

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 4746-03  
Bill No.: SCS for SB 798  
Subject: Attorneys; Administrative Law; Courts; Taxation and Revenue - Revenue Department  
Type: Original  
Date: March 31, 2016

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Bill Summary: Requires the Department of Revenue to pay the taxpayers' attorneys' fees in income tax cases when the taxpayer receives a favorable judgement.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(Could exceed \$365,251)	(Could exceed \$390,603)	(Could exceed \$394,032)
<b>Total Estimated Net Effect on General Revenue</b>	<b>(Could exceed \$365,251)</b>	<b>(Could exceed \$390,603)</b>	<b>(Could exceed \$394,032)</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<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 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	6 FTE	6 FTE	6 FTE
<b>Total Estimated Net Effect on FTE</b>	<b>6 FTE</b>	<b>6 FTE</b>	<b>6 FTE</b>

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## **FISCAL ANALYSIS**

### **ASSUMPTION**

Officials from the **Department of Revenue (DOR)** assume the proposal will have a fiscal impact on the DOR. The proposal requires the court or commission to order DOR to pay the taxpayer's reasonable attorneys' fees incurred in opposing DOR's action if substantially all of the issues are decided in the taxpayer's favor.

DOR assumes the proposal will require two (2) Investigators II at an annual salary of \$42,708 each, three (3) Legal Counsel at an annual salary of \$46,236 each and one (1) Office Support Assistant at an annual salary of \$25,824 for the anticipated increase in caseload within the Criminal Tax Investigation Bureau. The total assumed cost for six (6) additional personnel with fringe benefits and equipment expense is assumed to be \$365,251 for FY 2017, \$390,603 for FY 2018 and \$394,032 for FY 2019.

Responding agencies have not provided an estimated cost of paying reasonable attorney fees when issues are decided in the taxpayer's favor. **Oversight** will include the cost estimate provided by the DOR for the FTE provided and will also reflect an Unknown cost for attorneys' fees.

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume no impact to Total State Revenues or the Article X, Section 18(e) calculation. B&P deferred to DOR for any additional comments.

Officials from the **Office of State Courts Administrators** and the **Office of Administration - Administrative Hearing Commission** assume no fiscal impact.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
<b>GENERAL REVENUE FUND</b>			
<u>Cost - Department of Revenue</u>			
Salaries	(\$208,290)	(\$252,447)	(\$254,972)
Benefits	(\$107,365)	(\$129,521)	(\$130,210)
Expense and equipment	(\$49,596)	(\$8,635)	(\$8,850)
<u>Total cost - Department of Revenue</u>	<u>(\$365,251)</u>	<u>(\$390,603)</u>	<u>(\$394,032)</u>
FTE Change - DOR	6 FTE	6 FTE	6 FTE
<u>Cost - Department of Revenue</u>	<u>\$0 or</u>	<u>\$0 or</u>	<u>\$0 or</u>
Taxpayers' Attorneys' Fees	(Unknown)	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>	<b><u>(Could exceed \$365,251)</u></b>	<b><u>(Could exceed \$390,603)</u></b>	<b><u>(Could exceed \$394,032)</u></b>
Estimated Net FTE Change for the General Revenue Fund	6 FTE	6 FTE	6 FTE
<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u><b>\$0</b></u>	<u><b>\$0</b></u>	<u><b>\$0</b></u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

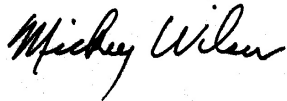
This proposal requires the Administrative Hearing Commission or a court to order the Department of Revenue to pay the taxpayer's attorneys' fees in income tax cases when the taxpayer receives a favorable judgement. Payment for the fees must come from appropriations to the department and may not come from the State Legal Expense Fund.

FISCAL DESCRIPTION (continued)

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

Department of Revenue  
Office of Administration  
    Budget and Planning  
Office of the State Courts Administrator  
Office of Administration  
    Administrative Hearing Commission



Mickey Wilson, CPA  
Director  
March 31, 2016

Ross Strobe  
Assistant Director  
March 31, 2016