

LEGISLATIVE FISCAL OFFICE

Fiscal Note



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

Date: June 22, 2009 9:13 AM	Author: SMITH, JANE
Dept./Agy.: Revenue	Analyst: Greg Albrecht
Subject: Tax Amnesty Program	

TAX/STATE RE1 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 credited to the Bond Security and Redemption Fund. This effectively makes these monies state general fund receipts, and no dedication of these monies are provided for in the current version of the bill. 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.	INCREASE	DECREASE	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	DECREASE	\$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

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 it 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. The bill directs collections remaining after the department's retention be credited to the Bond Security and Redemption Fund. This makes these funds effectively available as state general fund receipts. However, it should be noted that the Revenue Estimating Conference designated some 93% of the 2001 amnesty receipts after the Revenue Department retained amount as nonrecurring revenue (79% of total receipts). Under the State Constitution, such a designation reserves 25% of the designation for the Budget Stabilization Fund (if this fund is not already filled to its maximum) and the rest to the capital outlay and debt repayment options provided by the Constitution.

Senate Dual Referral Rules

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

H. Gordon Monk
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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

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

Signature of H. Gordon Monk, Legislative Fiscal Officer