

## Department of Revenue Services DRS16000

### Permanent Full-Time Positions

Fund	Actual FY 20	Actual FY 21	Governor Estimated FY 22	Original Appropriation FY 23	Governor Revised FY 23	Legislative FY 23	Difference -Gov FY 23
General Fund	627	627	625	625	593	593	-

### Budget Summary

Account	Actual FY 20	Actual FY 21	Governor Estimated FY 22	Original Appropriation FY 23	Governor Revised FY 23	Legislative FY 23	Difference -Gov FY 23
Personal Services	51,188,692	52,978,667	58,378,143	60,973,105	57,087,758	57,087,758	-
Other Expenses	6,647,277	5,937,276	9,360,475	7,920,475	5,117,358	5,117,358	-
<b>Agency Total - General Fund</b>	<b>57,835,969</b>	<b>58,915,943</b>	<b>67,738,618</b>	<b>68,893,580</b>	<b>62,205,116</b>	<b>62,205,116</b>	<b>-</b>
<b>Additional Funds Available</b>							
Carryforward Funding	-	-	-	30,000	230,000	605,000	375,000
American Rescue Plan Act	-	-	-	-	42,250,000	42,250,000	-
<b>Agency Grand Total</b>	<b>57,835,969</b>	<b>58,915,943</b>	<b>67,738,618</b>	<b>68,923,580</b>	<b>104,685,116</b>	<b>105,060,116</b>	<b>375,000</b>

Account	Governor Revised FY 23	Legislative FY 23	Difference from Governor
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## Policy Revisions

### Provide Maintenance Funding for the Integrated Tax Administration System

Other Expenses	4,500,000	4,500,000	-
<b>Total - General Fund</b>	<b>4,500,000</b>	<b>4,500,000</b>	<b>-</b>

#### Background

In April 2019 the Department of Administrative Services (on behalf of the Department of Revenue Services) entered into a five-year contract with Fast Enterprises, LLC for an integrated tax administration system known as CTax. The contract outlines various levels of maintenance and support services and associated costs.

#### Governor

Provide funding of \$4.5 million in Other Expenses for contractual maintenance costs associated with the CTax system.

#### Legislative

Same as Governor

### Transfer Funding to Implement the Highway Use Tax

Personal Services	464,062	464,062	-
<b>Total - General Fund</b>	<b>464,062</b>	<b>464,062</b>	<b>-</b>
<b>Positions - General Fund</b>	<b>7</b>	<b>7</b>	<b>-</b>

#### Background

PA 21-177, AAC A Highway Use Fee, imposes a highway use tax (HUT) on every “carrier” for the privilege of operating, or causing to be operated, certain heavy, multi-unit motor vehicles on any highway (i.e., public road) in the state beginning January 1, 2023.

#### Governor

Transfer Personal Services funding of \$464,062 from the Department of Transportation for seven positions to implement the HUT (three Revenue Examiners for records review and four Tax Corrections Examiners to administer and resolve complex tax processes and discrepancies).

Account	Governor Revised FY 23	Legislative FY 23	Difference from Governor
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**Legislative**

Same as Governor

**Provide Funding to Implement Federal Infrastructure Bill**

Personal Services	285,000	285,000	-
<b>Total - General Fund</b>	<b>285,000</b>	<b>285,000</b>	-
<b>Positions - General Fund</b>	<b>2</b>	<b>2</b>	-

**Background**

In November 2021, the federal Infrastructure Investment and Jobs Act (IIJA) was signed into law, directing \$1.2 trillion in funding nationwide for roads, bridges, ports, and airports as well as expanded clean water, broadband, and climate initiatives. The Governor's budget includes funding across six agencies for planning, support, and administration of Connecticut's share of this funding (the Department of Revenue Services; Department of Energy and Environmental Protection; Department of Transportation; Office of Consumer Counsel; Office of Workforce Strategy and Office of Policy and Management).

**Governor**

Provide funding of \$285,000 in Personal Services to establish the IIJA Coordination Support Team, consisting of \$170,000 for an Executive Assistant 2, \$100,000 for an Executive Assistant 1, and a \$15,000 salary increase for the Deputy Commissioner.

**Legislative**

Same as Governor

**Transfer Funding to Reflect Centralizing Information Technology Functions in DAS**

Personal Services	(4,634,409)	(4,634,409)	-
Other Expenses	(7,303,117)	(7,303,117)	-
<b>Total - General Fund</b>	<b>(11,937,526)</b>	<b>(11,937,526)</b>	-
<b>Positions - General Fund</b>	<b>(41)</b>	<b>(41)</b>	-

**Background**

The Governor's Revised FY 23 Budget centralizes Executive Branch IT functions in the Department of Administrative Services' new unit, the Bureau of Information Technology Solutions (BITS). This IT centralization transfers 483 positions and \$39 million in Personal Services and \$32 million in Other Expenses across all appropriated funds to DAS.

PA 22-118 (as amended by PA 22-146), the FY 23 Revised Budget, centralized certain Executive Branch IT functions in the Department of Administrative Services' new unit, the Bureau of Information Technology Solutions (BITS). This IT centralization transfers 219 positions and \$23,441,490 million in Personal Services, \$20,820,373 million in Other Expenses, and \$1,375,200 in Fringe Benefits across four appropriated funds to DAS.

**Governor**

Transfer \$11.9 million (\$4.6 million in Personal Services and \$7.3 million in Other Expenses) to reflect centralizing this agency's IT functions in DAS.

