

2001 Jr2 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-AB1)

Received: 03/11/2002

Received By: jkreye

Wanted: As time permits

Identical to LRB:

For: Legislative Fiscal Bureau

By/Representing: Shanovich (RR)

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax - miscellaneous

Extra Copies:

Submit via email: NO

Pre Topic:

LFB:.....Shanovich (RR) -

Topic:

Charging administrative fees for offsetting state tax refunds against federal tax obligations

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 03/12/2002 | hhagen 03/12/2002 | | _____ | | | |
| /1 | | | rschluet 03/12/2002 | _____ | lrb_docadmin 03/12/2002 | | |

FE Sent For:

<END>

2001 Jr2 DRAFTING REQUEST

Assembly Amendment (AA-ASA1-AB1)

Received: 03/11/2002

Received By: jkreye

Wanted: As time permits

Identical to LRB:

For: Legislative Fiscal Bureau

By/Representing: Shanovich (RR)

This file may be shown to any legislator: NO

Drafter: jkreye

May Contact:

Addl. Drafters:

Subject: Tax - miscellaneous

Extra Copies:

Submit via email: NO

Pre Topic:

LFB:.....Shanovich (RR) -

Topic:

Charging administrative fees for offsetting state tax refunds against federal tax obligations

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> |
|--------------|----------------|-----------------|--------------|----------------|------------------|-----------------|-----------------|
|--------------|----------------|-----------------|--------------|----------------|------------------|-----------------|-----------------|

| | | | | | | | |
|-----|--------|-------------------|--------------------|--------------------|--|--|--|
| 1/? | jkreye | 1, hmh 3/12/02 | <i>[Signature]</i> | <i>[Signature]</i> | | | |
|-----|--------|-------------------|--------------------|--------------------|--|--|--|

3-12-02

FE Sent For:

<END>

WORKING GROUP

b-2384

Department of Revenue
Administrative Fee for Offsetting State Tax Refunds Against
Tax Debts Owed the Internal Revenue Service

Authorize the Department of Revenue (DOR) to charge the federal Internal Revenue Service (IRS) an administrative fee of up to \$25 for each transaction for offsetting state tax refunds against federal tax obligations. Require that the fee be deducted from the state tax refund offset, and placed in the Department's debt collection appropriation [20.566(1)(h)] prior to the remaining portion being forwarded to the IRS. Increase expenditure authority in the Department's debt collection appropriation by \$60,000 PR in 2002-03.

Under current law DOR is authorized to offset against state tax refunds amounts owed for state taxes, debts to state agencies, delinquent child and spousal support and maintenance payments, and municipal and county fines, fees and forfeitures. The Department can enter into reciprocal agreements with other states to offset against Wisconsin tax refunds amounts owed other states for taxes if the other states agree to offset against their state tax refunds amounts owed Wisconsin for taxes. DOR is also allowed to enter into an agreement with the federal Internal Revenue Service to offset state tax refunds against federal obligations if the IRS offsets federal tax refunds against state tax obligations. The IRS charges DOR a fee of \$17.90 for each offset transaction.

The administrative costs of collecting debts owed to state agencies and municipalities and counties are funded through the program revenue debt collection appropriation. The source of revenue for the appropriation is an administrative charge imposed on state agencies and local units of government. The Department is generally authorized to charge the administrative fee and adjust it to reflect costs incurred. Currently, DOR retains 2.0% of the amount of the debt offset for administrative costs. This motion would authorize DOR to charge the IRS a fee of \$25 per transaction for offsetting state tax refunds against federal tax obligations. The fee amounts would be placed in the Department's debt collection appropriation and expenditure authority would be increased by \$60,000 to fund related administrative costs.

[Change to Joint Finance: \$60,000 PR and \$60,000 PR-REV]

8

TITLE: Administrative Fee – Offsetting State Tax Refunds Against Tax Debts Owing the Internal Revenue Service

DESCRIPTION OF LAW AND PROBLEM:

Under section 73.03(52), Wis. Stats., the Department of Revenue has the authority to offset state tax refunds against federal tax obligations. To that effect, the Department signed an agreement with the Internal Revenue Service to participate in the State Income Tax Levy Program and began offsetting state income tax refunds for the Internal Revenue Service in July 2001. The Department provides a similar service for other Wisconsin state agencies, as well as county and municipal governments, and is authorized to charge a fee to cover the administrative expenses for this service. The Internal Revenue Service receives this service free of such charges.

