



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES
OFFICE OF THE COMMISSIONER

VIA HAND-DELIVERY AND ELECTRONIC MAIL

February 3, 2014

The Honorable Dannel P. Malloy
Governor of the State of Connecticut
State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106

Re: Executive Order No. 37 – Report from the Department of Revenue Services

Dear Governor Malloy:

The Department of Revenue Services (“DRS”) hereby provides you with its report in accordance with Executive Order No. 37. Executive Order No. 37, in pertinent part, provides that:

On or before February 3, 2014, each agency shall provide [the Office of the Governor] with a report that: (a) summarizes the comments received regarding regulations under its jurisdiction; (b) recommends the elimination or modification of any regulation that it deems outdated, unnecessarily burdensome, insufficient, or ineffective pursuant to Sections 2 and 3 of this Order; and (c) offers a plan for implementing such recommendations.

Summary of Public Comments. We have reviewed all public comments forwarded by your office that pertain to taxes administered by the DRS. Although the public comment period offered by Executive Order No. 37 was a great opportunity to receive substantive recommendations, none of the comments applicable to DRS pertained to any specific agency regulation or lack of regulation. Instead, the comments generally went to legislative policy or specific taxpayer situations.

Department Review of Existing Regulations. In accordance with Executive Order No. 37, DRS reviewed regulations under its jurisdiction that have been in effect for more than four years. In fact, all existing DRS regulations have been in effect for more than four years because the agency has since avoided the promulgation of unnecessary regulations. For purposes of its review, DRS sorted the regulations into four categories: Income Tax, Corporation Business Tax, Sales and Use Taxes and Miscellaneous Taxes.¹ Using the template provided to all agencies on December 10, 2014, this report utilizes the following categories:

- (0) Regulation has been repealed or transferred;
- (1) Regulation is fine as is;
- (2) Regulation is unnecessary;
- (3) Regulation is necessary but changes are required to correct inaccurate information; or
- (4) Regulation is necessary but changes could improve them.

¹ Also included in this category are administrative regulations of more general applicability.

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Department's Plan for Implementing Recommendations. Based on this report, DRS proposes to implement its recommendations in three phases as follows:

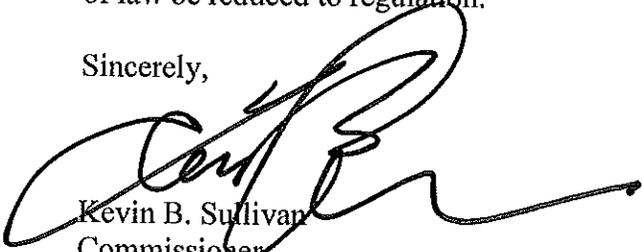
Phase One – Repeal: **Appendix A** sets forth a list of those existing agency regulations that are recommended for repeal.

Phase Two – Revise to Correct or Repeal: **Appendix B** sets forth a list of those regulations that the Commissioner recommends be amended to correct inaccurate or outdated information. It is possible that further review of these regulations may result in further repeals.

Phase Three – Revise to Improve or Repeal: There remain a number of existing agency regulations under Category 4 that could not be sufficiently reviewed in the time available or where substantive revision may be required. Such changes could also result in fiscal impact. It is possible that further review may result in further repeals.

Department Comments. Executive Order No. 37 provided a needed, focused process for regulations review and DRS is committed to continuing that process. All agencies need to avoid the past tendency to promulgate regulations that merely repeat statutory provisions or provide guidance that does not rise to the level of having the force of law. Similarly, the General Assembly should avoid routinely commanding the promulgation of regulations as a condition of agency implementation even where the specific statute is sufficiently clear. Furthermore, the existing process for the promulgation of regulations discourages agencies from pursuing needed changes and unnecessarily commands that even mere agency guidance that is not intended to have the force of law be reduced to regulation.

Sincerely,



Kevin B. Sullivan
Commissioner

Department of Revenue Services

Appendix A

Regulations – Recommended Repeal (Category 2) Department of Revenue Services

<u>Regulation</u>	<u>Description</u>
<i>Income Tax</i>	
12-701(a)(20)-1	CT AGI of resident individual
12-700(b)-1	CT income tax imposed upon nonresident IND
12-701(a)(2)-1	Nonresident of this state
12-711(b)-2	Income and deductions from CT sources - general property in CT
12-717-5	Taxpayers to whom the special accrual rules apply
12-714(b)-1	Special rule where a trust or estate has not federal distributable net income
12-712(a)(1)-1	Partnership income and deductions of a nonresident partner derived from CT sources
12-706(c)-1	Withheld amounts to be credited against income tax liability of employees
12-723-2	Extension of time for filing group returns
12-727(a)-1	Filing on magnetic media
12-740-7	Returns must be made and filed even if not mailed by the department
12-708-2	Change of accounting period
12-740(c)-1	Retention of records
<i>Corporation Business Tax</i>	
12-242-8	Changes of accounting period
12-242-9	Changes of accounting basis
12-638-3	Agency overseeing implementation - Neighborhood Assistance Act
12-638-5	Proof of expenditures for charitable purposes - Neighborhood Assistance Act
<i>Sales & Use Taxes</i>	
12-407(2)(i)(BB)-1	Services to other than industrial, commercial or income-producing real property
12-426-6	Circulating libraries
12-430(7)-1	Nonresident contractors
<i>Miscellaneous Taxes</i>	
12-2-2a	Conferences and Hearings
12-2-3a	Procedure for requesting the promulgation, amending or repeal of a regulation
12-2-4a	Petition for Declaratory Ruling
12-2-10	Request for Disclosure of Confidential Information
12-313-18a	Definitions
12-349-1	Payments under retirement or pension plan, trust or contract
12-449-4a	Withdrawal from internal revenue bonded warehouse
12-449-12a	Inventories
12-494-3	Returns

