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TEXT WITH JONATHAN HARRIS

I hear you are out of state... Apologies if you are on vacation, but DRS needs to put out guidance today on changes to meals tax and the addition of grocery stores as a supplier of meals. Wanted to make sure OTG knew, and offer up any explanations that might be necessary in case this turns into a thing. Also left a message with this number for Dach.

9/6/19 4:03 pm

No need to apologize. I'm working. Just in WI to officiate a wedding. Heading to the rehearsal soon. Do you want us to review something?

9/6/19 4:35 pm

In your email. Have fun!

9/6/19 4:39 pm

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Thanks. What is your deadline?

^B
No need to apologize. I'm working. Just In WI to officiate a wedding. Heading to the rehearsal soon. Do you want us to review something?

In your email. Have fun!

Thanks. What is your deadline?
5 pm eastern?

9/6/19 4:46 pm

No statutory deadline, but we are probably already late; the stores need the guidance to reprogram their point of sale systems. It is up now, we just didn't want your office to be blindsided.

9/6/19 4:47 pm

Thanks. Looking at it now. Also sent to Max Reiss our Comms Director.

9/6/19 4:48 pm

Jackson, Scott

From: Harris, Jonathan <Jonathan.Harris@ct.gov>
Sent: Friday, September 06, 2019 4:43 PM
To: Jackson, Scott
Cc: Dach, Jonathan; Polites, James
Subject: Re: DRS Policy Statement: Meals Tax

I'll take a lookS did I miss an email from earlier today? Can't find one and want to be sure I had everything.

Jonathan
Sent from my iPhone

On Sep 6, 2019, at 3:39 PM, Jackson, Scott <Scott.Jackson@po.state.ct.us> wrote:

Gentlemen: this is a little more context on the issue I reached out about earlier today. The big points are the meals tax (as we have gotten used to...) is moving from 6.35% to 7.35%. The piece that is a little bit more challenging is the explicit inclusion of grocery stores as (potential) providers of meals. This leads to potential taxable/nontaxable outcomes because of the definition of "meal", especially around certain prepackaged and deli items. We wanted to make sure you were aware and make ourselves available for any discussion you see fit.

Scott

From: Polites, James
Sent: Friday, September 06, 2019 4:20 PM
To: Jackson, Scott
Subject: DRS Policy Statement: Meals Tax

Meals Tax

- DRS has issued an updated Policy Statement, which has been posted to our website for guidance purposes, as a result of Secs. 323-324 of the budget (PA 19-117).
- Those sections added an additional 1% tax on meals and certain beverages, effective October 1, 2019.
- Those sections also specifically added grocery stores as a seller of meals.
- As a result, most of the items listed in the examples of taxable meals, which were previously exempt from taxation when purchased at grocery stores, will now be subject to tax at an effective rate of 7.35%.

Here's the Policy Statement: <https://portal.ct.gov/DRS/Publications/Policy-Statements/2019/-/media/13D1B492E9304E929662042847CD1352.ashx>

Jim Polites
Communications Director
CT Department of Revenue Services
860-297-5606

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Jackson, Scott

From: Harris, Jonathan <Jonathan.Harris@ct.gov>
Sent: Friday, September 06, 2019 4:46 PM
To: Jackson, Scott
Cc: Dach, Jonathan; Polites, James
Subject: Re: DRS Policy Statement: Meals Tax

Also sending to Max as our comms leader. He'll probably get the questions first.

When will this be posted?

Jonathan
Sent from my iPhone

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CT Department of Revenue Services
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Jackson, Scott

From: Jackson, Scott
Sent: Friday, September 06, 2019 4:39 PM
To: 'Dach, Jonathan'; 'jonathan.harris@ct.gov'
Cc: Polites, James
Subject: FW: DRS Policy Statement: Meals Tax

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Jim Polites
Communications Director
CT Department of Revenue Services
860-297-5606

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Jackson, Scott

From: McCaw, Melissa <Melissa.McCaw@ct.gov>
Sent: Monday, September 16, 2019 6:34 PM
To: Jackson, Scott
Subject: FW: Looney, Senate Democrats Call on DRS to Change Interpretation of Sales Tax Application to Meals

