

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6068-01
Bill No.: SB 881
Subject: Employees - Employer; Revenue Department; Liens; Taxation and Revenue - General
Type: Original
Date: March 12, 2014

Bill Summary: This proposal would authorize the Department of Revenue to seek administrative garnishment orders and would specify the procedure for a certificate of lien for delinquent taxes.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Conservation Commission	Unknown	Unknown	Unknown
Parks, and Soil and Water	Unknown	Unknown	Unknown
School District Trust	Unknown	Unknown	Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	Unknown	Unknown	Unknown

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
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 2015	FY 2016	FY 2017
Local Government	Unknown	Unknown	Unknown

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 Director to file a lien specifying the amount of taxes, interest, etc., in the recorder's office of any county where the taxpayer owes taxes, interest, and additions to tax, owns property, or has a business.

DOR officials noted this proposal would address erroneously filed liens. If the lien is found to be erroneous, the Director would release the lien and notify creditors. The Director would be required to take whatever steps are necessary to ensure the lien is expunged and pay a \$3.00 fee charged by the recorder when an erroneous lien is expunged.

ASSUMPTION (continued)

Fiscal impact

DOR officials stated the Department collected over \$6 million from garnishments in FY 2012, and assume this proposal would allow the collection of an additional \$3 million annually.

Oversight assumes this proposal would be primarily effective in collecting income taxes and will include additional revenue in excess of \$100,000 per year, in addition to program costs, for the General Revenue Fund. Oversight will also include unknown additional revenue for other state funds which receive sales taxes, and for local governments.

Oversight is aware that sales tax revenues deposited into the School District Trust Fund are distributed, along with other collections, to school districts but will not include those distributions in this fiscal note.

Administrative impact

DOR officials did not indicate any administrative cost for this proposal, and **Oversight** assumes no additional employees would be required. If unanticipated costs are incurred or if multiple proposals are implemented which increase the DOR workload, resources could be requested through the budget process.

Oversight notes this proposal would authorize DOR to file administrative liens with the circuit court where the taxpayer owes taxes, owns property, or has a business. The proposal would authorize DOR to notify employers or other persons who may have assets due or to become due the taxpayer, and would also require DOR to pay a filing fee and take whatever additional action is necessary to correct an erroneous lien filing. Oversight will include in this fiscal note unknown costs for postage, printing, mailing, and recording fees for this program.

ASSUMPTION (continued)

IT impact

DOR officials provided an estimate of the IT cost for changes to DOR computer systems to implement this proposal, as follows.

Sales Tax	280 Hours
Individual Tax	<u>504 Hours</u>
Total	784 Hours
Rate	<u>27.30 per hour</u>
Total cost	<u><u>\$21,403</u></u>

Oversight will include the DOR estimate of IT cost in this fiscal note.

Officials from the **Joint Committee on Administrative Rules**, the **Office of Administration**, **St. Louis County**, and the **St. Louis County Directors of Elections** assume this proposal would not have a fiscal impact to their organizations.

Officials from the following counties: Andrew, Audrain, Barry, Bates, Boone, Buchanan, Callaway, Camden, Cape Girardeau, Carroll, Cass, Clay, Cole, Cooper, DeKalb, Franklin, Greene, Holt, Jackson, Jefferson, Johnson, Knox, Laclede, Lawrence, Lincoln, Marion, Miller, Moniteau, Monroe, Montgomery, New Madrid, Nodaway, Ozark, Perry, Pettis, Phelps, Platte, Pulaski, Scott, St. Charles, St. Francois, Taney, Warren, Wayne and Worth did not respond to our request for information.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE FUND			
<u>Additional revenue - DOR</u>			
Administrative garnishment collections Section 140.910	More than \$100,000	More than \$100,000	More than \$100,000
<u>Cost - DOR</u>			
IT cost for administrative garnishment program Section 140.910	(\$21,403)	\$0	\$0
<u>Cost - DOR</u>			
Administrative garnishment program Postage, mailing, and recording Section 140.910	(Unknown)	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	More than <u>\$100,000</u>	More than <u>\$100,000</u>	More than <u>\$100,000</u>
CONSERVATION COMMISSION FUND			
<u>Additional revenue - DOR</u>			
Administrative garnishment collections Section 140.910	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
ESTIMATED NET EFFECT ON CONSERVATION FUND	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>

FISCAL IMPACT - State Government
 (Continued)

FY 2015
 (10 Mo.)

FY 2016

FY 2017

**PARKS, AND SOIL AND WATER
 FUND**

Additional revenue - DOR
 Administrative garnishment collections
 Section 140.910

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
 PARKS, AND SOIL AND WATER
 FUND**

Unknown

Unknown

Unknown

SCHOOL DISTRICT TRUST FUND

Additional revenue - DOR
 Administrative garnishment collections
 Section 140.910

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
 SCHOOL DISTRICT TRUST FUND**

Unknown

Unknown

Unknown

FISCAL IMPACT - Local Government

FY 2015
 (10 Mo.)

FY 2016

FY 2017

LOCAL GOVERNMENTS

Additional revenue - DOR
 Administrative garnishment collections
 Section 140.910

Unknown

Unknown

Unknown

**ESTIMATED NET EFFECT ON
 LOCAL GOVERNMENTS**

Unknown

Unknown

Unknown

FISCAL IMPACT - Small Business

This proposal could have a direct fiscal impact to small businesses which would be obligated to respond to an administrative garnishment.

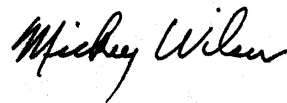
FISCAL DESCRIPTION

This proposal would authorize the Department of Revenue to seek administrative garnishment orders and would specify the procedure for a certificate of lien for delinquent taxes.

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
Department of Revenue
St. Louis County
St. Louis County Directors of Elections



Mickey Wilson, CPA
Director
March 12, 2014

Ross Strobe
Assistant Director
March 12, 2014