

PA13-150

HB6567

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**JOINT
STANDING
COMMITTEE
HEARINGS**

**FINANCE
REVENUE
AND BONDING
PART 3
616 - 925**

2013

March 11, 2013

rgd/med/mb/gbr FINANCE, REVENUE AND 10:30 A.M.
BONDING COMMITTEE

JOHN JOHNSON: Good morning.

REP. WRIGHT: Nice to see you here. I -- I agree totally. It's a tough environment out there, and boaters, not all of whom are extremely wealthy, are very savvy and frugal with how they're spending their money these days, and our local marinas and -- and marine trade and boat stores and maintenance builders, restorers, are such an important component of our shoreline and coastal economy, particularly at the Eastern end of Long Island, where it's very, very competitive with Rhode Island.

And so I support both of these measures, all of these measures, and thank you for your advocacy and taking the time to visit us and present your testimony today.

JOHN JOHNSON: Thank you very much.

GRANT WESTERSON: Thank you, Representative.

SENATOR FONFARO: And unless there are further questions, thank you gentlemen very much.

JOHN JOHNSON: We appreciate very much our opportunity to plead our case. Thank you.

SENATOR FONFARO: Thank you. We'll turn now to our invited speakers, Comptroller and Commissioner Sullivan. Commissioner Sullivan, if you're closest to the chair?

SB1046 SB1052
SB1055 SB1053
HB6567 HB6568

COMM. SULLIVAN: While I sit down, let me add to Representative Widlitz's advice at the opening of the hearing in terms of safety procedures. If at any time during the commissioner's remarks you should lose consciousness, the oxygen mask will drop from the ceiling.

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BONDING COMMITTEE

Good morning, Senator Fonfara, Representative Widlitz, members of the committee. Thank you for this opportunity to offer testimony in support of the agency's legislative proposals for this session. Let me thank you also for the committee's continued hard work in what are difficult and continue to be difficult financial times for our state and other states.

The legislation that we bring you this morning is part and parcel of our efforts at the department to work smarter, and to maximize revenue without increasing taxes. All of the bills that we have in front of you will do that. Let me briefly touch on them. Senate Bill 1046, this is the most reached -- it's truly truly truly technical, and I don't think you will find anything different when you look at it.

Senate Bill 10 -- oh, this is a new thing for me to get used to -- okay Senate Bill 1052, Section 1 will significantly improve and increase cigarette tax collection in the State of Connecticut. This will allow us to move to point of sale by wholesalers rather than currently point of sale by resalers. That will be a more effective and expected means of collecting taxes. The retailers will then -- the wholesalers will then obviously pass along to the wholesalers. The wholesalers will be made whole at the time of sale.

In the event -- and we've discussed this with the -- with the cigarette wholesalers, that in the event that the retailer does not make good on the purchase, as they sometimes do, either from a tax or cigarette standpoint, there is a statute currently in place that allows for that bad debt to be recovered by the -- by the wholesaler as a credit.

issue of suggesting to other legislators with other causes and other people with other cause that the income tax is a place to create a variety of additional exclusions and/or credits.

We have a very simple income tax in the State of Connecticut. It's one of the reason it's very efficient. It's one of the reasons it's very inexpensive to operate. So again in terms of lost revenue, not the best time in the world. In terms of complexity and cost also not the best time in the world.

Section 9 I read as primarily a concerned about the relative fairness of the income tax with regards to single taxpayers. If that is the case, or no matter what the case may be, if the committee wishes to have this studied, we would simply say you don't need to legislate to do that. You tell us, you ask us, we'll do it.

And so rather than have legislation setting up studies by the agency, if you simply ask us to do that and that's something you want us to do we will do it. And then be done with it.

House Bill 6567 is a bill that got last year in the shuffle. You may recall that this will allow both employees and the department to bring into personnel proceedings tax record information that would otherwise not be possible to be brought into evidence because of the prohibitions of Section 1215.

This legislation was worked out with SEBAC last year. So that there is the opportunity for both the agency and the employee to have that evidence in the personnel proceeding, which otherwise would not be possible for either.

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by the state, particularly liquor permits, that there be a tax clearance process so that individuals who owe substantial amounts of taxes to the State of Connecticut not be able to be in business without at least making arrangements to pay off those taxes over time.

6567, I just wanted to mention two other bills that are not ours that are in front of you, and I'll do it as quickly as I can. Representative Becker has introduced this legislation perhaps with some other legislators. This bill really makes sense in closing a loophole that's out there. We've been aware of it for a while and I'll leave it at that and urge the committee to give it favorable consideration. It's a property -- it's a transfer of tax issue, conveyance tax issue.

