

LEGISLATIVE FISCAL OFFICE

Fiscal Note



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

Date: May 16, 2009 1:30 PM	Author: SMITH, JANE
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Tax Amnesty Program	

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

Provides a tax amnesty for certain taxes administered and collected by the Department of Revenue that became due as early as July 1, 2001. The program shall be effective for up to two consecutive months in FY10, at the discretion of the Department. Various other eligibility provisions apply. Fifty percent of interest and 100% of penalties shall not be collected from taxpayers granted amnesty. 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, and up to \$250,000 for advertising expenses. The balance of monies collected are to be deposited into the State Emergency Response Fund to pay obligations associated with hurricanes Gustav and Ike. After those obligations are paid any remaining amounts are to be transferred to the state general fund for appropriation to the Board of Regents for funding of higher education institutions. A specific amount (\$1.250 million) is allocated for the operations of the Fire and Emergency Training Institute. Effective upon governor's signature.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	\$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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	DECREASE	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	\$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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

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, or possibly more.

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. The experience of states that have used outside private firms to assist with the program suggests that is possible for more revenue than expected to be collected. 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 for appropriation to the Board of Regents for higher education institutions (with \$1.250 million specifically allocated to operate the Fire and Emergency Training Institute and \$50 million appropriated to the Board in HB1 contingent upon passage of this bill), 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.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	H. Gordon Monk
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	Legislative Fiscal Officer

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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

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

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

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

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

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