Department of Revenue Services

Agency Description

The Department of Revenue Services (DRS) is statutorily responsible for administering and enforcing state tax laws and collecting state tax revenues while safeguarding and protecting Connecticut taxpayer rights, privacy and property. The agency is responsible for ensuring taxpayer compliance with the tax laws, and when necessary, initiating actions to collect unpaid taxes and applying enforcement measures. DRS is responsible for exercising its authority fairly and impartially for both the state and the taxpayer.

The agency is organized into four areas designed to accomplish its major business objectives.

Operations consists of two functions: operations and information services. This program accounts for all tax documents and payments and serves the data processing needs of the agency.

Audit administers audit compliance and administrative programs for Connecticut taxes.

Collection and Enforcement assures that all tax, penalty and interest due the state are paid.

Management Services consists of the department's executive office, the agency’s administrative and support services, taxpayer services, appellate and legal functions. It provides technical, legal, litigation, taxpayer assistance, legislative support and records management needs to the entire department and the general public.

Operations

## Statutory Reference

C.G.S. Title 12.

## Statement of Need and Program Objectives

To process and deposit state tax revenues in a timely manner and to administer and maintain the agency's information services system.

## Program Description

This program is made up of two subprograms that support the program’s objectives: the Operations Division and the Information Services Division.

Operations Division

## Statutory Reference

C.G.S. Title 12.

## Statement of Need and Program Objectives

To carry out the agency’s core functions of registration, returns processing, taxpayer accounting and revenue accounting

## Program Description

Annually, more than $15.7 billion from more than 40 different tax sources are deposited on the day of receipt. The processing of 4.3 million tax returns involves the following key activities: processing all state tax returns and corresponding documents; registering taxpayers and issuing tax registration numbers, permits, licenses, cigarette stamps and both motor carrier and International Fuel Tax Agreement decals; processing tax payments and ensuring the timely deposit of state tax revenue; maintaining the internal accounting of all state tax revenue; reviewing the accuracy of tax returns entered into the agency’s integrated tax administration system; the timely issuance of bills and refunds; oversight of the agency’s electronic filing and payment programs.

Information Services Division

## Statutory Reference

C.G.S. Title 12.

## Statement of Need and Program Objectives

To effectively support the department through the use of technology. To further develop and maintain all agency information systems and supporting technology.

## Program Description

All divisions of the agency depend on the Information Services Division for: information systems design, development and implementation; network data communications; technological support for data processing, office automation, internal email, computer security, data security, personal computing support; technological training; equipment evaluation, technology resource acquisition and maintenance; and the storage and retrieval of electronic records.

Audit

## Statutory Reference

C.G.S. Title 12 and Chapters 216, 217 and 218.

## Statement of Need and Program Objectives

To determine the accuracy of tax reporting through comprehensive field and office audits of targeted accounts in order to collect tax revenue due and induce compliance among the entire taxpayer population.

## Program Description

The Audit Division is organized to administer audit programs for approximately 40 state taxes. The division performs the following functions:

Performs audits of Connecticut and out-of-state based taxpayers to determine the extent of their tax obligations to the state for a variety of tax types. The division operates six field audit units and five office units to conduct more than 45,000 audits annually resulting in more than $500 million in assessments.

Directs agency, interagency and interstate compliance programs that include liaison and reciprocal agreements with the federal government, other state governments, other Connecticut agencies and private organizations.

Collection and Enforcement

## Statutory Reference

C.G.S. Title 12.

## Statement of Need and Program Objectives

To ensure the collection of overdue state taxes and enforce compliance by those who do not voluntarily pay taxes through an efficient, comprehensive and highly visible collection and enforcement program.

## Program Description

Through a progression of specific collection, compliance and enforcement procedures, 73 employees collect more than $186 million in overdue revenue.

The office collection agents conduct the first level of the collection process. The agents are primarily responsible for initiating telephone contact to resolve overdue accounts prior to referring cases to the next level. Upon identification, chronic debtors or high-risk cases are immediately referred for enforcement action.

Each year approximately 11,000 overdue accounts are referred for enforcement action. This would include collection of tax warrants, permit suspension hearings, imposition of security bonds and filing of tax liens and bankruptcy proofs of claims. In addition, enforcement efforts include on-site investigations of citizen complaints pertaining to tax violations; and follow-up of leads gained through audit examinations, and from various third parties.

The final level in this process involves criminal matters. Criminal investigations are referred to enforcement agents in the Special Investigation Section. Their activities may lead to arrests in cases involving operating without valid permits, refund and ID theft, refusal to file/pay trust-fund taxes, filing of fraudulent returns, and smuggling of contraband fuel, cigarettes, tobacco products and alcohol.

Management Service

## Statutory Reference

C.G.S. Title 12.

## Statement of Need and Program Objectives

To set department policy and direction; to allocate, manage and monitor programs and resources; to provide support services and legal and research assistance within the department and to legislators, the Governor's office and the public.

## Program Description

The *Executive Office* sets departmental policy and direction, oversees legislative activities and legislatively mandated programs, and determines communications policy. The office includes the agency’s affirmative action program, internal audit, data security and business planning services.

The *Legal Division* serves as in-house legal counsel to the department. The division is responsible for drafting regulations and legislation, issuing rulings to taxpayers and tax practitioners, on all Connecticut taxes, issuing legal opinions to the commissioner and other department officials on the proper interpretation of Connecticut tax statutes, reviewing issues of tax policy and representing the commissioner in all succession tax litigation.

The *Taxpayer Services Division* promotes voluntary taxpayer compliance through public information, taxpayer education and assistance activities. Assistance activities include responding to taxpayer inquiries concerning bills, refunds, registration issues and general tax issues received by telephone, letter, in person and by e-mail. The division maintains and updates the department’s Internet site and the taxpayer answer center.

The *Research Unit* analyzes, prepares and disseminates the statistics generated by the department, including preparation of the annual report and statistical overview of the income tax. In addition, the unit administers the neighborhood assistance act tax credit program.

The *Appellate Division* receives, acknowledges and reviews all taxpayer protests (after final billing) of audit assessments and of corporate officer and successor liability impositions. It also reviews taxpayer protests of proposed disallowances of claims for refund. This division conducts hearings of appeals and is the final administrative adjudicator of the issues presented. It works closely with taxpayers, their legal and accounting representatives, as well as other divisions of the department.

The *Administrative Services* staff is responsible for budget development, reporting and monitoring. The Personnel and Payroll units administer the rules, regulations, contracts and directives concerning state employment and recruits staffing for the agency. The Records Unit is responsible for administering and maintaining the department’s paper and electronic documents.

The *Litigation Division* represents the department in litigated tax appeals before the Tax Session of the Connecticut Superior Court. The Litigation Division is responsible for all aspects of these litigated tax appeals, including conducting discovery, filing and responding to pleadings, drafting and submitting pre and post trial memoranda of law and conducting all legal research related thereto, preparation of witnesses, conducting trials and drafting settlement agreements and closing documents.