



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: HB 720 HLS 09RS 727
Bill Text Version: ORIGINAL
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.: HB 407

Date: April 28, 2009 6:29 AM Author: SMITH, JANE
Dept./Agy.: Revenue Analyst: Greg Albrecht
Subject: Tax Amnesty Program

TAX/STATE OR INCREASE SD RV See Note Page 1 of 2
Enacts the Louisiana Tax Delinquency Amnesty Act of 2009

Provides a tax amnesty for taxes administered and collected by the Department of Revenue (except motor fuel taxes) for taxes that became due on or after July 1, 2001 and before January 1, 2009. The program shall be effective for up to two consecutive months in FY10, at the discretion of the Department. Fifty percent of interest and 100% of penalties shall not be collected from taxpayers granted amnesty. Amnesty will not be granted to taxpayers who are under criminal investigation or have any civil fraud penalty asserted against them. Various other eligibility provisions apply. The Department of Revenue shall retain amounts equivalent to the penalties waived under the program (a major self-generated funding source for the Department's operations) plus amounts for the costs of contractual information technology and program administration costs up to \$250,000 for an advertising the program. The balance of monies collected are to be deposited into the State Emergency Response Fund to pay obligations associated with hurricanes Gustav and Ike, with any remaining amounts to be transferred to the state general fund. Effective upon governor's signature.

Table with 7 columns: EXPENDITURES, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

Table with 7 columns: REVENUES, 2009-10, 2010-11, 2011-12, 2012-13, 2013-14, 5-YEAR TOTAL. Rows include State Gen. Fd., Agy. Self-Gen., Ded./Other, Federal Funds, Local Funds, and Annual Total.

EXPENDITURE EXPLANATION

If the program is handled largely in-house, the Department estimates costs of up to \$1.2 million, including additional temporary hires, overtime for current personnel, information processing costs, and advertising. If large portions of the program are out-sourced and/or carried out in an expanded and/or expedited fashion, such as direct mail-outs to taxpayers, contracted return and payment processing, call center operations for taxpayer inquiries, and additional information technology services specifically for this program, costs could be as high as \$4.4 million.

REVENUE EXPLANATION

According to the Department of Revenue, the state has offered amnesty on four previous occasions, 1985, 1987, 1998, and 2001. The 1985 amnesty generated \$1.2 million (382 taxpayers), 1987 \$279,000 (77 taxpayers), 1998 \$1.6 million (5,500 taxpayers), and 2001 \$193 million (30,166 taxpayers). The earlier amnesty programs (1985, 1987, and 1998) were very restrictive as to eligible taxpayers, while the amnesty in 2001 was much less restrictive, as is the amnesty proposed by this bill. The department estimates that as many as 353,000 taxpayers may be eligible to participate, with \$700 million available for collection (\$450 million tax and \$250 million interest). From this pool of eligibles, possibly 25,000 - 30,000 taxpayers may participate, generating \$150 million - \$175 million in collections. From whatever collections occur the department will retain as self-generated revenue an amount equal to the penalties waived plus amounts necessary to administer the program. Any specific amounts expected to be collected would be speculative and no specific amount is recommended for purposes of this fiscal note. Based on how the 2001 amnesty program was handled, upon conclusion of the program, the Revenue Estimating Conference would recognize amounts reported as collected.

While the bill directs collections remaining after the department's retention be deposited into the State Emergency Response Fund for hurricane Gustav and Ike costs, with any remaining amount transferred to the state general fund, it should be noted that the Revenue Estimating Conference designated some 79% of the total receipts from the 2001 amnesty as nonrecurring revenue. Under the State Constitution, such a designation reserves 25% of the designation for the Budget Stabilization Fund and the rest to the capital outlay and debt repayment options provided by the Constitution.

Senate Dual Referral Rules

[X] 13.5.1 >= \$500,000 Annual Fiscal Cost

[ ] 13.5.2 >= \$500,000 Annual Tax or Fee Change

House

[ ] 6.8(F) >= \$500,000 Annual Fiscal Cost

[ ] 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease

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CONTINUED EXPLANATION from page one:

Continued Revenue Explanation

Tax amnesty programs may generate some small amount of revenue from taxpayers whose liability is unknown to the department, but these programs largely result in revenue from taxpayers whose liability is actually known to the department. Their essential effect is to shift collections forward in time. Revenue collections are greater than otherwise in the year of the amnesty but then likely to be less than they would otherwise be in subsequent periods. In addition, amnesty programs permanently forego collections of penalties, interest, and fees that would otherwise be collected. Foregone interest is a loss to the state general fund, while foregone penalties and fees is a loss to self-generated revenue utilized by the department for its operations. To prevent this effect on the department's resources, the bill requires the department to retain from whatever amnesty collections are received an amount equivalent to the penalties that are waived (treated as self-generated revenue). These shifts are depicted in the first two years of the table above, but these effects can potentially occur in diminishing amounts for a number of years. Finally, repeated amnesty programs might discourage voluntary compliance in years between amnesty programs as some taxpayers await the next program. To the extent this occurs it works to reduce annual collections below what would otherwise be received.

Senate

Dual Referral Rules

House

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