Hi Scott,

Can you please call me via cell when you are free? [REDACTED]

Thanks,
Melissa

From: Fiore, Thomas
Sent: Monday, September 16, 2019 5:47 PM
To: McCaw, Melissa <Melissa.McCaw@ct.gov>
Cc: Tassinari, Brian <Brian.Tassinari@ct.gov>; Potamianos, Paul <Paul.Potamianos@ct.gov>; MESSNER, GREGORY <GREGORY.MESSNER@ct.gov>; Beckham, Jeff R <J.Beckham@ct.gov>; Hargrove, Ebony <Ebony.Hargrove@ct.gov>
Subject: FW: Looney, Senate Democrats Call on DRS to Change Interpretation of Sales Tax Application to Meals

FYI

From: Sherman, Susan [<mailto:Susan.Sherman@po.state.ct.us>]
Sent: Monday, September 16, 2019 5:18 PM
To: Fiore, Thomas <Thomas.Fiore@ct.gov>
Subject: FW: Looney, Senate Democrats Call on DRS to Change Interpretation of Sales Tax Application to Meals

Susan B. Sherman
Manager, Research Unit, DRS
Office (860) 297-5693
Cell [REDACTED]

From: Polites, James
Sent: Monday, September 16, 2019 4:49 PM
To: Sherman, Susan; Clark, Marilee
Subject: FW: Looney, Senate Democrats Call on DRS to Change Interpretation of Sales Tax Application to Meals

FYI -

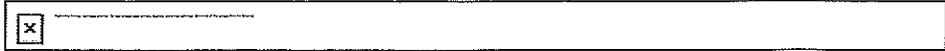
Jim Polites
Communications Director
CT Department of Revenue Services
860-297-5606

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Contact: Kevin Coughlin | kevin.coughlin@cga.ct.gov | 203-710-0193

Looney, Senate Democrats Call on DRS to Change Interpretation of Sales Tax Application to Meals

HARTFORD – Today, Senate President Martin M. Looney (D-New Haven), Senate Majority Leader Duff (D-Norwalk), and fellow Democratic state senators called on the Connecticut Department of Revenue Services (DRS) to change its interpretation of the sales tax application to meals. The Democratic Senate believe this unexpected interpretation from DRS does not reflect the legislative intent that was clear to all parties during budget negotiations.

In the letter the Democratic Senators state:

"We were shocked to see that DRS has somehow interpreted the language in the budget (PA. 19-117) to significantly broaden the base on what meals and beverages would be covered by the sales tax. This interpretation goes against the legislative intent of the new law and against the interpretation of the new all three of our nonpartisan offices."

Full text of letter:

September 16, 2019

*Commissioner Scott D. Jackson
Department of Revenue Services
450 Columbus Boulevard
Hartford CT 06103*

Dear Commissioner Jackson:

We are writing in reference to the recent Department of Revenue Services Policy Statement (PS 2019) that was issued on September 6, 2019.

We were shocked to see that DRS has somehow interpreted the language in the budget (PA. 19-117) to significantly broaden the base on what meals and beverages would be covered by the sales tax. This interpretation goes against the legislative intent of the new law and against the interpretation of the new all three of our nonpartisan offices.

As you may be aware, this language was incorporated in Raised Bill 7408 that was heard by the Finance Revenue and Bonding Committee on April 10, 2019. Unfortunately, as has become commonplace, DRS did not testify on this bill, so if DRS did think this language would drastically increase the base of taxable items that opinion was not shared with the General Assembly.

Subsequently, when this language was included in the tax package that was voted out of the Finance Committee (SB 877), again we were not given any DRS input on this interpretation.

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Furthermore, during our extensive budget negotiations, and discussions of the fiscal implications of this language in the final budget, never did DRS or the Office of Policy and Management indicate that their interpretation of this language was any different than that of our Office of Fiscal Analysis or Office of Legislative Research.

This unexpected interpretation from DRS would lead to a drastically different fiscal note from OFA and significant change to our budget assumptions currently adopted, something that was never intended by General Assembly or the administration.

