



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 663** HLS 14RS 964
 Bill Text Version: **ENROLLED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 6, 2014	1:52 PM	Author: ROBIDEAUX
Dept./Agy.: Revenue		Analyst: Greg Albrecht
Subject: Comprehensive Tax Amnesty		

REVENUE DEPARTMENT EN INCREASE SD RV See Note Page 1 of 2
 Provides relative to the Louisiana Tax Delinquency Amnesty Act of 2013

Current law provides for a three phase tax amnesty. The 2013 phase was held during 2 months in the fall of 2013. The 2014 phase is for at least 1 month prior to 12/31/14, and the 2015 phase is for at least 1 month prior to 12/13/15. In the 2013 phase 100% of penalties and 50% of interest were waived; in the 2014 period 15% of penalties and no interest is to be waived; in the 2015 phase 10% of penalties and no interest is to be waived. Participants must abide by LDR interpretation of the issues for which amnesty was taken for three tax years following amnesty participation. LDR retains amounts equivalent to the penalties waived under the program plus amounts for the costs of program administration. LDR may contract with an outside vendor. After the LDR retention, receipts are to be credited to the 2013 Amnesty Collections Fund, and are available for appropriation for any public purpose. Proposed law waives 100% of penalties and 50% of interest during the 2014 phase, making those parameters identical to the completed 2013 amnesty period, and waives 33% of penalties and 17% of interest during the 2015 phase. Tax credits are not accepted as payment. Six month installment payment agreements are authorized. LDR retention for administrative costs are expanded to include without limitation marketing, advertising, and public information costs. After 2015, no new amnesties are allowed before January 1, 2025. Uses of receipts are itemized: first \$100 million for any public purpose, and the next \$4 million for the Economic Development Regional Leadership Council.

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.	INCREASE	\$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

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	DECREASE	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	DECREASE	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	\$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

EXPENDITURE EXPLANATION

The Department estimates that administrative costs of the fall 2013 phase 1 of the current amnesty law were approximately \$7.5 million. It seems unlikely that the fall 2014 phase 2 and fall 2015 phase 3 would experience as much participation and cost as much as phase 1, but the Department will have to be prepared to handle what ever participation level occurs. Current law provides that administrative costs are paid from gross program receipts that are retained by the Department along with the dollar equivalent of foregone penalty amounts.

REVENUE EXPLANATION

The state has offered amnesty on at least six previous occasions, 1985, 1987, 1998, 2001, 2009, and 2013. The 1985 amnesty generated \$1.2 million (382 taxpayers), 1987 \$279,000 (77 taxpayers), 1998 \$1.6 million (5,500 taxpayers), 2001 \$193 million (30,166 taxpayers), 2009 \$482.7 million (40,000+ taxpayers), and 2013 (\$452 million, \$382 million cash, 52,000+ accounts). The earlier amnesty programs (1985, 1987, and 1998) were very restrictive as to eligible taxpayers, while the amnesties in 2001, 2009, and 2013 were much less restrictive, as are the 2nd and 3rd phases of amnesty being modified by this bill, by allowing all taxes collected by LDR to be eligible for amnesty, except the motor fuel tax. With regard to the current law amnesty phases 1-3 which strongly encouraged phase 1 (2013) participation, the department estimated that more than 300,000 taxpayers may be eligible to participate, with \$700 million available for collection, and possible practical receipts of \$150 million - \$175 million, under infrequent amnesties.

The experience of the state indicates that is possible for more revenue to be collected than expected. However, amnesty programs are not typically offered in such short intervals; in this case a 2013 phase with subsequent annual phases in 2014 and 2015. Also, the program requires participants to abide by the LDR interpretation of the law with respect to issues resolved through amnesty for the 3 tax periods following the amnesty. This should work to reduce the pool of potential and practical amnesty collections, although the 2014 phase has been made as beneficial to the taxpayer as was the 2013 phase and earlier amnesties. Thus, while the REC has recognized \$100 million of projected net amnesty receipts during FY15, the impact of this bill is highly uncertain. Any specific amounts expected to be collected are speculative and no specific amount is recommended for purposes of this fiscal note.

An additional consideration is that it is likely that base revenue collections in subsequent years will be suppressed due to 1) the acceleration of future base collections into current amnesty receipts and 2) the recurrence of consecutive amnesty phases (with no reduction in benefits for participants in the 2014 phase 2) provides an incentive to avoid tax payment in anticipation of future amnesty opportunities. This second consideration is acknowledged in the bill by prohibiting new amnesties, after the 2015 phase, for ten years, until after January 1, 2025.

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|--|----------------------------|-------|--|
| Senate | <u>Dual Referral Rules</u> | House | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {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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Legislative Fiscal Officer



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CONTINUED EXPLANATION from page one: Page 2 of 2

Continued Revenue Explanation

The bill directs all receipts, except those retained by the Revenue Department, to be deposited into the 2013 Amnesty Collections Fund to be available for appropriation for any public purpose.

Prior to the latest 2013 phase 1 amnesty, upon conclusion of the program, the REC had designated amnesty collections as non-recurring revenue, which restricted their use to various constitutionally enumerated capital outlay and debt repayment options.

The conditions of 2013 phase 1 strongly encouraged participation in the first amnesty period (2013, for the 2013-14 fiscal year) by making penalty and interest waivers in the second (2014) and third (2015) periods significantly less advantageous to the taxpayer.

Tax amnesty programs may generate some small amount of revenue from taxpayers whose liability is unknown to the department, but these programs largely result in revenue from taxpayers whose liability is actually known to the department.

Finally, repeated amnesty programs, especially ones with short intervals of time between them, may discourage voluntary compliance in years between amnesty programs as some taxpayers await the next program.

- Senate Dual Referral Rules House
[X] 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(F)(2) >= \$500,000 State Rev. Reduc. {H & S}
[] 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Signature of John D. Carpenter
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