LEGISLATIVE FISCAL OFFICE
Fiscal Note

REVENUE/TAXATION DEPT   EG DECREASE GF RV See Note   Page 1 of 1

Authorizes the payment of refunds for the overpayment of taxes as a result of an unconstitutional law, invalid rule, or misinterpretation of a law, rule, or regulation

<u>Present law</u> provides for specific instances where a tax collector is required to refund overpayments of any tax out of the current collections of that particular tax. <u>Present law</u> does not authorize refunds on overpayments of tax when the overpayment is a result of a mistake of law arising from a misinterpretation by the tax collector, an unconstitutional law, or an unenforceable rule or regulation.

<u>Proposed law</u> authorizes refunds in the case of overpayments made due to a mistake of law arising from a misinterpretation by the tax collector, an unconstitutional law, or an unenforceable rule or regulation.

Effective July 1, 2019.

EXPENDITURES	2019-20	2020-21	2021-22	2022-23	2023-24	5 -YEAR TOTAL
State Gen. Fd.	$0	$0	$0	$0	$0	$0
Agy. Self-Gen.	$0	$0	$0	$0	$0	$0
Ded./Other	$0	$0	$0	$0	$0	$0
Federal Funds	$0	$0	$0	$0	$0	$0
Local Funds	$0	$0	$0	$0	$0	$0
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
REVENUES	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**5 -YEAR TOTAL**
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	$0	$0	$0	$0	$0	$0
Ded./Other	$0	$0	$0	$0	$0	$0
Federal Funds	$0	$0	$0	$0	$0	$0
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The bill is presumed to be prospective in nature, and not applicable to prior instances described by the bill. Proposed law works to reduce state general fund and local fund revenues by unknown amounts in unknown fiscal years. Particular revenue losses in particular years would depend on tax laws being ruled unconstitutional or that rules or regulations are determined to be unenforceable, the number of affected taxpayers and the amount of affected collections and refund claims, and the interest due on those refunds. Potential impacts are speculative as to magnitude and timing, but will be realized as reduced net revenue collections since refunds are paid out of current collections before posting receipts to state accounts rather than being paid as an appropriated expenditure. According to LDR, the bill applies to both state and local tax collectors.

Potential magnitudes affected by the bill could be significant. The Dept illustrates this potential with a franchise tax regulation ruled invalid in 2011 involving over $60 million. A recent ruling invalidating a personal income tax change of a credit for taxes paid in other states involves over $30 million per year of tax payments over three years. Even if such situations were subject to the bill's provisions, not all of the state's exposure may be realized. However, it is significantly easier to file amended returns and claim refunds than it is to receive and appropriation of judgment or to have filed under protest in advance and pursued a claim against the state. Thus, when situations affected by the bill arise, it is likely that a significantly higher share of the state's exposure will be refunded under this bill than paid under current law.