Conversely, the Department of Revenue also participates in the Treasury Offset Program, whereby the U.S. Department of Treasury offsets federal tax refunds and other federal payments against state income tax obligations. The Department is charged a fee of \$17.90 per transaction by the U.S. Department of Treasury for the administrative costs of the program.

The Internal Revenue Service has recently indicated that they are agreeable to allowing the state to charge a processing fee up to \$25.00 per offset transaction in the State Income Tax Levy Program. The fee shall be deducted from the state tax refund prior to the remaining portion of the refund being forwarded to the Internal Revenue Service.

Legislation is needed to provide the authority to charge for this processing fee.

RECOMMENDATION:

Amend section 73.03(52), Wis. Stats., to allow the Department of Revenue to charge an administrative fee up to \$25.00 per offset transaction, in connection with the offset of a state tax refund against a federal tax obligation. Amend section 20.566(1)(h), Wis. Stats., to place the administrative fees received by the Department of Revenue from the offset transactions into the debt collection appropriation section.

FISCAL IMPACT:

The foregoing will serve to reimburse the Department for its expenses incurred in offsetting state tax refunds against federal tax obligations.

DRAFTING INSTRUCTIONS:

See Recommendation, above.

EFFECTIVE DATE:

Day after publication.

*July - Feb 1167
29,000
\$60,000 program revenue*

CONTACT PERSONS:

Vicki Siekert, 266-9635
Fred Bahr, 266-8517
James Harnett, 267-7442



State of Wisconsin
2001 - 2002 LEGISLATURE

January 2002 Special Session

LRBb2384/2

JK:hmh

RM:mt R

LFB:.....Shanovich (RR) – Charging administrative fees for offsetting state tax refunds against federal tax obligations

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

ASSEMBLY AMENDMENT ,

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO ASSEMBLY BILL 1

ARC
m 3-12-02

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page ¹⁹ 7, line ²⁰ 7: after that line insert:

3 "SECTION ~~23~~ ⁵²ⁱ 20.566 (1) (h) of the statutes, as affected by 2001 Wisconsin Act
4 16, is amended to read:

5 20.566 (1) (h) *Debt collection*. From moneys received from the collection of
6 debts owed to state agencies under ss. 71.93 and 565.30 (5), from the collection of
7 unpaid fines, forfeitures, costs, assessments, surcharges, and restitution payments
8 under s. 565.30 (5r) (b), from the collection of fees under s. 73.03 (52), and from
9 moneys received from the collection of debts owed to municipalities and counties
10 under s. 71.935, the amounts in the schedule to pay the administrative expenses of

1 the department of revenue for the collection of those debts, fines, forfeitures, costs,
2 assessments, surcharges, fees, and restitution payments. Notwithstanding s. 20.001
3 (3) (a), at the end of the fiscal year the unencumbered balance of this appropriation
4 account lapses to the general fund.”

History: 1971 c. 108 ss. 2, 3, 6; 1971 c. 125 ss. 164, 173, 174, 175, 176; 1971 c. 211, 215; 1973 c. 90; 1975 c. 39 ss. 201, 732 (1); 1977 c. 29, 31, 418; 1979 c. 34 ss. 610m to 617, 2102 (46) (c); 1979 c. 63 ss. 3, 6; 1979 c. 177, 221; 1981 c. 20; 1981 c. 86 ss. 7, 71; 1981 c. 328 s. 4; 1983 a. 27 ss. 469 to 477; 1983 a. 368; 1983 a. 410 s. 2202 (38); 1985 a. 29 ss. 536 to 537; 3202 (39) (a), (46) (c), (i); 1985 a. 41, 120; 1987 a. 27 ss. 444 to 458, 3200 (47); 1987 a. 92; 1987 a. 312 s. 17; 1987 a. 399; 1989 a. 31, 335; 1991 a. 39, 259, 269; 1993 a. 16, 205, 263, 490; 1995 a. 27 ss. 546h to 546t, 1111mm to 1119; 1995 a. 56, 227, 351; 1997 a. 27, 35, 41, 63, 148, 237, 252; 1999 a. 5, 9; 1999 a. 150 s. 672; 1999 a. 167; 2001 a. 16; 2001 a. 30 s. 108.

139 ✓

5

2. Page ?, line ? : after that line insert:

16

6

“SECTION ~~77~~ 73.03 (52) of the statutes is amended to read:

232 p.

