



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 389** SLS 22RS 581
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 8, 2022 7:02 PM **Author:** REESE
Dept./Agy.: Revenue/ OMV **Analyst:** Emily DiPalma
Subject: Increases delinquent tax threshold to \$2,000

TAX/INCOME/PERSONAL OR DECREASE SG RV See Note 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 a driver with more than \$1,000 in final and non-appealable delinquent assessments or judgments for personal income tax liability (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 arrangement to pay and the OMV is notified by the Department of Revenue. The law provides for the OMV to issue an economic hardship license until the earlier of 1 year or a payment/arrangement to pay is in place with the Department of Revenue.

Proposed law retains current law and increases the threshold for driver's license suspension due to delinquent personal income tax liability from \$1,000 to \$2,000.

Effective upon governor signature.

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	\$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	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
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						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure according to LDR and OMV. The bill increases the threshold of delinquent taxes after which a driver's license may be suspended. Procedures to accomplish the suspension are already in place and can be readily adjusted to accommodate the change, which is expected to lead to fewer suspensions.

REVENUE EXPLANATION

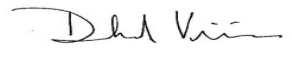
The bill will result in fewer driver's licenses suspensions as those with final delinquent tax liabilities between \$1,000 and \$1,999 will no longer be reported to OMV for mandatory suspension. According to FY22 cases reported by LDR to OMV, about 3,100 or 60% are cases that would no longer be subject to suspension. Assuming this is a typical year, fees associated with reinstatement of these driver's licenses would no longer be collected.

Currently, a suspended license will be reinstated (after payment or agreement to pay is confirmed by LDR) for a \$60 fee. If the original driver's license has not expired throughout the suspension, this is the only fee. However, if a hardship license is issued, a reinstatement fee of \$60 is collected along with a license fee (\$18-\$87, depending on the type of license, but typically \$32) because the original license is cancelled in lieu of the hardship license. Then, once the payment or agreement is in place with LDR, the hardship license is cancelled and another license fee (\$32) must be paid to reinstate the regular license. To summarize, for those with a current driver's license when reported to OMV for delinquent tax debt, a suspended license will cost \$60 to reinstate, and for those issued a hardship license the cost will be \$124 (\$60 reinstatement fee plus 2 license fees of \$32) to reinstate.

The reinstatement fees remain with OMV to fund agency operations. Driver's license fees are deposited to the state general fund. To the extent that the 3,100 drivers no longer face suspension, there will also be no fee collection when the licenses are reinstated or a hardship license is issued. To illustrate potential exposure, assume all of the cases are resolved by reinstatement (3,100) with half of those or 1,550 being issued a hardship license and the other half or 1,550 opting for a suspension with reinstatement. In this case, self-generated revenue would decline by about \$190,000 and state general fund by about \$100,000 annually. These amounts are close to maximum exposure and a more likely outcome would be less material since many cases are resolved before suspension and some reinstatements never occur. Actual fees and thus the revenue impact associated with the threshold increase will depend on various influences such as taxpayer behavior and the timing of LDR reporting delinquencies to OMV (possibly using other tools to collect tax delinquencies).

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 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}


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