an online Taxpayer Service Center (TSC) that allows for the electronic filing of forms for individuals and businesses.

Account	Legislative				Difference from Governor Recommended			
	FY 14		FY 15		FY 14		FY 15	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

Governor

Require certain business tax returns to be filed electronically, resulting in a savings of \$500,000 in both FY 14 and FY 15 associated with printing, postage, and data entry costs.

Legislative

Same as Governor

Reduce Overtime for Information Services Division

Personal Services	0	(15,000)	0	(15,000)	0	0	0	0
Total - General Fund	0	(15,000)	0	(15,000)	0	0	0	0

Background

The Information Services Division is responsible for data security, administration of the Integrated Tax Administration System (ITAS), and e-commerce for the Department of Revenue Services (DRS).

Governor

Reduce funding for overtime associated with the Information Services Division for a savings of \$15,000 in both FY 14 and FY 15.

Legislative

Same as Governor

Transfer Affirmative Action Planning to CHRO

Personal Services	0	0	0	0	1	65,225	1	67,149
Total - General Fund	0	0	0	0	1	65,225	1	67,149

Governor

Transfer one position and funding of \$65,225 in FY 14 and \$67,149 in FY 15 to reflect the centralization of Affirmative Action planning functions in the Commission on Human Rights and Opportunities (CHRO).

Legislative

Maintain one position and associated funding for Affirmative Action planning functions within the Department of Revenue Services.

Transfer Funding - Centralize Courier & Mail Services in DAS

Other Expenses	0	(8,472)	0	(8,472)	0	0	0	0
Total - General Fund	0	(8,472)	0	(8,472)	0	0	0	0

Governor

Transfer funding of \$8,472 in both FY 14 and FY 15 to reflect moving courier and central mail services to the Department of Administrative Services (DAS).

Legislative

Same as Governor

Eliminate Vacant Positions

Personal Services	(5)	(259,265)	(5)	(264,437)	0	0	0	0
Total - General Fund	(5)	(259,265)	(5)	(264,437)	0	0	0	0

Governor

Reduce funding of \$259,265 in FY 14 and \$264,437 in FY 15 to reflect the elimination of five positions that are currently vacant.

Legislative

Same as Governor

Eliminate Inflationary Increases

Other Expenses	0	(176,149)	0	(416,341)	0	0	0	0
Collection and Litigation Contingency Fund	0	(2,154)	0	(5,095)	0	0	0	0
Total - General Fund	0	(178,303)	0	(421,436)	0	0	0	0

Account	Legislative				Difference from Governor Recommended			
	FY 14		FY 15		FY 14		FY 15	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount

Governor

Reduce various accounts by \$178,303 in FY 14 and \$421,436 in FY 15 to reflect the elimination of inflationary increases.

Legislative

Same as Governor

Remove Funding for Salary Increases of Appointed Officials

Personal Services	0	(18,048)	0	(37,916)	0	0	0	0
Total - General Fund	0	(18,048)	0	(37,916)	0	0	0	0

Governor

Reduce funding by \$18,048 in FY 14 and \$37,916 in FY 15 to reflect the elimination of salary increases for appointed officials.

Legislative

Same as Governor

Rollout of FY 13 Rescissions

Collection and Litigation Contingency Fund	0	(4,962)	0	(4,962)	0	0	0	0
Total - General Fund	0	(4,962)	0	(4,962)	0	0	0	0

Background

The Governor implemented General Fund rescissions in November of 2012 totaling \$170.4 million across state agencies. The Governor's FY 14 and FY 15 budget includes the rollout of \$69.7 million of FY 13 rescissions across various agencies.

Governor

Reduce funding of \$4,962 in both FY 14 and FY 15 to reflect the rollout of the Governor's FY 13 rescissions.

Legislative

Same as Governor

Adjust Funding for GAAP

Nonfunctional - Change to Accruals	0	(987)	0	(20,759)	0	0	0	0
Total - General Fund	0	(987)	0	(20,759)	0	0	0	0

Governor

Reduce funding by \$987 in FY 14 and \$20,759 in FY 15 to reflect changes to GAAP accruals as a result of a policy change.

