

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 54** SLS 22RS 263

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 28, 2022 2:45 PM	Author: ALLAIN
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Automatic filing extension for PIT	

REVENUE DEPARTMENT

EG INCREASE GF RV See Note

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Provides for an automatic filing extension for individual income tax returns. (8/1/22)

Current law allows taxpayers to file for a 6-month extension for taxes due on May 15. With the extension, taxpayers must make an estimated payment by May 15 and file the tax return by November 15. The taxpayer will be assessed a late filing penalty of 5% of taxes due per 30 days up to 25% if an extension is not filed by May 15 or a return is not filed by November 15. The taxpayer will be assessed a late payment penalty of 5% of taxes due per 30 days (individual income tax is 0.5%) up to 25% if payment is not filed by May 15. The combined penalty for late filing and late payment cannot exceed 25% of taxes due.

Proposed law retains current law but removes the extension filing requirement for corporate, individual, partnership and fiduciary income tax by automatically applying a 6 month filing deadline extension. The taxpayer is still required to make an estimated payment by May 15 and file a tax return by November 15 (or 6 months). Late filing penalties would no longer be assessed for these taxes prior to the 6 month extension if the return is filed by the extension deadline, but the late filing penalty will be assessed back to the original due date if the return is not filed by the extension deadline. Delinquent payment penalties may still be assessed if a payment is not made.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total		\$0	\$0	\$0	\$0	\$0

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department of Revenue reports expenditures of approximately \$50,000 for computer system modification, tax form redesign and testing to be absorbed in the current budget. The cumulative effect of all new legislation determined at the end of session may require additional resources.

REVENUE EXPLANATION

This bill reduces penalties that currently accrue to the state general fund by allowing an automatic 6-month filing extension on income tax. Any late filing penalties assessed on these taxes within 6 months of the original due date will no longer be available to the state general fund (late filing penalties are assessed before late payment penalties.) Additionally, taxpayers filing a return after the automatic extension deadline will be assessed a late filing penalty dating back to the original due date, which will increase state general fund as the penalty is assessed over a longer period of time and ultimately reaches the maximum of 25%. Actual figures for personal and corporate income tax penalties historically are being analyzed by the Department. Preliminary data indicates that, had this bill been in effect in FY17 and FY18, the net impact to the state general fund may be positive due to the impact of imposing the late filing penalty back to the due date instead of the extension deadline for corporate income tax, though the realized annual impact will fluctuate based on actual taxpayer behavior and tax liabilities.

The bill does not impact tax liabilities and only removes the mandatory filing of an extension. All other aspects of tax filing obligations, including an estimated payment by the due date, remain in place.

Senate
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Alan M. Boxberger
Interim Legislative Fiscal Officer