

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 29** HLS 162ES 25
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 8, 2016	9:57 AM	Author: PRICE
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Equalize interest payments on overpayments of tax		

REVENUE DEPARTMENT EG +\$16,300,000 GF RV See Note Page 1 of 1
 Provides relative to the calculation of interest on certain overpayments (Item #45)

Current law provides for statutory interest at the judicial rate (currently 4% annually) for certain overpayments with procedures specified for certain taxes. Interest on severance tax overpayments on new horizontal or deep wells are paid at the U.S. Treasury Yield Curve Constant Maturity 6-Month Treasury rate on the first business day of October of the preceding year and published on or before January 1 (10/1/15 was 0.08% annually; currently about 0.45% annually). Most interest begins accruing immediately.

Proposed law equalizes the treatment of overpayments between taxes by making statutory interest begin 90 days after a certain date. For income and sales tax, interest would begin 90 days after the later of the due date of the return, the filing date of the return or the date the tax was paid. For severance tax overpayments interest would begin 90 days after a properly filed claim for refund or amended return. All interest would occur at the judicial interest rate. Effective for any refunds claimed on or after 9/1/16, regardless of the tax period to which the claim relates.

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$16,300,000	\$19,500,000	\$19,500,000	\$19,500,000	\$19,500,000	\$94,300,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$400,000	\$500,000	\$500,000	\$500,000	\$500,000	\$2,400,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$16,700,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$96,700,000

EXPENDITURE EXPLANATION

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

REVENUE EXPLANATION

The Department of Revenue indicates that over the last three years, interest payments within 90 days averaged roughly \$20M per year, excluding some acceleration from amnesty programs. About 75% of this amount or an estimated \$15M will be paid from corporate income and franchise tax with sales tax making up an additional 20% or \$4M in interest payments. Severance tax is the next largest at \$500,000. Dedications of these funds are relatively minor and include the LED Fund (0.4% of sales), the parish severance allocation (roughly 5% of severance) and possibly other funds. \$500,000 is assumed as dedicated, though the actual amounts will depend on the associated tax.

Allowing severance overpayments between 90-180 days to accrue at the higher judicial rate instead of the Treasury rate of 0.08% could offset some of these interest cost savings, though the amount is expected to be immaterial since less than 2% of interest is typically paid during this period.

The FY 17 impact is reduced by 1/6 since the effective date is 2 months into the fiscal year, on September 1.

Statutory interest is currently 4% annually, which is assumed to remain in effect throughout the fiscal note horizon. The rate was last changed in 2011. Should the rate change again, these figures would increase or decrease, depending on the rate adjustment.

Call Item 45.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input 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} | |

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