

LEGISLATIVE FISCAL OFFICE
Fiscal Note

ACT 11

Fiscal Note On: **HB 588** HLS 16RS 1065

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:



Date: May 9, 2016	6:44 PM	Author: JOHNSON, R.
Dept./Agy.: Revenue Children and Family Services		Analyst: Deborah Vivien
Subject: Establishes fees for tax offset claims		

REVENUE/TAXATION DEPT EN SEE FISC NOTE SG RV See Note Page 1 of 1
Changes the fee charged to the Department of Children and Family Services for each tax offset claim

Current law imposes a fee of \$25 per state tax refund offset claim for any state agency utilizing the offset services of the Department of Revenue. The fee collections become self-generated revenue for the Department of Revenue. The Department of Children and Family Services utilizes the tax refund offset for child support enforcement purposes. The fee is deducted from the identified tax refund prior to passing it through as child support.

Proposed law limits the fee to \$4 per tax offset claim for the Department of Children and Family Services (DCFS) and for district public defenders' offices.

EXPENDITURES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>5 -YEAR TOTAL</u>
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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>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

DCFS
Because the bill is in keeping with current practice, there is no anticipated direct material effect on governmental revenues as a result of this measure. The mandatory tax refund offset fee was increased from \$4 to \$25 per claim in Act 130 of 2015 for all agencies. However, the charge to DCFS by the Department of Revenue was never increased for fees related to child support collections due to potential conflicts with federal law concerning deductions from child support collections. The bill codifies the current practice of charging DCFS a fee of \$4 per tax refund offset claim for child support enforcement services. Using figures from the Department of Revenue based on FY 15 offset claims, DCFS transferred about \$69,000 to LDR for tax refund offset claims or roughly 17,250 claims at the \$4 rate. The fee is deducted from the identified tax refund and reduces the amount of child support remitted for the child.

Public Defender Offices

Seven of the 42 public defender districts were known to utilize the tax offset program in FY 14, the last year that the \$4 rate was in effect. The Public Defender Board reports that in FY 14, the districts received about 65,000 tax refund offset claims with LDR retaining about \$260,000 in fees, generating about \$2.3M for the LPDB. As an indication of magnitude, for the same number of claims at the \$25 fee, LDR would have retained an additional \$1.4M in fees with the LPDB SGR down from \$2.3M to \$975,000 from tax refund offset claims. Most LPDB recoveries are for a \$40 application fee, which severely limits proceeds if the offset fee is roughly 2/3 of the anticipated recovery. There is no impact depicted in the table above since the bill effectively transfers an estimated \$1.4M in SGR from one state agency to another.

Senate Dual Referral Rules House

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