We are asking that DRS, in consultation with OPM, revise this Policy Statement to more accurately refl legislative intent that was clear to all parties during our budget negotiations.

-30-

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Senate President Pro Tempore Martin Looney

CT Senate Democrats
Legislative Office Building
Room 3300
Hartford, Ct 06106

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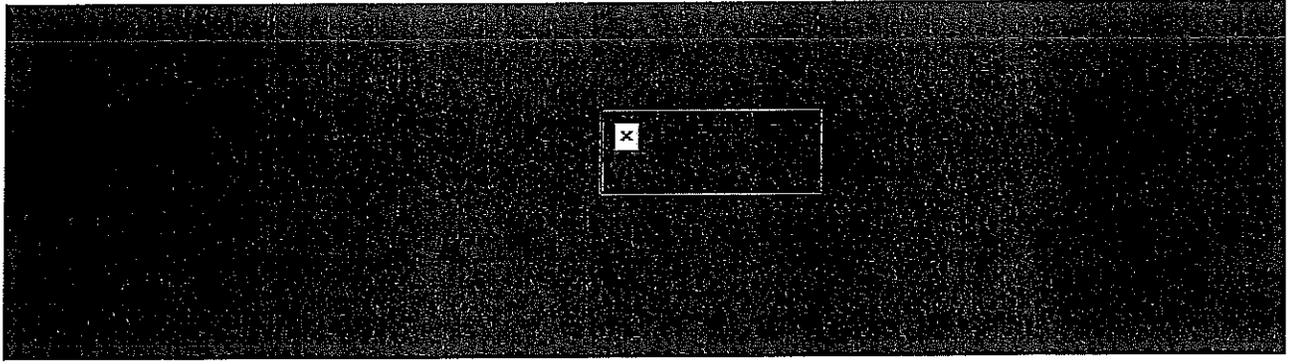
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Jackson, Scott

From: Sherman, Susan
Sent: Friday, September 13, 2019 4:28 PM
To: McCaw, Melissa; Thomas Fiore (thomas.fiore@ct.gov); Tassinari, Brian; Hargrove, Ebony; Beckham, Jeff R; Sherm, Sue
Cc: Jackson, Scott; Polites, James; Clark, Marilee
Subject: 1%!Prepared Foods Tax
Attachments: Sales Tax on Meals Taxability Grid 2019.xlsx

Spreadsheet attached. Let me know if you need anything else.

Susan B. Sherman
Manager, Research Unit, DRS
Office (860) 297-5693
Cell [REDACTED]

-----Original Message-----

From: Fiore, Thomas [mailto:Thomas.Fiore@ct.gov]
Sent: Friday, September 13, 2019 10:22 AM
To: Sherman, Susan; Sherm, Sue
Subject: FW: 1%!Prepared Foods Tax

-----Original Message-----

From: McCaw, Melissa
Sent: Thursday, September 12, 2019 6:01 PM
To: Sherm, Sue <Sue.Sherm@ct.gov>; Fiore, Thomas <Thomas.Fiore@ct.gov>
Cc: Jackson, Scott <Scott.Jackson@drs-h-main.drs.state.ct.us>; Beckham, Jeff R <J.Beckham@ct.gov>
Subject: 1%!Prepared Foods Tax

All: Tom provided a heads up that the guidance documents on grocery food subject to taxation was in the process of being edited. I was aware of some categories such as yogurt being revisited but I do not believe OPM had an opportunity to review the final. The OTG is inquiring about some of the categories. Tomorrow can you please prepare a grid of the changes relative to the prior policy, basically a before and after. Many thanks.

