

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1768-01
Bill No.: HB 819
Subject: Taxation and Revenue - Income; Taxation and Revenue - General;
 Telecommunications; Revenue Dept.
Type: Original
Date: April 26, 2011

Bill Summary: Would authorize the Department of Revenue to use technology to make processes more efficient.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue	More than \$100,000	More than \$100,000	More than \$100,000
Total Estimated Net Effect on General Revenue Fund	More than \$100,000	More than \$100,000	More than \$100,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
 This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Secretary of State (SOS)** assume many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

Officials from the **Department of Revenue (DOR)** assume this proposal would authorize the Department to use electronic means to communicate with taxpayers. DOR officials assume this proposal would result in savings to their organization of approximately \$950,000 per year, following full implementation.

This proposal would result in postage savings to the department. The amount of savings would depend on the level of participation in electronic notification. The Department assumes 25% of the population will participate in the electronic notification. A participation level of 25% in a full fiscal year would yield total annual savings of \$949,438. DOR would collect the e-mail address of customers and, with their consent, transmit all potential notices by electronic mail. DOR could require electronic filing, but would be required to give entities six months to be compliant. A two percent penalty would be added to those filers that fail to file electronically.

The Taxation Division, Motor Vehicle Bureau, Driver License Bureau, and Personal Services Bureau would need to complete testing of new applications, and would also be required to revise forms and procedures to complete the new processes provided in this legislation. These actions will be completed as time allows. DOR would need to make programming changes to multiple tax, motor vehicle, and drivers license systems. However, none of the provisions included in this bill are mandatory, and the Department and ITSD-DOR will complete the actions as time allows.

ASSUMPTION (continued)

Oversight notes that the DOR estimate of approximately \$950,000 per year is based on 25% participation in an electronic notification and filing program. DOR officials did not provide an estimate of participation in the current electronic filing and notification programs, and Oversight does not have the information to determine or estimate the actual participation rate. To the extent that filers already participate in electronic filing and/or notification programs, the DOR savings estimate may be overstated.

Oversight also notes that certain electronic filing requirements are effective for years beginning January 1, 2011, and assumes that returns would be filed for those years beginning January 2012, FY 2012. Oversight will indicate unknown additional revenues for the noncompliance penalties, and savings in excess of \$100,000 per year beginning with FY 2012.

<u>FISCAL IMPACT - State Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
GENERAL REVENUE FUND			
<u>Additional revenue</u> - noncompliance penalties	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
<u>Savings</u> - elimination of printing and postage costs.	<u>More than \$100,000</u>	<u>More than \$100,000</u>	<u>More than \$100,000</u>
ESTIMATED NET EFFECT TO GENERAL REVENUE FUND	<u>More than \$100,000</u>	<u>More than \$100,000</u>	<u>More than \$100,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2012 (10 Mo.)	FY 2013	FY 2014
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a direct impact to small businesses by imposing additional costs in the form of processing charges and/or noncompliance penalties.

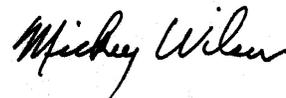
FISCAL DESCRIPTION

The proposed legislation would authorize the Department of Revenue to use technology to make processes more efficient.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Department of Revenue



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Director
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