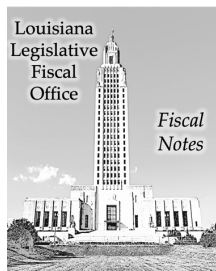


**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **SB 389** SLS 22RS 581
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action: **w/ HSE COMM AMD**
 Proposed Amd.: **w/ PROP HSE FLOOR AMD**
 Sub. Bill For.:

Date: June 3, 2022 7:25 AM **Author:** REESE
Dept./Agy.: Revenue / OMV **Analyst:** Emily DiPalma
Subject: Reinstatement of Driver's license due to delinquent tax

TAX/INCOME/PERSONAL EG1 SEE FISC NOTE SG RV Page 1 of 1
 Provides relative to the suspension of driver's licenses for failure to pay taxes. (gov sig)

Current law mandates the Department of Public Safety, Office of Motor Vehicles (OMV) to suspend the Louisiana driver's license of an individual with more than \$1,000 in final and non-appealable delinquent personal income tax liabilities (exclusive of penalty, interest, costs and other charges) when notified by the Department of Revenue (LDR). The suspension remains in place until the delinquency (including penalty, interest and all costs) is resolved by payment or payment plan and the OMV is notified by LDR.

Proposed law retains current law and provides for a waiver of the license reinstatement fee once a payment or payment plan of delinquent personal income tax is in place. LDR & OMV may enter into an interagency agreement to for LDR to reimburse OMV for actual expenses associated with the suspensions & reinstatements and provide for disbursement of a portion of the transfer in accordance with the existing dedication for EMS. Proposed law allows LDR the discretion to request drivers license suspensions at higher thresholds of delinquent personal income tax liabilities based on an individual's historical compliance with Louisiana tax law, as well as the facts and circumstances related to the current unpaid tax liability, and may accept surety or collateral in lieu of suspension. Effective January 1, 2023.

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

EXPENDITURE EXPLANATION

LDR and OMV may enter into an agreement in which LDR will reimburse OMV for the actual expenses associated with the license suspensions and reinstatements and provide for a dedication to emergency medical services (EMS) in the manner of current law which is a portion of reinstatement fees (\$10 of the \$60 fee or 1/6). The bill states that 1/6 of the actual expenses (possibly including the EMS dedication as an additional actual OMV expense but not explicit in the bill) will be allocated in the same manner as R.S. 32:414(H). The IAT appropriation required for transfer from LDR to OMV is depicted in the table above with the amount apparently subject to negotiation between the agencies.

REVENUE EXPLANATION

The bill states that LDR shall promptly notify OMV to reinstate driving privileges and waives the OMV mandate to collect reinstatement fees for these reinstated licenses without further action needed by the individual. Instead of collecting the reinstatement fee, OMV will receive an interagency transfer from LDR to cover the actual administrative cost of the suspensions and reinstatements. One sixth of the reimbursement will be dedicated to Emergency Medical Services (EMS) in the same manner as R.S. 32:414(H). It is not clear if the EMS dedication will be an added actual cost or be deducted from the negotiated transfer amount. The timing of the transfer will apparently be included in the interagency agreement. It is not clear where LDR will source the SGR to be transferred to OMV.

OMV indicates that the average administrative costs for suspending 11,093 accounts between FY17-19 was \$7.71 per account (call center, notices with postage, etc.) and for clearing 7,575 accounts was \$4.06 per account (system adjustments and notices) for a total administrative cost of about \$116,250 (11,093*\$7.71 + 7,575*\$4.06) between FY17-19. Presuming this estimate of \$116,250 represents the average annual amount to be transferred, the dedication for EMS would be \$19,375 on average each year under proposed law.

OMV indicates that an average of 7,575 accounts were cleared with a reinstatement fee of \$60 between FY17-19, which presumes about \$455,000 in fees that will not be collected under proposed law. If the average implementation costs (\$116,250) and fee collections (\$455,000) hold, the bill would leave about \$339,000 in SGR appropriations in OMV, LDH, DPS and local EMS unfunded in FY 23 and beyond. Thus, the decrease in self generated funds is expected to be of a higher magntidue than the increase in IAT, depicted in the table above without a figure due to the anticipation of a negotiated transfer amount. Since the bill does not designate the transfer from LDR as SGR, OMV may require an IAT appropriation in order to spend the funds. It is presumed that OMV will deposit and disburse the 1/6 EMS dedication in the same manner as under current law.

To the extent that LDR chooses to apply a higher tax delinquency threshold before suspending driver's licenses, the fiscal impacts for revenue and expenditures will be in the same means of finance but larger as some suspensions and reinstatements will not take place.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}