



Fiscal Note On: **HB 1092** HLS 12RS 2341

Bill Text Version: **ENROLLED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

**Date:** June 4, 2012 11:02 AM

**Author:** FANNIN

**Dept./Agy.:** Revenue

**Subject:** Allows a debit card option for refunds and limited use

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REVENUE DEPARTMENT

EN SEE FISC NOTE GF EX See Note

Page 1 of 1

Authorizes the Dept. of Revenue to make payment of tax refunds by means of a debit card at the option of the taxpayer and prohibits the use of the debit cards in gaming establishments

Current law directs the Department of Revenue (LDR) to issue refunds of overpayments to taxpayers.

Proposed law allows LDR to refund overpayments on debit cards at the option of the taxpayer for any refund issued by the department. For a refund of personal income tax filed on a paper form, the taxpayer will have the option of receiving any refund owed by check, debit card, direct deposit or any other format available through the department and will choose that option on the form. If no format is chosen by the taxpayer, the Secretary may issue the refund in any format. The bill is effective for tax years 2013, 2014 and 2015.

### EXPENDITURE EXPLANATION


This bill would allow the taxpayer the option of receiving a refund using a debit card for all taxes administered by the department and for all situations of a refund issuance. It would also allow refunds of personal income tax to be distributed by direct deposit when filed using a paper form by taxpayer choice. This would involve modification to numerous tax forms and processing components. Though the legislation takes effect immediately, the fiscal impact assumes that current forms will not be changed but only change as new forms are promulgated (typically January 1). If existing forms must be changed immediately, these costs would increase. In addition, certain initiation expenses, including incorporating the option into the existing systems for all taxes, will involve costs that the Department suggests could amount to some \$500,000 in staff time in the first year given the various tax areas for which refunds are issued. This seems like a large amount, but some material setup costs are likely and a complete estimate of costs is difficult to establish. One-half the department suggestion is depicted in the table above to reflect the potential material level of these costs. These costs would have to be absorbed in the Department's existing budget if not incrementally funded. Since the bill is not effective until tax year 2013, these costs may be spread over FY 13 and FY 14. Because the provisions of the bill end after tax year 2015, some costs related to the reversal of these payout mechanisms, including website adjustments and data system blocks, may be incurred in FY 17.

In subsequent years, to the extent that taxpayers take advantage of the debit card or direct deposit refund system, processing expenses related to printing and mailing checks should decrease across all taxes. However, to the extent that taxpayers opt out of the debit card option in favor of a printed check, processing costs are greater (savings are smaller). The Department has indicated that savings from the current use of debit cards for personal income tax refunds are expected to be some \$300,000 (albeit, for a single tax area but involving a much larger set of filers than the other taxes this bill would involve).

However, this bill makes the check option available for personal income tax refunds that are currently available only as a debit card or direct deposit. A return to printed checks for some taxpayers at their option would reduce these anticipated savings by increasing processing costs. In keeping with bank limitations for dispensing cash, debit cards will not be issued for refunds over \$6,999. In those cases taxpayers would receive a refund check, even under the current system.

## 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. Eliminating the ability to use debit cards at gaming establishments is not expected to materially change behavior in terms of taxpayers ultimately attaining access to refunds. The bill does not address any provisions of the agreement between the state and the issuing institution for the debit cards or any other payment format. This agreement dictates the details of the program, such as the disposition of interest, fee structure etc.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)1 >= \$500,000 Annual Fiscal Cost {S}	 <b>Gregory V. Albrecht</b> <b>Chief Economist</b>
<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}	