



State of Connecticut

SENATE

SENATOR KEVIN D. WITKOS
EIGHTH DISTRICT

DEPUTY MINORITY LEADER

RANKING SENATOR
GENERAL LAW COMMITTEE
CHAIRMAN
INTERNSHIP COMMITTEE
MEMBER
PUBLIC SAFETY COMMITTEE

The Honorable Dannel P. Malloy
Office of the Governor
210 Capitol Avenue
Hartford, CT 06106

September 13, 2012

Dear Governor Malloy,

After recently attending a local chamber of commerce meeting, I was informed about a state statute that requires retail stores to collect the gross receipts tax on any products that include petroleum. While it has been a state law since 1980, it appears that the state has not enforced the nuances of such statute until recently.

The statute in question may be found in Section 12-587 of the Connecticut General Statutes. Subsection (b) (1) states that “[A]ny company which is engaged in the refining or distribution, or both, of petroleum products and which distributes such products in this state shall pay a quarterly tax on its gross earnings derived from the first sale of petroleum products within this state.” Despite several exemptions listed in subsection (b) (2), there is no mention of products such as petroleum jelly, mineral spirits and lubricants, meaning that these products would be taxable.

Following further research, I found that the most recent state budget included funding for 15 new positions at the state Department of Revenue Services to ramp up enforcement and collection activities. Found on page 87 of the Connecticut State Budget for Fiscal Year 2013, there is an adjustment increasing staffing to “enhance audit and collections functions.” The increase of \$903,575 will create five positions in each of the following divisions: the Business and Employment Tax Audit (BETA) Unit, the Sales Tax Third Party/Cash Business Audit Program and the Collection and Enforcement Division.

Small businesses will be required to collect the 7% gross receipts tax in addition to the 6.35% sales tax. By July 1, 2013, the gross receipts tax will increase to 8.1%. This means that small businesses will soon be collecting 14.45% in taxes on consumer products containing petroleum.

For example, when purchasing a quart of oil from a local gas station for \$3.99, the tax bill would jump from 25 cents to 58 cents. This increases the cost to consumers from \$4.24 to \$4.57. While it may seem like a negligible difference, both consumers and small businesses will be harmed by the increased price.

Businesses will be required to spend an excessive amount of time determining which items are subject to the tax and which are not. Have the taxes been paid yet or should they be charged at the register? The unfunded mandate on our small businesses only exacerbates the difficulty that Connecticut businesses must endure to simply stay alive.

I am writing to you today to request that the state simply maintain the status quo on this statute and allow for these consumer products to remain effectively exempt from the gross receipts tax. Our small businesses simply cannot afford to be taxed twice on these products. If enforcement of this statute moves forward, the exemption of these products from the gross receipts tax will be the first piece of legislation that I submit in the upcoming legislative session.

I want to make sure that our small businesses are not overburdened and that the consumers who rely on these products will not be subject to twice the amount of taxation. Thank you for the consideration of my request.

Respectfully,

A handwritten signature in black ink, appearing to read "Kevin D. Witkos". The signature is fluid and cursive, with the first name "Kevin" and last name "Witkos" clearly distinguishable.

Kevin D. Witkos
State Senator – 8th District