Last, 6566. Governor Malloy, Commissioner Smith, me, Commissioner Lemboud, we all share our commitment to increasing the reasonable transparency of the state's efforts with respect to business tax credits, business tax exclusions, business tax exemptions.

So -- and in fact this is a major area of recommendation that came out of the governor's business tax task force. The difference here I think is that the task force anticipated that further work would be done, which has only just begun, in order to come up with what those standards and what that legislation and/or those administrative practices ought to look like.

So our first suggestion to you is that you might consider giving that process an opportunity to play out and see what the results are before taking action on legislation this year. Beyond that, whatever you do has to at least have three ingredients.



**FINANCE, REVENUE & BONDING COMMITTEE
MARCH 11, 2013
TESTIMONY OF COMMISSIONER KEVIN B. SULLIVAN
DEPARTMENT OF REVENUE SERVICES**

Excerpt Re: HB 6567

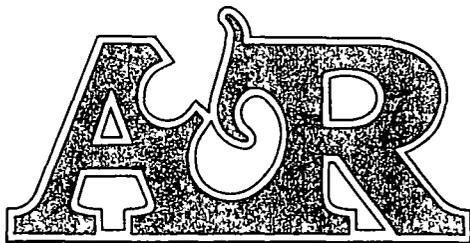
Senator Fonfara, Representative Widlitz and members of the Committee, thank you for this opportunity to testify in support of the Department's legislative proposals. Thank you also for your hard work in what are much improved but still fiscally challenging times for Connecticut and so many other states.

As you know, the Department of Revenue Services is focused on doing more with less. That includes a workforce that is one-third smaller than just a few years ago, working smarter through lean initiatives and maximizing collections without new taxes. The legislative changes we seek all support these efforts.

**HB 6567 - AN ACT CONCERNING ACCESS TO TAX RETURN
INFORMATION IN PERSONNEL PROCEEDINGS.**

The Committee reported out this proposal last session but it simply got lost in the shuffle. It simply assures fairness to the Department and employees who may be subject to personnel proceeding by allowing into evidence tax return information that could not otherwise be used due to the broad prohibition of disclosure under CGS 12-15. Currently, for example, in the event of a violation of the Department's zero tolerance policy for tax record browsing, neither the agency nor the employee could actually provide evidence the actual tax record browsed. This proposal was developed in consultation with OPM's Office of Labor Relations and SEBAC representatives. We hope you might act quickly on HB 6567 since it may need a stop at GAE.

Thank you for your consideration.



Administrative and Residual Employees Union
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Testimony Of
Laila A. Mandour, President
Administrative And Residual Employees Union
Before The Committee On Finance, Revenue And Bonding
In Opposition To House Bill 6567
An Act Concerning Access To Tax Return Information In Personnel Proceedings.

Good morning, Senator Fonfara, Representative Widlitz and members of the Committee. My name is Laila Mandour and I am the president of the Administrative and Residual Employees Union, also known as A&R. I appear before you today to testify against House Bill 6567 as drafted and to offer substitute language. A&R is comprised of approximately 3000 state employees including accountants, tax collectors and fiscal employees. We have several hundred members who work the Department of Revenue Services. The language of Section (e)(1) of House Bill 6567 as drafted allows a commissioner, at his or her discretion and under his or her terms and conditions, to determine if the requested information is relevant and material to a personnel proceeding. As drafted, the language puts our members at risk of being targeted where there exists a dispute or animus between a commissioner and an employee. Our proposed changes removes the discretion of a commissioner, yet it still supports a the purpose of the bill, which is to allow the limited disclosure of return or return information in state personnel proceedings involving employees of the Department of Revenue Services. There was a similar bill introduced during the last

session. The all parties involved worked together and reached a compromise in the language, but the bill died before Session. Therefore, I urge you to support the amended language which I have included and which was agreed upon during the last session.

Substitute language for Section (e)(1) of House Bill 6567

(e) (1) Notwithstanding the provisions of section 12-15, the parties to a personnel proceeding, including any administrative or judicial proceedings related thereto, involving an employee or former employee of the Department of Revenue Services, may disclose in connection with such proceeding return or return information of taxpayers for the purpose of demonstrating or refuting performance issues concerning such employee. Any return and return information disclosed under this subsection shall be redacted to avoid disclosing the identity of the taxpayer, and shall be used only for purposes of and to the extent necessary in such proceeding and shall not be further disclosed by any person involved in such proceeding.

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**CONNECTICUT
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Will the members please check the board to determine if your vote is properly cast.

