

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2990-01
BILL NO.: SB 550
SUBJECT: Revenue Dept.; Taxation and Revenue-General
TYPE: Corrected
DATE: January 24, 2000
 # Corrected to reflect unknown loss to local political subdivisions.

#FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Various State Funds	(Unknown)	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

*Costs and revenue losses expected to exceed \$100,000 annually

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

#ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	#(UNKNOWN)	#(UNKNOWN)	#(UNKNOWN)

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Insurance, Attorney General's Office and Secretary of State's Office** state this proposal would not fiscally impact their agencies.

Department of Revenue (DOR) officials state this legislation places the burden of proof on the Department of Revenue in cases with large corporations and in cases with exemptions and credits.

DOR staff state the impact of this legislation is unknown and the revenue loss is expected to be significant.

ADMINISTRATIVE IMPACT:

The administrative impact of this legislation is unknown. The proposed legislation may have a significant impact on the Division of Taxation and Collection's ability to conduct and collect audits. The Division of Taxation indicates this legislation could delay audits by 10%. Therefore, to maintain the same level of audit coverage and collections, the Division of Taxation estimates the cost of a 10% impact to be \$1.3 to \$4 million annually (additional payroll and time costs estimated at \$1.3 million and lost collections on audits estimated at \$3 million).

The General Counsel's office has indicated this legislation would greatly increase the burden on the Department in hearings by requiring more extensive legal discovery prior to hearings. Additional attorneys would be needed, along with the corresponding expense and equipment. However, the overall impact on the General Counsel's office is unknown at this time.

Oversight assumes this proposal expands the "burden of proof" language in the statute to apply to tax exemptions, tax credits and large corporate taxpayers in general. This expansion could place additional responsibility on the DOR to prove amounts on tax billings and assessments. Administrative costs and revenue reduction related to this proposal cannot be estimated with any degree of confidence. However, even a slight change would exceed \$100,000 annually.

This proposal would result in a decrease in Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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VARIOUS STATE FUNDS

<u>Loss - Various State Funds</u>			
Burden of Proof*	(Unknown)	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON VARIOUS STATE FUNDS	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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* Losses expected to exceed (\$100,000) annually.

<u>#FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

FISCAL IMPACT - Small Business

Small businesses would be expected to be fiscally impacted to the extent that on tax issues the "burden of proof" in cases of tax credits and exemptions would be shifted from the taxpayer to the taxing authority.

DESCRIPTION

HB 516 (1999) changed the burden of proof in tax cases involving individuals. This act allows partnerships, corporations and trusts the same protection as currently provided for individual taxpayers. In addition, the Director of Revenue would have the burden of proof in cases where tax exemptions and credits are challenged.

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

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Department of Revenue
Department of Insurance
Office of Secretary of State
Office of the Attorney General

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is written in a cursive, somewhat stylized font.

Jeanne Jarrett, CPA
Director
January 24, 2000