Melissa

Sent from my iPhone

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Meals Subject to Sales Tax

	Supermarket Checkout Registers		Supermarket Catering / Designated Eating Areas	
	Before October 1, 2019	October 1, 2019 and after	Before October 1, 2019	October 1, 2019 and after
1 Sandwiches, grinders, and wraps	6.35%	7.35%	6.35%	7.35%
2 Popsicles, ice cream cones, cups, sundaes, and other individual servings of frozen desserts unless sold in factory prepackaged multi-unit packs	Nontaxable	7.35%	6.35%	7.35%
3 Ice cream, frozen yogurt, and other frozen desserts sold in containers of less than one pint	Nontaxable	7.35%	6.35%	7.35%
4 Salads sold at salad bars	Nontaxable	7.35%	6.35%	7.35%
5 Lettuce or greens-based salads sold in containers of 8 ounces or less	Nontaxable	7.35%	6.35%	7.35%
6 Salads that are not greens-based (macaroni, potato, pasta, fruit, etc.) sold in containers of 8 ounces or less	Nontaxable	7.35%	6.35%	7.35%
7 Donuts, muffins, rolls, bagels, and pastries (5 or fewer)	Nontaxable	7.35%	6.35%	7.35%
8 Cookies sold loose (5 or fewer when cookies are sold by quantity, or less than 8 ounces when cookies are sold by weight)	Nontaxable	7.35%	6.35%	7.35%
9 Pies or cakes by the slice	Nontaxable	7.35%	6.35%	7.35%
10 Prepackaged or factory-sealed bags or packages of 5 ounces or less of chips, popcorn, kettle corn, nuts, trail mix, crackers, cookies, snack cakes, or other snack foods, unless sold in factory prepackaged multi-unit packs	Nontaxable	7.35%	6.35%	7.35%
11 Pizza, whole or by the slice	Nontaxable	7.35%	6.35%	7.35%
12 Cooked chicken sold by the piece, including buckets of chicken, and whole cooked chickens	Nontaxable	7.35%	6.35%	7.35%
13 Cooked ribs sold by the piece or portion and whole racks of ribs	Nontaxable	7.35%	6.35%	7.35%
14 Hot dogs served on a bun or heated	Nontaxable	7.35%	6.35%	7.35%
15 Bagels that are individually prepared	Nontaxable	7.35%	6.35%	7.35%
16 Soup sold in containers of 8 ounces or less, unless sold in factory prepackaged units	Nontaxable	7.35%	6.35%	7.35%
17 Smoothies	Nontaxable	7.35%	6.35%	7.35%
18 Meal replacement bars	Nontaxable	7.35%	6.35%	7.35%
19 All beverages provided with the sale of a taxable meal	Nontaxable	7.35%	6.35%	7.35%
20 Food sold at a hot buffet	Nontaxable	7.35%	6.35%	7.35%
21 Food that is cooked to order	Nontaxable	7.35%	6.35%	7.35%
22 Popcorn, kettle corn, nuts and any other snack foods that are kept warm for purchase	Nontaxable	7.35%	6.35%	7.35%
23 Items such as salads, side dishes, and rolls, when sold as part of family pack meals typically including, whole chickens or buckets of chicken when prepared and sold for immediate consumption, even when the items exceed the weight or quantity limits specified above.	Nontaxable	7.35%	6.35%	7.35%
24 Coffee or tea ready to consume	6.35%	7.35%	6.35%	7.35%
25 Soda, any size or quantity	6.35%	7.35%	6.35%	7.35%

Note: The above referenced meals have been and continue to be taxable at restaurants and convenience stores. The rate will go from 6.35% to 7.35% effective 10/1/19.

Prepared 9/13/19

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Jackson, Scott

From: McCaw, Melissa <Melissa.McCaw@ct.gov>
Sent: Thursday, September 12, 2019 6:01 PM
To: Sherm, Sue; Fiore, Thomas
Cc: Jackson, Scott; Beckham, Jeff R
Subject: 1%!Prepared Foods Tax

All: Tom provided a heads up that the guidance documents on grocery food subject to taxation was in the process of being edited. I was aware of some categories such as yogurt being revisited but I do not believe OPM had an opportunity to review the final. The OTG is inquiring about some of the categories. Tomorrow can you please prepare a grid of the changes relative to the prior policy, basically a before and after. Many thanks.

Melissa

Sent from my iPhone

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Jackson, Scott

From: McCaw, Melissa <Melissa.McCaw@ct.gov>
Sent: Monday, September 16, 2019 9:58 AM
To: Jackson, Scott; Lehman, David
Subject: RE: Sales tax on prepared food

Boy was it a lift...