If all members have voted, the machine will be locked and the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

Madam Speaker, House Bill Number 6553, as amended by House Schedule "A"

Total Number Voting	144
Necessary for Passage	73
Those voting Yea	89
Those voting Nay	55
Those absent and not voting	6

DEPUTY SPEAKER MILLER:

The bill as amended is passed.

Will the Clerk please call Calendar Number 402?

THE CLERK:

Yes, Madam Speaker, Calendar 402 on page 50 of today's Calendar, favorable report by the joint standing committee of the Judiciary, Substitute House Bill 6567, AN ACT CONCERNING DEPARTMENT OF REVENUE SERVICES PROCEDURES REGARDING PENALTY WAIVERS, PERSONNEL PROCEDURES, COURT PROCEEDINGS, SALES TAX PERMITS AND LICENSE RENEWALS.

DEPUTY SPEAKER MILLER:

Representative Widlitz:

REP. WIDLITZ (98th):

Thank you, Madam Speaker.

I move acceptance of the joint committee's favorable report and passage of the bill.

DEPUTY SPEAKER MILLER:

The question before the Chamber is on acceptance of the joint committee's favorable report and passage of the bill.

Representative Widlitz, you have the floor, madam.

REP. WIDLITZ (98th):

Thank you, Madam Speaker.

Madam Speaker, this is a bill proposed by the Department of Revenue Services. I'll briefly summarize the components. It allows the Department of Revenue Services commissioner to disclose certain tax information in connection with personnel proceedings involving a current or former DRS employee.

It also increases from \$500 to \$1,000 the threshold for tax penalty waivers requiring the penalty review committee, review and approval.

It imposes civil penalty on any person who fails

to secure or renew a sales tax permit, and it also bars the commissioner from issuing or renewing a cigarette dealer, cigarette or tobacco product distributor license if the sales tax that was permit to any person who is delinquent in their state taxes and has exhausted their administrative or judicial remedies. I move adoption, Madam Speaker.

DEPUTY SPEAKER MILLER:

Will you remark further on the bill?

Representative Williams of the 68th.

REP. WILLIAMS (68th):

Thank you, Madam Speaker, and good afternoon.

Just briefly in support of the bill and, perhaps, a question. I do think it makes sense for us to increase the threshold for penalty waivers. I think the Department of Revenue Services probably has enough on its plate without having to deal with some of these rather small issues. So increasing that threshold to \$1,000 I think makes some sense.

Just a quick question, through you to Representative Widlitz, for legislative purposes.

DEPUTY SPEAKER MILLER:

Please frame your question, sir.

REP. WILLIAMS (68th):

Thank you, Madam Speaker.

So, through you to Representative Widlitz, the issue with respect to the DRS commissioner being able to utilize certain tax information in personnel proceedings. Is that -- would that apply to all types of tax returns, or would that just apply to individual returns?

Through you.

DEPUTY SPEAKER MILLER:

Representative Widlitz, will you respond, madam.

REP. WIDLITZ (98th):

Thank you, Madam Speaker.

Through you, Madam Speaker, what would apply to all tax returns.

DEPUTY SPEAKER MILLER:

Representative Williams, you still have the floor, sir.

REP. WILLIAMS (68th):

Thank you, Madam Speaker.

So through you, then, to Representative Widlitz, a scenario not dissimilar to what has happened within the four walls of the IRS recently with regards to the targeting of a particular political organization or politically affiliated organizations as we have seen

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recently with the Tea Party if, in fact, that scenario had happened at the DRS level and tax returns had been inappropriately handled by a DRS employee that would sort of all be covered under the new schematic that we're creating in the law; is that correct?

Through you.

DEPUTY SPEAKER MILLER:

Representative Widlitz.

REP. WIDLITZ (98th):

Thank you, Madam Speaker.

Through you, yes, that is correct.

DEPUTY SPEAKER MILLER:

Representative Williams, you still have the floor, sir.

REP. WILLIAMS (68th):

Thank you, Madam Speaker.

I thank the gentlelady for her answers. I do urge members to support the bill. I think that giving the commissioner and the Department some greater discretion on the issues that Representative Widlitz outlined, especially, with regard to being able to go after certain employees who have legally mishandled tax returns or personal tax information is an important initiative. It seems to me that in the past

they've been unable -- or they've had their hands tied, I should say, in some regard with regard to that. So I would urge members to support the bill. Thank you.

DEPUTY SPEAKER MILLER:

Will you remark further on the bill? Will you remark further on the bill?

If not, will staff and guests please come to the well of the House.

Will the members take your seats. The machine will be open.

THE CLERK:

House of Representatives is voting by roll. The House of Representatives is voting by roll. Will members please come to the chamber immediately.

