

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 436** HLS 14RS 350
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 1, 2014	12:34 PM	Author: FANNIN
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Makes the default PIT refund a check		

REVENUE DEPARTMENT EG +\$21,000 SG EX See Note Page 1 of 1
 Provides for the payment methods for refunds of overpayments of individual income tax

Current law provides that the Department of Revenue must provide a choice of the method of payment of income tax refunds, including check, debit card, direct deposit or other means, as selected by the taxpayer. Paper filers who do not choose a method of payment will be paid in a manner chosen by the secretary (currently a debit card, except refunds greater than \$7,000, which are issued by check).

Proposed law retains current law but limits the refund payment choices to check, debit card or direct deposit. The bill also states that a personal income tax paper filer who does not choose a method of refund payment will be paid by check only.

Effective with Tax Year 2014.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000
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	\$21,000	\$21,000	\$21,000	\$21,000	\$21,000	\$105,000

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	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

EXPENDITURE EXPLANATION

The bill is expected to increase LDR expenses by about \$36,000 in the first year and about \$21,000 in years thereafter. The agency is largely financed with self-generated fee and penalty revenue.

LDR indicates that the marginal cost of issuing a check is about \$0.60 per check. About 35,000 debit cards issued by default during calendar year 2013 (JPMorgan Chase pays for the issuance of debit cards). Had the refund system defaulted to checks instead, the issuance of 35,000 checks would have cost LDR about \$0.60 cents per check or \$21,000. A one-time system initiation is expected to cost about \$15,000 of IT staff time to establish the new default and testing to insure its functioning as expected. Explicit per check costs are shown in the table on the assumption that approximately the same number of default refund situations will occur in the future as occurred in 2013.

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.

- Senate Dual Referral Rules House 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
- 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}
- 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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