From: Jackson, Scott [mailto:Scott.Jackson@po.state.ct.us]
Sent: Monday, September 16, 2019 9:35 AM
To: Lehman, David <David.Lehman@ct.gov>; McCaw, Melissa <Melissa.McCaw@ct.gov>
Subject: RE: Sales tax on prepared food

If only Fred knew the lift that OPM put into this endeavor...

From: Lehman, David [mailto:David.Lehman@ct.gov]
Sent: Monday, September 16, 2019 6:44 AM
To: McCaw, Melissa
Cc: Jackson, Scott
Subject: RE: Sales tax on prepared food

check

From: McCaw, Melissa <Melissa.McCaw@ct.gov>
Sent: Monday, September 16, 2019 6:42 AM
To: Lehman, David <David.Lehman@ct.gov>
Cc: Jackson, Scott <Scott.Jackson@drs-h-main.drs.state.ct.us>
Subject: Re: Sales tax on prepared food

We tried this last session and failed miserably. The legislature does not have the courage nor the desire to consider this. We'd have to wait until there was a major economic downturn to restructure the sales tax. It is a rationale idea however.

Sent from my iPhone

On Sep 15, 2019, at 2:44 PM, Lehman, David <David.Lehman@ct.gov> wrote:

Fwiw....Fred is always very opinionated but I thought the below was worth passing along...I'm not close the details but there is some merit to the simplicity of the below....of course I am mindful of the recent experience to broaden sales tax and how tough that was w/ legislature.

From: Fred Carstensen <fredcarstensen@att.net>
Sent: Sunday, September 15, 2019 9:32 AM
To: Lehman, David <David.Lehman@ct.gov>
Subject: Sales tax on prepared food

I don't think anyone in the Legislature or the Executive has much of a clue about what a total mess the sales tax is. It is hugely expensive for businesses to apply because it is so arcane. And from the state's point of view, it is

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deteriorating as a revenue source--relative to total household consumption, revenue is down about \$200 million according to BEA data. A simple across the board sales tax (including all food and clothing, no exemptions, and no exemption for non-profits who may file for a refund with documentation) would be vastly easier to administer and monitor, and would, if linked to a REFUND per capita for income tax filers, generated extraordinarily good real time data on household and employment dynamics. God forbid we should actually do something smart. As an astute business person, so you be particularly perceptive about this mess. Here is my comment in the CTMirror:

Why don't we level the playing field, impose a MUCH LOWER sales tax (e.g. 3.5%) across the board and then give every CT citizen who files a state tax return a REFUND equivalent to the sales tax collected on a basic food and clothing budget? No more games of taxing peanuts but not chocolate (or is it the other way round?) or having DRS try to figure out on which items businesses are to collect the sales tax or having lobbyists spend their day trying to exempt vending machine sales. The wasted time by everyone on CT's deteriorating revenue system (it now collects much less--\$710 MILLION--relative to the tax base than it did five years ago) is, well, wasteful. A simple, LOW, across the board sales tax would be vastly easier to administer, save volumes of time, and, with the refund, get folks to file so CT has some decent data on employment and household dynamics (now, CT has about the worse data you can imagine and is basically flying blind). No one, of course, has the political courage to propose such a simple and fair solution. Sad.

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The object of the university is to develop character... It misses its aim if it produced learned pedants, or simple artisans, or cunning sophists, or pretentious practitioners. Its purport is not so much to impart knowledge to the pupils, as whet the appetite, exhibit methods, develop powers, strengthen judgment, and invigorate the intellectual and moral forces.

... Our simple aim is to make scholars, strong, bright, useful and true.

- Daniel Coit Gilman's Inaugural Address, February 22, 1876

"...in all mercantile cases there are two objects: convenience and certainty..." "...nothing is more mischievous than uncertainty in commercial law."

Lord Mansfield, Chief Justice, King's Bench, 1756-1788.

Fred V. Carstensen, Professor of Finance and Economics

Director, Connecticut Center for Economic Analysis
School of Business, University of Connecticut
Storrs, CT 06269-1240
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