Internal Revenue Service

7

73.03 (52) To enter into agreements with the ~~internal revenue service~~ that
8 provide for offsetting state tax refunds against federal tax obligations; and to charge
9 a fee up to \$25 per transaction for such offsets; and offsetting federal tax refunds
10 against state tax obligations, if the agreements provide that setoffs under ss. 71.93
11 and 71.935 occur before the setoffs under those agreements.”

History: 1971 c. 40, 215; 1973 c. 90; 1975 c. 39; 1977 c. 143; 1977 c. 196 s. 130 (7); 1977 c. 313; 1979 c. 34; 1979 c. 110 s. 60 (13); 1979 c. 221, 350; 1981 c. 20; 1981 c. 79 s. 18; 1983 a. 275 s. 15 (4); 1983 a. 524; 1983 a. 538 s. 269 (3); 1985 a. 12, 29, 273; 1987 a. 4, 27, 186; 1987 a. 312 s. 17; 1987 a. 328, 378, 399; 1989 a. 31; 1989 a. 56 s. 259; 1989 a. 74, 335; 1991 a. 39, 219, 313, 316; 1993 a. 16, 112, 205, 490; 1995 a. 27 ss. 3434g to 3440m, 9145 (1); 1995 a. 209, 233; 1997 a. 27, 35, 191, 237, 252; 1999 a. 9, 31, 185; 2001 a. 16.

412 -

12

3. Page ?, line ? : after that line insert:

8

13

“(1) GENERAL PROGRAM OPERATIONS; DEBT COLLECTION. In the schedule under
14 section 20.005 (3) of the statutes for the appropriation to the department of revenue
15 under section 20.566 (1) (h) of the statutes, as affected by the acts of 2001, the dollar
16 amount is increased by \$60,000 for fiscal year 2002-03 to increase funding for the
17 purpose for which the appropriation is made.”

18

(END)



State of Wisconsin
2001 - 2002 LEGISLATURE
January 2002 Special Session

LRBb2384/1
JK:hmh:rs

LFB:.....Shanovich (RR) – Charging administrative fees for offsetting state tax refunds against federal tax obligations

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

ASSEMBLY AMENDMENT ,

TO ASSEMBLY SUBSTITUTE AMENDMENT 1,

TO ASSEMBLY BILL 1

1 At the locations indicated, amend the substitute amendment as follows:

2 1. Page 19, line 20: after that line insert:

3 “SECTION 52i. 20.566 (1) (h) of the statutes, as affected by 2001 Wisconsin Act
4 16, is amended to read:

5 20.566 (1) (h) *Debt collection.* From moneys received from the collection of
6 debts owed to state agencies under ss. 71.93 and 565.30 (5), from the collection of
7 unpaid fines, forfeitures, costs, assessments, surcharges, and restitution payments
8 under s. 565.30 (5r) (b), from the collection of fees under s. 73.03 (52), and from
9 moneys received from the collection of debts owed to municipalities and counties
10 under s. 71.935, the amounts in the schedule to pay the administrative expenses of

1 the department of revenue for the collection of those debts, fines, forfeitures, costs,
2 assessments, surcharges, fees, and restitution payments. Notwithstanding s. 20.001
3 (3) (a), at the end of the fiscal year the unencumbered balance of this appropriation
4 account lapses to the general fund.”

5 **2.** Page 139, line 16: after that line insert:

6 “SECTION 232p. 73.03 (52) of the statutes is amended to read:

7 73.03 (52) To enter into agreements with the ~~internal revenue service~~ Internal
8 Revenue Service that provide for offsetting state tax refunds against federal tax
9 obligations; and to charge a fee up to \$25 per transaction for such offsets; and
10 offsetting federal tax refunds against state tax obligations, if the agreements provide
11 that setoffs under ss. 71.93 and 71.935 occur before the setoffs under those
12 agreements.”

13 **3.** Page 412, line 8: after that line insert:

14 “(1j) GENERAL PROGRAM OPERATIONS; DEBT COLLECTION. In the schedule under
15 section 20.005 (3) of the statutes for the appropriation to the department of revenue
16 under section 20.566 (1) (h) of the statutes, as affected by the acts of 2001, the dollar
17 amount is increased by \$60,000 for fiscal year 2002–03 to increase funding for the
18 purpose for which the appropriation is made.”

19 (END)