

Fiscal Estimate Narratives

DOR 12/4/2017

LRB Number	17-4857/1	Introduction Number	SB-617	Estimate Type	Original
Description Creating a penalty applicable to a seller that continues to collect sales tax erroneously on a product after receiving two or more written notices that the product is not taxable; certification of property assessors; use of social security numbers on certain tax documents; electronic delivery of notices by the Department of Revenue; and the responsibility for fees and disbursements in garnishment actions					

Assumptions Used in Arriving at Fiscal Estimate

COLLECTION OF SALES TAX ON NONTAXABLE PRODUCTS AFTER NOTICE

Under current law, sellers are generally not allowed to be enriched by the over-collection of sales or use taxes, in that they are required to return the erroneously collected tax and associated interest. Failure to do so may result in a penalty under current law.

Current law also provides that a seller may offset a tax assessment resulting from an audit by the amount of erroneously collected tax (i.e., the seller is not required to return the tax to its customers). In a few cases, sellers have intentionally collected taxes on nontaxable products and used such taxes to offset assessments during an audit.

This provision would stop this practice by eliminating the ability to receive a refund of the amount of over-collection if the company receives two or more written notices from DOR stating that they are over-collecting.

The Department doesn't anticipate an overall fiscal effect on the state. The provision preserves state and local sales tax revenue by potentially lowering audit offsets for sellers.

ASSESSOR EXAM FEES

Under current law, assessor certification exams are prepared by DOR and administered by the State Division of Personnel Management (DPM). DPM discontinued administering the exams in July, 2017. Current law sets the examination fee at \$20. The current fee does not cover the estimated cost of \$50 for a new vendor to administer the exam.

The bill would allow DOR to set the fee amount for the exam. DOR will contract with a vendor to administer the assessor certification exams, and the vendor will collect the fees directly from applicants. DOR expects the provision to result in a minimal reduction in fee revenue and exam costs.

TEMPORARY ASSESSOR CERTIFICATION

The bill would adjust the temporary certification threshold from 100 days to 90 days. DOR does not expect the provision to result in a fiscal effect.

ALLOW TRUNCATED SOCIAL SECURITY NUMBERS ON INFORMATION RETURNS

The IRS has recently published notice that beginning in 2019 employers may truncate Social Security Numbers on W-2s sent to employees and 1099s sent to certain contractors as a safeguard against identity theft. The full Social Security Number must still be on the information returns submitted by the employers to the IRS. This provision will provide the same ability for state tax information returns. Statutes currently require the full Social Security Number to appear on all information returns, regardless of if DOR or the taxpayer receives the return from the employer. DOR does not expect the provision to result in a fiscal effect.

OPTIONAL ELECTRONIC NOTIFICATIONS

At the taxpayers' discretion, the bill authorizes taxpayers to opt-in to receiving certain notices from DOR

electronically, instead of through personal service or hard copy mail delivery. DOR will experience postal savings commensurate with taxpayer opt-in; however, those savings will be offset by system maintenance expenses. DOR expects the provision to provide a minimal annual reduction in administrative costs.

GARNISHMENT FEE STATUTORY UPDATES

Under 2015 Wisconsin Act 337 garnishees (generally employers) are authorized to receive a \$3 fee for each wage garnishment they have to attach to a debtor's (employee) wages. The \$3 fee reflects a reduction in the amount collected by the creditor (including DOR) rather than an additional charge to the debtor. This bill would authorize adding an additional \$3 to the total debt so that DOR would be able to collect the full amount of debts owed. DOR expects the provision to mitigate underpayment of debts as a result of the \$3 fee, increasing collections by \$15,000 to \$19,000 annually.

Current state statutes also limit the total amount of garnishment costs that a creditor (including DOR) may pass on to a debtor to no more than \$40. Mandatory court fees related to garnishments and certified mail costs alone exceed \$114 per garnishment. This provision allows the creditor to recover all necessary fees and disbursements related to the garnishment action from the debtor. DOR expects this provision to prevent an annual loss of \$104,000 in unreimbursed garnishment costs.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2017 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
II. Annualized Costs:	Annualized Fiscal Impact on funds from:	
	Increased Costs Decreased Costs	
A. State Costs by Category		
State Operations - Salaries and Fringes	\$	\$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
FED		
PRO/PRS		
SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$see text	\$
NET CHANGE IN REVENUE	\$see text	\$
Agency/Prepared By	Authorized Signature	Date
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