Legislative

Same as Governor

Carry Forward**Carry Forward Funding for Sales Tax Collection Enhancements**

Personal Services	0	110,000	0	0	0	110,000	0	0
Other Expenses	0	700,000	0	0	0	700,000	0	0
Total - Carry Forward Funding	0	810,000	0	0	0	810,000	0	0

Background

sSB 1110, AAC Alternative Methods For The Collection And Remittal Of Sales And Use Taxes, as favorably reported by the Finance, Revenue, and Bonding (FRB) Committee, requires the commissioner of Revenue Services to: a) analyze alternative methods to enforce and enhance the collection and remittal of sales and use taxes by retailers, b) report findings and recommendations to the FRB Committee for approval, and c) implement any such approved method. Subsequently, similar provisions were included in Sections 80 and 81 of PA 13-184, the FY 14 and FY 15 Budget, which require certain delinquent taxpayers to electronically remit the sales tax due on certain sales. The target revenue gain for this policy is \$10 million in FY 14 and \$15 million in FY 15.

Legislative

Section 60(a) of PA 13-184, the FY 14 and FY 15 Budget, carries forward funding of up to \$110,000 in the Personal Services account in FY 14 for the salary costs of an Information Technology Analyst II position associated with a Sales and Use Tax collections enhancement program.

Section 60(b) of PA 13-184, the FY 14 and FY 15 Budget, carries forward funding of up to \$700,000 on the Other Expenses account in FY 14 for upgrades to the Integrated Tax Administration System (ITAS) also associated with the collections enhancement program.

Totals

Budget Components	Legislative				Difference from Governor Recommended			
	FY 14		FY 15		FY 14		FY 15	
	Pos.	Amount	Pos.	Amount	Pos.	Amount	Pos.	Amount
Governor Estimated - GF	670	63,665,035	670	63,665,035	0	0	0	0
Current Services	0	3,237,005	0	6,246,488	0	0	0	0
Policy Revisions	(5)	844,963	(5)	(1,272,982)	1	65,225	1	67,149
Total Recommended - GF	665	67,747,003	665	68,638,541	1	65,225	1	67,149

Other Significant Legislation**PA 13-151, An Act Concerning the Applicability of the Sales and Use Tax to Winter Storage of Boats**

The act extends the length of time that boats stored during the winter are exempt from the Sales and Use Tax. It extends the Sales Tax exemption for storing non-commercial boats by two months, by starting the period sooner and ending it later. Under prior law, the exemption period ran from November 1 to April 30. Under the act, it runs from October 1 to May 31.

The act also extends the Use Tax exemption for boats brought into Connecticut only to be stored, maintained, or repaired, by ending the period one month later. Under prior law, the exemption period ran from October 1 to April 30. Under the act, it runs from October 1 to May 31.

PA 13-232, An Act Concerning the Interest Paid by the State on Overpayments of Taxes, Various Changes to Tax Credit Programs Available Under the Insurance Premiums Tax and the Corporation Business Tax, Exemptions from the Petroleum Products Gross Receipts Tax, and a Study of the Structure of the Personal Income Tax

The act makes a number of changes impacting the Department of Revenue Services (DRS) including:

- shortening the period the DRS must pay interest for overpayments of Estate and Public Service Companies Taxes;
- altering the treatment of overpayments for estimated Insurance Premiums Taxes and the timing of certain payments by captive insurance companies;
- establishing new exemptions from the Petroleum Products Gross Earnings Tax;
- establishing new requirements for the utilization and transfer of certain tax credits;
- repealing certain tax credits; and
- requiring the DRS to undertake a comprehensive study of various aspects of the Personal Income Tax structure.

PA 13-184, An Act Concerning Expenditures and Revenue for the Biennium Ending June 30, 2015

Section 82 requires cigarette wholesalers to collect and remit the Sales Tax on cigarettes, rather than retailers only.

Sections 11, 12 and 49 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 14 appropriation levels will be reduced by the amounts shown in the table to achieve the lapses included in PA 13-184. This includes a General Lapse of \$280,730, a General Other Expenses Lapse of \$77,082, and a Statewide Hiring Reduction Lapse of \$170,462. See the FY 14 Holdbacks schedule in Section VI of this document for a further description of these statewide savings targets.

Account	Appropriation \$	Reduction Amount \$	Net Remaining \$	% Reduction
Personal Services	57,919,094	(412,135)	57,506,959	0.71%
Other Expenses	9,409,801	(116,139)	9,293,662	1.23%