

2009 DRAFTING REQUEST

Bill

Received: 12/18/2008

Received By: jkreye

Wanted: As time permits

Identical to LRB:

For: Administration-Budget

By/Representing: Lillethun

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax, Other - miscellaneous

Extra Copies:

Submit via email: NO

Pre Topic:

DOA:.....Lillethun, BB0296 -

Topic:

Expand treasury offset program to cover vendor debts

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	jkreye 12/18/2008	kfollett 12/19/2008		_____			S&L
/1			rschluet 12/19/2008	_____	mbarman 12/19/2008		

FE Sent For:

<END>

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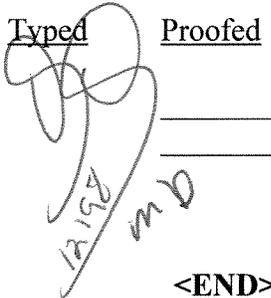
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FE Sent For:

<END>

2007-09 Budget Bill Statutory Language Drafting Request

1224

- Topic: Expand Treasury Offset Program to Vendor Debts
- Tracking Code: BB0296
- SBO team: Tax, Transportation and Budget Development Team
- SBO analyst: Chad Lillethun
 - Phone: 266-7597
 - Email: Chad.Lillethun@wisconsin.gov
- Agency acronym: DOR
- Agency number: 566
- Priority (Low, Medium, High): High

Intent:

Enable DOR to enter into a reciprocal vendor setoff agreement with the IRS and allow DOR to charge a fee up to \$25.00 per offset to the IRS.

2009-2011 Legislative Proposal
Wisconsin Department of Revenue
IS&E Division

Date: November 25, 2008

TITLE: Expand Treasury Offset Program to Vendor Debts

(Non-tax debt?)

DESCRIPTION OF CURRENT LAW AND PROBLEM

if when need a vendor come by money?

The Department of Revenue and the Internal Revenue Service have a process in place to offset income tax refunds for each other. This program is very successful. In FY 2007, DOR received \$7,612,000 from the IRS and offset refunds of \$2,939,700 for the IRS. Reciprocal refund offset is authorized by sec. 73.03(52), Wis. Stats.

The Federal Debt Collection Improvement Act of 1996 contains a provision that allows states to enter into reciprocal agreements with the Treasury to collect unpaid state debt through offset of federal non-tax payments, and the federal government to collect delinquent non-tax debt by offset of state payments. The IRS conducted a pilot program with the states of Maryland and New Jersey in 2007, and will evaluate the program in the summer of 2008.

This program is similar to the DOR Vendor Offset program, authorized by sec. 73.12, Wis. Stats. Current state law does not contain a provision to allow reciprocal vendor offset with the IRS.

RECOMMENDATION FOR ACTION

Expand sec. 73.03(52), Wis. Stats., to enable DOR to enter into a reciprocal vendor setoff agreement with the IRS. Allow DOR to charge a fee up to \$25.00 per offset to the IRS.

ADMINISTRATIVE IMPACT

DOR will revise the Treasury Offset notice currently sent to taxpayers to indicate offsets include both tax and non-tax federal payments. Programming work may be needed to expand the vendor offset debts currently included when matching accounts with DOA.

FAIRNESS/TAX EQUITY

All citizens of Wisconsin will benefit from increased delinquent tax collections.

IMPACT ON ECONOMIC DEVELOPMENT

There will be little to no impact on economic development.

FISCAL EFFECT

The department estimates annual delinquent tax collections will increase by \$500,000 if this legislation is implemented.

DRAFTING INSTRUCTIONS

See 2009 LRB 40/P2.

EFFECTIVE DATE AND/OR INITIAL APPLICATION

It is anticipated that these provisions will take twelve months or more to implement. Implementation is dependent on the IRS timeline for expanding the program.

INTERESTED/AFFECTED PARTIES

Delinquent taxpayers, the Wisconsin Dept. of Administration, vendors doing business for DOR and the IRS, as well as tax paying citizens of Wisconsin.

DOR CONTACT PERSON

Diane Hardt, 266-6798
diane.hardt@revenue.wi.gov

PREPARED BY

Catherine Bink

1224/11
in stays

DOA Budget BB 0296

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

in 12-18-08

do not you

1 AN ACT ^{'''} ~~to renumber~~ 73.03 (52); and ~~to create~~ 73.03 (52) (b) of the statutes;

2 ~~relating to:~~ agreements with the Internal Revenue Service to offset payments

3 ~~to collect debt.~~ *the budget*

TAXATION
OTHER TAXATION

Analysis by the Legislative Reference Bureau

Under current law, the Department of Revenue (DOR) may enter into agreements with the Internal Revenue Service (IRS) to collect a taxpayer's federal tax obligation by subtracting the obligation amount from the taxpayer's state tax refund and submitting the amount to the IRS. DOR may also charge a fee of up to \$25 per transaction for that collection. In addition, DOR may enter into agreements with the IRS to collect a taxpayer's state tax obligation by subtracting the obligation amount from the taxpayer's federal tax refund and submitting that amount to DOR.

Under this bill, DOR may enter into agreements with the IRS to collect a person's federal nontax debt by subtracting the amount from any state payment to that person, other than a tax refund. DOR may also charge a fee of up to \$25 per transaction for that collection. In addition, DOR may enter into agreements with the IRS to collect a person's state tax or nontax debt by subtracting the amount from any federal payment to that person, as authorized by federal law.

For further information see the **state and local** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

1 SECTION 1. 73.03 (52) of the statutes is renumbered 73.03 (52) (a).

2 SECTION 2. 73.03 (52) (b) of the statutes is created to read:

3 73.03 (52) (b) To enter into agreements with the Internal Revenue Service that
4 provide for offsetting state payments, except tax refunds, against federal nontax
5 obligations; and to charge a fee up to \$25 per transaction for such offsets; and
6 offsetting federal payments, as authorized by federal law, against state tax and
7 nontax obligations, and collecting the offset cost from the debtor, if the agreements
8 provide that setoffs under par. (a) and ss. 71.93 and 71.935 occur before the setoffs
9 under this paragraph.

10 SECTION 3. Effective date.

11 (1) This act takes effect on the first day of the 14th month beginning after
12 publication.

13 (END)

Change components

9443

Revenue

OFFSET AGREEMENTS. (c) the renumbering of section 73.03(52) of the statutes and the creation of section 73.03(52)(b) of the statutes



State of Wisconsin
2009 - 2010 LEGISLATURE

LRB-1224/1

JK:jld:rs

DOA:.....Lillethun, BB0296 - Expand treasury offset program to cover vendor debts

FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION

1 AN ACT ...; relating to: the budget.

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