Appendix B

Regulations – Recommended Correction of Inaccurate Information (Category 3) Department of Revenue Services

<u>Regulation</u>	<u>Description</u>
<i>Income Tax</i>	
12-701(a)(1)-1	Resident of this state
12-701(a)(20)-2	Modifications increasing federal AGI
12-701(a)(20)-3	Modifications reducing federal AGI
12-711(b)-4	Business, trade, profession or occupation carried on in CT
12-711(b)-6	Deductions with respect to capital losses, passive activity losses and net operating losses
12-711(b)-7	Compensation not constituting income derived from CT sources
12-711(b)-14	Prizes, awards and similar payments
12-711(d)-1	Military pay
12-717(c)(1)-1	Special accruals: change from resident to nonresident
12-701(a)(4)-1	Resident trust or estate
12-701(a)(9)-1	CT taxable income of a resident trust or estate
12-701(a)(10)-3	Modifications comprising the CT fiduciary adjustment: subtractions
12-713(a)-1	CT taxable income derived from or connected with sources within CT of a nonresident trust or estate
12-702(c)(1)-2	Relief of spouse from CT income tax liability on joint CT income tax return
12-704(a)-1	Resident or part-year resident credit for taxes paid to another state, political subdivision of another state, the District of Columbia, a province of Canada or political subdivision of a province of Canada
12-704(b)-1	Amended CT income tax return to report any change in the amount of income tax required to be paid to a qualifying jurisdiction
12-705(a)-3	Certain supplemental compensation
12-705(b)-2	Gambling winnings
12-706(b)-1	Wage and tax statement
12-707-1	Schedule for filing WTH tax returns and payment of taxes
12-723-1	Extension of time for filing returns
12-723-4	Extension of time to file informational returns
12-723-6	Person other than taxpayer requesting extension
12-727(a)-2	Informational reporting by certain employers, payers or real estate reporting persons
12-740-1	Who must file a Connecticut income tax return
12-740-6	Connecticut income tax returns for short taxable periods
12-732(a)-1	Claim for refund
12-735(d)-1	Penalty for failure to file statement of payment to another person
12-742-1	Offset of refunds against certain debts or obligations
12-701(b)-1	Definitions
12-727(b)-1	Timely-amended federal income tax returns
12-727(b)-2	Report of amended federal income or income tax withholding return

Corporation Business Tax

12-213-1	Definitions - General
12-213-2	Prohibition against double deductions and/or exclusions
12-214-2	Companies exempt from tax
12-218-1	Definitions - Apportionment of income
12-218-3	Apportionment fraction
12-219a-1	Definitions – Apportionment of capital base
12-223a-2	Combined operating loss
12-225-2	Adjustments to net income resulting from subtraction of exempt income shall be net of expenses
12-638-2	Deadlines - Neighborhood Assistance Act

Sales & Use Taxes

12-407(2)(i)(N)-1	Motor vehicle parking services
12-407(2)(i)(Q)-1	Electrical and electronic repair services
12-407(2)(i)(S)-1	Sales agent services for selling tangible personal property
12-407(2)(i)(V)-1	Landscaping and horticulture services
12-407(2)(i)(X)-1	Maintenance services
12-407(2)(i)(Y)-1	Janitorial services
12-407(a)(i)(AA)-1	Swimming pool cleaning and maintenance
12-407(2)(i)(DD)-1	Repair or maintenance services to tangible personal property and contracts of maintenance, repair or warranty
12-410(5)-1	Resale of services
12-412(34)-1	Machinery used directly in a manufacturing production process
12-426-1	Resale certificates
12-426-5a	Funeral establishments
12-426-16a	Sales of or transfers of title to motor vehicles, snowmobiles, vessels and airplanes
12-426-17	Casual or isolated sales
12-426-18	Contractors and subcontractors
12-426-20	Printing and related industries
12-426-21	Taxes
12-426-22	Collection of use tax by out-of-state retailers
12-426-25	Leasing and rental of tangible personal property
12-426-27	Enumerated services
12-426-29	Exemption of food products for human consumption; taxability of meals sold by eating establishments or caterers
12-426-30	Clothing and footwear

Miscellaneous Taxes

12-2-1a	Description [of DRS]
12-2-8	Notice Concerning Dissolution
12-2-9	Request by a purchaser [sic] for a clearance certificate pertaining to taxes imposed by chapter 219

12-289-1	Licenses for cigarette vending machines
12-313-9a	Inventories
12-313-12a	Sales, exchanges and transfers of unstamped packages of cigarettes by distributors
12-313-16a	Delivery by distributors to agents
12-398-1	Release of estate tax liens by probate court
12-449-3a	Withdrawal from customs bonded warehouse
12-449-6a	Importation of alcoholic beverages for personal consumption
12-484-1	Annual affidavit by carrier exclusively operating within this state
12-494-1	Definitions
12-602-2	Illustrations
12-689-1	Definitions
12-689-2	Means of electronic funds transfer approved by the department
12-689-3	Notification of requirement to pay tax by electronic funds transfer
12-689-4	Timely initiation of electronic funds transfer