

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 912** HLS 14RS 1428

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> March 24, 2014 8:21 AM	<b>Author:</b> BARROW
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Makes the default PIT refund a check	

REVENUE DEPARTMENT OR +\$21,000 SG EX See Note Page 1 of 1

Provides relative to the manner in which the Department of Revenue may issue refunds for overpayments and requires a certain period for the activation of debit cards

Current law provides that the Department of Revenue must provide a choice of the method of payment of income tax refunds, including check, debit card, direct deposit or other means, as selected by the taxpayer. Paper filers who do not choose a method of payment will be paid in a manner chosen by the secretary (currently a debit card). If the refund is not activated within 12 months of issuance, the refund reverts to the Unclaimed Property Fund.

Proposed law retains current law but limits the refund payment choices to check, debit card or direct deposit. The bill also states that a personal income tax paper filer who does not choose a method of refund payment will be paid by check only. The bill specifies that an overpayment refund issued by debit card, as chosen by the taxpayer, will be available for activation for at least 12 months after issuance.

Effective with Tax Year 2014.

<b>EXPENDITURES</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	<b>\$105,000</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$21,000</b>	<b>\$21,000</b>	<b>\$21,000</b>	<b>\$21,000</b>	<b>\$21,000</b>	<b>\$105,000</b>

<b>REVENUES</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

The bill is expected to increase LDR expenses by about \$36,000 in the first year and about \$21,000 in years thereafter. The agency is largely financed with self-generated fee and penalty revenue.

LDR indicates that the marginal cost of issuing a check is \$0.60 per check. About 35,000 debit cards issued by default during calendar year 2013 (JPMorgan Chase pays for the issuance of debit cards). Had the refund system defaulted to checks instead, the issuance of 35,000 checks would have cost LDR about \$0.60 cents per check or \$21,000. A one-time system initiation is expected to cost about \$15,000 of IT staff time to establish the new default and testing to insure its functioning as expected. Explicit per check costs are shown in the table on the assumption that approximately the same number of default refund situations will occur in the future as occurred in 2013.

There is no fiscal impact from making the debit card available for activation for at least 12 months after issuance since that is already current practice.

**REVENUE EXPLANATION**

There is no anticipated direct material effect on governmental revenues as a result of this measure. The calculation of the refunds will not change as a result of this bill.

There is no fiscal impact from making the debit card available for activation for at least 12 months after issuance since that is already current practice.

- |   |  |                                |  |
|---|--|--------------------------------|--|
| <input type="checkbox"/> Senate   | <input type="checkbox"/> Dual Referral Rules | <input type="checkbox"/> House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}                    |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}       |  |                                | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {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} |

**Gregory V. Albrecht**  
**Chief Economist**