



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 717** HLS 16RS 303
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: May 19, 2016 8:38 AM	Author: STOKES
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Dedicates general fund revenue as fees	

REVENUE DEPARTMENT RE +\$110,000 GF RV See Note Page 1 of 2
 Provides relative to the funding of the operations of the Department of Revenue

Current law designates that LDR may transfer an agreed upon amount to the Board of Tax Appeals (BTA) each year in lieu of filing fees for cases referred to the Board. The Department of Revenue is also authorized to retain certain fees and penalties as self-generated revenue to help fund departmental operations. The Board of Tax Appeals also obtains a statutory amount from local governments as well as generating filing fees.

Proposed law removes most LDR penalty funding and replaces it with mandatory general fund appropriation classified as self-generated revenue and provides BTA similar financing. The bill directs LDR to retain 1% of taxes and interest (Titles 47 and 26 only) collected by LDR net of any constitutional dedications of those funds. LDR is also authorized to retain 25% of penalties with the remainder deposited to the general fund. However, the bill authorizes the Secretary to waive all penalties associated with sales tax increases implemented during the 2016 First Extraordinary Session. In addition, 0.01% of the amount retained by LDR (from taxes only) in FY 17 is directed to be transferred to the Board of Tax Appeals with that amount increasing in subsequent years only by agreement. Except for a percentage of penalties and the permissive transfer from LDR to BTA, all other means of obtaining revenue appear to continue to be authorized for LDR and BTA.

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	\$0	\$0	\$0	\$0	\$0	\$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>
State Gen. Fd.	\$110,000	\$2,100,000	\$16,700,000	\$15,400,000	\$15,400,000	\$49,710,000
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	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$110,000	\$2,100,000	\$16,700,000	\$15,400,000	\$15,400,000	\$49,710,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. According to the Department of Revenue, the current transfer of funds from LDR to BTA is \$153,749 for FY 16, and the FY17 HB1 ReEngrossed recommendation for the BTA is \$1.1M for all means of finance. This bill will direct an estimated \$772,000 in general fund to the BTA as an IAT transfer from LDR's general fund dedication authorized in this bill.

REVENUE EXPLANATION

The bill essentially dedicates general fund revenue by classifying these amounts as fees and self-generated revenues means of finance rather than statutory dedication and decreases penalties used in the agency operating budget. Only the net effect is shown in the table above. It is assumed that 1% is calculated on gross receipts of state tax and interest. The bill directs 75% of penalties currently collected and retained by LDR to revert to the general fund but also authorizes the Secretary to waive all penalties related to 2016 Special Session sales tax increases. Penalties waivers are assumed to remain typical in the note. The net impact in FY 17 is estimated to be a general fund increase of about \$110,000 assuming penalty waivers remain consistent. Offsets to the cost of dedicating 1% of taxes and interest include the **assumption that LDR and BTA will receive no general fund appropriation in any year along with 75% of penalties in an amount similar to historical levels reverting to the general fund** as incorporated in the table below.

With agency funding based on tax revenue, the expiration of new taxes in FY 19 could leave LDR underfunded without an additional source of revenue. The bill appears to step-up the general fund gain in FY 19+ only due to the reduction in the LDR dedication (1% of collections) as the temporary taxes passed on 2015 and 2016 expire along with an increase in penalties that revert to the general fund as amnesty impacts fade. This revenue is likely to be required by LDR as an additional general fund appropriation in these years in order to maintain services. The BTA funding is fixed at the FY 17 level and will avoid this decline.

The net general fund impact was estimated using revenue projections from the LDR budget request and ReEngrossed HB 1.

	FY 17	FY 18	FY 19	FY 20	
Amount of general fund dedicated in bill (1% of collections)					
LDR	(77,664,000)	(79,430,000)	(68,568,000)	(69,825,000)	
Amount of general fund appropriated in HB1 ReEngrossed					
LDR	47,224,396	47,224,396	47,224,396	47,224,396	
BTA	549,916	549,916	549,916	549,916	
TOTAL	47,774,312	47,774,312	47,774,312	47,774,312	(continued)

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|---|---|
| Senate
<input checked="" 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} | House
<input checked="" 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} |
|---|---|

Gregory V. Albrecht
 Chief Economist



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CONTINUED EXPLANATION from page one: Page 2 of 2

REVENUE EXPLANATION (Continued)

Table with 4 columns: FY 17, FY 18, FY 19, FY 20. Rows include 'Amount of penalties reverting to general fund in bill' and 'Net general fund impact'.

It appears that the bill allows LDR to continue retaining fees, an additional \$3-\$4M, unless the Office of Debt Recovery effort generates more fees than anticipated since it can assess 25% of all collections. The Board of Tax Appeals is also authorized to continue collecting filing fees. BTA is authorized to continue collecting roughly \$200,000 annually from local governments (HB 978 of this session is increasing that amount). However, transfers to BTA from LDR are by agreement, which is assumed to be nullified by this bill.

Revenue available in the FY 17 budgets are as follows (all means of finance):

Table with 3 columns: Department of Revenue, Board of Tax Appeals, HB 1 ReEngrossed, Estimated from the Bill.

Senate Dual Referral Rules House

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

Signature of Gregory V. Albrecht
Gregory V. Albrecht
Chief Economist