DEPUTY SPEAKER MILLER:

Have all members voted? Have all members voted? Will the members please check the board to determine if your vote is properly cast.

If members have voted, the machine will be locked and the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

Bill Number 6567

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Total Number Voting	145
Necessary for Passage	73
Those voting Yea	145
Those voting Nay	0
Those absent and not voting	5

DEPUTY SPEAKER MILLER:

The bill passes.

Representative Grogins.

REP. GROGINS (129th):

Thank you, Madam Speaker.

The Clerk is in possession of today's go list which lists the bills to be referred. I move that we waive the reading of the list and refer the bills to the committees as indicated.

DEPUTY SPEAKER MILLER:

The motion is to refer the bills to the committee as indicated on today's go list.

Is there objection? Is there objection?

Hearing none, the bills are referred to the committees as indicated.

REP. GROGINS (129th):

Thank you, Madam Speaker.

DEPUTY SPEAKER MILLER:

Will the Clerk please call Calendar Number 207.

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**CONNECTICUT
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SENATOR OSTEN:

I move, I move adoption of the bill as amended and if appropriate move it to the Consent Calendar.

THE CHAIR:

Is there any objection?

Seeing no objection, so ordered.

Senator Looney.

SENATOR LOONEY:

Yes, Madam President, if we might stand at ease for just a moment.

THE CHAIR:

The Senate will be standing at ease.

(Chamber at ease.)

THE CHAIR:

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, I have, I have one item to add to our Consent Calendar and then would call, ask for a listing of the items on the Consent Calendar and a vote on that Consent Calendar. That item, Madam President, is Calendar page 21, Calendar 605, House Bill 6567. Would move to place that item on the Consent Calendar.

THE CHAIR:

Seeing no objections, so ordered, sir.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, if the other items marked go would now be marked passed retaining their place on the Calendar, and if the Clerk would read the items on the second Consent Calendar so that we might proceed to a vote on that second Consent Calendar.

THE CHAIR:

Mr. Clerk.

THE CLERK:

On the second Consent Calendar for the day, page 6, Calendar 348, House Bill 5767; Calendar 352, House Bill Number 6452; also on page 6, Calendar 354, House Bill 6388; on page 7, Calendar 368, Senate Bill 900; page 18, Calendar 573, House Bill 6524; page 20, Calendar 591, House Bill 5727; Calendar 592, House Bill 5979; Calendar 593, House Bill 6523; Calendar 594, House Bill 6596; page 21, Calendar 605, House Bill 6567; page 23, Calendar 615, House Bill 6638; on page 24, Calendar 618, House Bill 6433; and Calendar 619, House Bill 6482; on page 33, Calendar 125, Senate Bill 906; and page 39, Calendar 422, House Bill 5718.

THE CHAIR:

Mr. Clerk, will you call for a roll call vote. Oops, hold on a moment.

Senator Looney.

SENATOR LOONEY:

Yes, Madam President.

Just I wanted to indicate did we get the item on Calendar page 33 --

THE CHAIR:

Yes, sir.

SENATOR LOONEY:

-- Calendar 125, Senate Bill 906?

THE CHAIR:

Yes, sir.

SENATOR LOONEY:

Good. Thank you very much, Madam President.

THE CHAIR:

Yeah.

SENATOR LOONEY:

I appreciate it and move that we vote the Consent Calendar.

THE CHAIR:

Mr. Clerk.

THE CLERK:

Immediate roll call has been ordered in the Senate.
Senators please return to the Chamber. Immediate roll call on Consent Calendar 2 has been ordered in the Senate.

THE CHAIR:

The machine is open.

THE CHAIR:

Senator Boucher.

No problem.

Senator Maynard.

Thank you.

If all members have voted, all members have voted, the machine will be closed.

Mr. Clerk, will you call the tally.

THE CLERK:

On the second Consent Calendar for today,

Total Number Voting	34
Necessary for Adoption	18
Those voting Yea	34
Those voting Nay	0
Those absent and not voting	2

THE CHAIR:

Thank you. The Consent Calendar, second Consent Calendar passes.

Senator Looney.

SENATOR LOONEY:

Thank you, Madam President, first of all for a, a journal notation.

THE CHAIR:

Please proceed, sir.

SENATOR LOONEY:

Thank you, Madam President.

Madam President, Senator Coleman was absent today due to illness. We hope that he will be back with us next week, missed votes today. And also for a point of personal privilege, Madam President.

THE CHAIR:

Please proceed.

SENATOR LOONEY:

Thank you.

Madam President, two of our wonderful caucus colleagues on the, the Democratic staff in great