**Legislative**

Same as Governor

**Carryforward****Provide Funding for Administration of the Child Tax Rebate**

Other Expenses	-	375,000	375,000
<b>Total - Carryforward Funding</b>	<b>-</b>	<b>375,000</b>	<b>375,000</b>

**Background**

PA 22-118 (as amended by PA 22-146), the FY 23 Revised Budget, carries forward \$368.9 million in surplus funding for various spending initiatives. This includes: 1) \$264.9 million in the General Fund; 2) \$103.8 million in the Special Transportation Fund; and 3) \$200,000 in the Workers' Compensation Fund.

Section 411 of PA 22-118 (as amended by PA 22-146), the FY 23 Revised Budget, establishes a one-time rebate for qualifying, domiciled taxpayers in Connecticut equal to \$250 for each child (i.e., an individual who is age 18 or under as of December 31,

Account	Governor Revised FY 23	Legislative FY 23	Difference from Governor
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2021). Taxpayers may claim the credit for up to three children whom they validly claimed as dependents on their federal income tax return for the 2021 tax year.

#### Legislative

Provide carryforward funding of \$375,000 in Other Expenses to support administration of the child tax rebate, as authorized by section 53 of PA 22-118 (as amended by PA 22-146), the FY 23 Revised Budget.

### Provide Funding to Implement Federal Infrastructure Bill

Personal Services	-	200,000	200,000
Other Expenses	200,000	-	(200,000)
<b>Total - Carryforward Funding</b>	<b>200,000</b>	<b>200,000</b>	<b>-</b>

#### Background

In November 2021, the federal Infrastructure Investment and Jobs Act (IIJA) was signed into law, directing \$1.2 trillion in funding nationwide for roads, bridges, ports, and airports as well as expanded clean water, broadband, and climate initiatives. The Governor's budget includes funding across six agencies for planning, support, and administration of Connecticut's share of this funding (the Department of Revenue Services; Department of Energy and Environmental Protection; Department of Transportation; Office of Consumer Counsel; Office of Workforce Strategy and Office of Policy and Management).

#### Governor

Provide carryforward funding of \$200,000 in Other Expenses for interim staff to support the IIJA Coordination Support Team.

#### Legislative

Provide carryforward funding of \$200,000 in Personal Services for interim staff to support the IIJA Coordination Support Team, as authorized by section 12(b)67 of PA 22-118 (as amended by PA 22-146), the FY 23 Revised Budget.

## American Rescue Plan Act

### Provide Payments to Filers Eligible for the Earned Income Tax Credit

ARPA - CSFRF	42,250,000	42,250,000	-
<b>Total - American Rescue Plan Act</b>	<b>42,250,000</b>	<b>42,250,000</b>	<b>-</b>

#### Background

In December 2021 the Department of Revenue Services was directed to provide one-time assistance payments to filers eligible for the 2020 state Earned Income Tax Credit (EITC), effectively increasing the state EITC from 23% of the federal credit to 41.5% for those filers. The \$75 million cost was covered by the state's \$1.38 billion Coronavirus Relief Fund, made available through the federal CARES Act.

PA 22-118 (as amended by PA 22-146), the FY 23 Revised Budget, allocates or reallocates federal American Rescue Plan Act (ARPA) funding and allocates the portion of ARPA funding unallocated by SA 21-15, the FY 22 and FY 23 budget. This results in a total of \$1,752.3 million in new ARPA allocations for a variety of initiatives and grant programs. This funding, plus all previous allocations, represents the total ARPA award to Connecticut via the State and Local Fiscal Recovery Fund and the Capital Relief Fund.

#### Governor

Provide ARPA funding of \$42.3 million in FY 23 to provide one-time assistance payments to filers eligible for the state EITC in the 2021 income year, effectively increasing the state EITC from 30.5% of the federal credit to 40% for those filers.

#### Legislative

Same as Governor

**Totals**

<b>Budget Components</b>	<b>Governor Revised FY 23</b>	<b>Legislative FY 23</b>	<b>Difference from Governor</b>
Original Appropriation - GF	68,893,580	68,893,580	-
Policy Revisions	(6,688,464)	(6,688,464)	-
<b>Total Recommended - GF</b>	<b>62,205,116</b>	<b>62,205,116</b>	-

<b>Positions</b>	<b>Governor Revised FY 23</b>	<b>Legislative FY 23</b>	<b>Difference from Governor</b>
Original Appropriation - GF	625	625	-
Policy Revisions	(32)	(32)	-
<b>Total Recommended - GF</b>	<b>593</b>	<b>593</b>	-

***Other Significant Legislation*****PA 22-117, An Act Concerning the Department of Revenue Services' Recommendations for Tax Administration and Revisions to the Tax and Related Statutes.**

The act makes numerous tax administration-related changes including:

1. capping at \$5 million the amount of interest (a) added to any tax refund issued by the Department of Revenue Services (DRS) commissioner for a tax period and (b) that a court may award in any tax appeal in connection with a tax refund claim for a tax period;
2. clarifying the real estate conveyance tax credit that applies against the personal income tax;
3. authorizing the DRS commissioner to impose more than one sales and use tax deficiency assessment (i.e., reassessments) for a tax period;
4. requiring the DRS commissioner to study the feasibility of selling outstanding tax liabilities and report his findings and recommendations to the Finance, Revenue and Bonding Committee; and
5. requiring the attorney general and DRS commissioner to report to the Finance, Revenue and Bonding Committee on tax enforcement efforts in other states during the 2021 and 2022 calendar years.