

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5148-01  
Bill No.: HB 1717  
Subject: Employees - Employers; Taxation and Revenue - Income; Revenue Dept.  
Type: Original  
Date: March 7, 2012

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Bill Summary: This proposal would change the quarterly aggregate amount required to cause an employer to file a withholding return from \$20 to \$100.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$130,000 to \$643,500)	\$0	\$0
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>(\$130,000 to \$643,500)</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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).

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## 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 **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assume this proposal would not result in additional costs or savings to their organization.

BAP officials stated that this proposal would increase the threshold for annual withholding filers from \$20 to \$100. Withholding taxes that would have otherwise been collected on a quarterly basis in April, July, and October would be delayed until January. This proposal would not directly impact General and Total State Revenues in the aggregate, but could have a cash flow impact across fiscal years.

Assuming the bill would become effective Aug. 28, 2012, quarterly payments currently due in October 2012 would be remitted in January 2013. This would have no cash effect overall for FY 2013, though timing of payments be different. However, quarterly payments due in April and July of 2013 would not arrive until January 2014. Therefore, revenue collections would be reduced in FY 2013, but the payments in FY 2014 would increase by similar amounts. Further, similar patterns would follow in subsequent years.

DOR informs BAP that about 6,500 businesses would be impacted by this proposal. BAP defers to DOR for estimated withholding amounts.

ASSUMPTION (continued)

Officials from the **Department of Revenue** (DOR) stated that the proposal would raise the quarterly aggregate amount required to cause an employer to file a withholding return from \$20 to \$100. This should not reduce total state revenue, but would delay the collection of withholding taxes. This would impact approximately 6,500 businesses and each of the businesses could delay until January of the following year the filing and remittance of withholding taxes that would have been paid in April, July, and October. The proposal would also allow DOR to increase the threshold amount for filing a return and remitting taxes.

DOR officials assume DOR would need to change its Application, COREG and On-line File Maintenance systems, and would need to make forms changes. Further, DOR and ITSD-DOR will need to make programming changes to various tax systems.

DOR officials provided a response which did not indicate an administrative impact to their organization but did include an estimate of the IT cost to implement the proposal of \$1,060 based on 40 hours of programming to make changes to DOR systems.

**Oversight** assumes OA-ITSD (DOR) is provided with core funding to handle a certain amount of activity each year. Oversight assumes OA-ITSD (DOR) could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OA-ITSD (DOR) could request funding through the appropriation process.

Fiscal impact

**Oversight** assumes this proposal would allow approximately 6,500 employers to delay filing and paying withholding taxes currently due on a quarterly basis until the following January 31. The maximum amount of withholding taxes involved would be  $(\$99 \times 6,500) = \$643,500$  and the minimum amount would be  $(\$20 \times 6,500) = \$130,000$ .

- \* Taxes withheld for the quarter ending September 30, 2012 (FY 2013) would be paid January 31, 2013, (FY 2013) and there would be no fiscal impact from that payment. Receipt of these taxes by the General Revenue Fund would be paid in the same fiscal year as currently required but delayed from October 31, 2012 to January 31, 2013.

ASSUMPTION (continued)

- \* Taxes withheld for the quarter ending March 31, 2013 (FY 2013) would be paid in January 2014 (FY 2014) instead of April 2013 (FY 2013). The amounts involved would be the same and the delay would be permanent, as each year's first quarter withholding taxes would be paid the following fiscal year.
- \* Taxes withheld for the quarters ending June 30, 2013 and September 30, 2013 would be paid in January, 2014. The taxes would be paid in the same fiscal year as currently required but would be delayed six months and three months, respectively, as compared to current requirements.

**Oversight** notes that this proposal would result in a permanent reduction in the number of payroll tax returns processed; the reduction would likely be somewhat less than three quarters' returns for the affected businesses or  $(3 \times 6500) = 19,500$  fewer returns.

DOR officials assume that most of the small quarterly return filers would be electronic filers and this proposal would not likely lead to a reduction in the number of tax return errors or phone calls sufficient to allow a staff reduction.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
<b>GENERAL REVENUE FUND</b>			
<u>Revenue reduction - delayed filing and payment of withholding taxes</u>	<u>(\$130,000 to \$643,500)</u>	<u>(\$130,000 to \$643,500)</u>	<u>(\$130,000 to \$643,500)</u>
<u>Additional revenue - previous year withholding taxes paid</u>	<u>\$0</u>	<u>\$130,000 to \$643,500</u>	<u>\$130,000 to \$643,500</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(\$130,000 to \$643,500)</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact to a small business which could delay filing and paying withholding taxes.

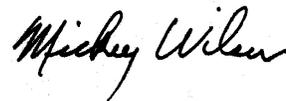
FISCAL DESCRIPTION

This proposal would change the quarterly aggregate amount required to cause an employer to file a withholding return from \$20 to \$100.

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  
Joint Committee on Administrative Rules  
Office of Administration  
Division of Budget and Planning  
Department of Revenue



Mickey Wilson, CPA  
Director  
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