

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:

Authority to participate in the multistate tax commission audit program

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>
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/1			rschluet 03/12/2002	_____	lrb_docadmin 03/12/2002		

FE Sent For:

<END>

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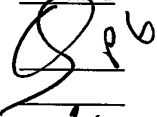
Authority to participate in the multistate tax commission audit program

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FE Sent For:

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285

WORKING GROUP

Participation in the Multistate Tax Commission Audit Program

Provide statutory authority for the Department of Revenue (DOR) to participate in the Multistate Tax Commission audit program. Provide that fees charged by the Multistate Tax Commission for participation in the program be paid from audit collections resulting from participation in the program. Create a sum-sufficient, program revenue appropriation estimated at \$57,400 in 2002-03 for collection amounts necessary to make the fee payments. Provide that amounts collected from program audits in excess of those needed to make fee payments be placed in the general fund.

Under current law, the Department of Revenue has authority to enter into contracts to collect delinquent taxes. A portion of the amount collected is used to pay contract and court costs and the remainder is placed in the general fund. There is no current statutory authority for the Department to participate in the Multistate Tax Commission audit program.

This motion would provide statutory authority for DOR to participate in the Multistate Tax Commission audit program and require that fees charged for participation in the program be paid from audit collections obtained through the program. A new sum sufficient, program revenue appropriation would be created to fund fee charges with estimated expenditures of \$57,400 in 2002-03. Under the Multistate Tax Commission audit program, representatives from participating states identify audits that are subsequently performed by Multistate Tax Commission staff. Participating states receive the completed audit for review and assessment. Annual fees are charged for participation in the program. Fee charges would be \$57,400 in the first year of participation in the program, \$114,800 in the second-year and \$172,800 annually thereafter. It is estimated that audit collections would be sufficient to cover fees in 2002-03.

[Change to Joint Finance: \$57,400 PR and unknown revenue increase]

Wisconsin Department of Revenue
IS&E Division
February 18, 2002

*MTC
audits \$1.0
2.0
3.0
est
audit*

TITLE: Create Law to Allow the Department to Participate in the Multistate Tax Commission Audit (MTC) Program and Pay the Fees for this Program from the Amounts Collected in this Program

DESCRIPTION OF CURRENT LAW AND PROBLEM:

25 audits/yr

This is a request for statutory authority to join the Multistate Tax Commission (MTC) audit program for corporation income/franchise and sales/use taxes. Any necessary fees paid to MTC would come out of the collections resulting from the department's participation in the MTC audit program.

Currently, there is no statutory authority that would allow the department to participate in the MTC audit program or pay any fees out of specified collections. However, there is statutory authority for the department's use of collection agencies on a contingency fee basis. Section 73.03(28), Wis. Stats. (1999-2000), gives the department the authority to enter into contracts to collect delinquent Wisconsin taxes. In addition, this statute says that the collections exceeding the amount appropriated under sec. 20.566(1)(hm), Wis. Stats. (1999-2000), will go to the general fund.

RECOMMENDATION FOR ACTION:

Create statutory authority similar to the statutory authority for use of collection agencies that would allow the department to participate in the MTC audit program and pay any MTC fees out of the collections resulting from the department's participation in this program.

FISCAL/ADMINISTRATIVE IMPACT:

*1st yr \$57,400
2nd 114,800
172,200*

States participating in the MTC audit program have their full fees phased in over a three-year period. The full fees are currently \$172,200 and are not payable until year three. In year one, 1/3 would be payable, and in year two, 2/3 would be payable. It is expected that collections resulting from participation in the MTC audit program would exceed these fee amounts. For comparison purposes, the MTC audit program typically generates about \$3 million in collections per year for Minnesota. A similar amount could result for Wisconsin, but estimating is difficult and would certainly fluctuate from year to year.

The MTC Audit Committee determines the taxpayers selected for audit. Each state participating in the program has a representative on the committee. We estimate about \$4,000 in travel expenses would be incurred to serve on this committee each year. Once a taxpayer is selected for audit, each state decides if it wants to participate in the MTC audit or not. If Wisconsin would participate in the audit, the staff of MTC would do

it. The completed audit report would come to the department's Audit Technical Services Section for review and assessment. These administrative duties resulting from participation in the MTC audit program would be performed by existing department staff.

DRAFTING INSTRUCTIONS:

1. Create sec. 20.566(1)(hn) as follows:

Collections under Multistate Tax Commission audit program. From moneys received from the amount assessed under the Multistate Tax Commission audit program under s. 73.03(28n), a sum sufficient to pay the fees charged to participate in the Multistate Tax Commission audit program.

2. Create sec. 73.03(28n) as follows:

To enter into a contract to participate in the Multistate Tax Commission audit program. The department shall allocate a portion of the amount collected under chs. 71 and 77 through the contract to the appropriation under s. 20.566(1)(hn) to pay the fees charged to participate in the Multistate Tax Commission audit program. The department shall allocate the remainder of those collections to the general fund.

EFFECTIVE DATE OR INITIAL APPLICABILITY:

The effective date should be the day after publication.

PERSON TO CONTACT:

Diane L. Hardt, Administrator
Division of Income, Sales & Excise
(608) 266-6798

Prepared by: Diane Hardt
February 18, 2002



State of Wisconsin
2001 - 2002 LEGISLATURE

January 2002 Special Session

LRBb2385

JK:hnh

RM mtr

LFB:.....Shanovich (RR) – Authority to participate in the multistate tax commission audit program

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 ~~20~~ ^{52K} 20.566 (1) (hn) of the statutes is created to read:

4 20.566 (1) (hn) *Collections under the multistate tax commission audit program.*

5 From moneys received from the amounts assessed under the multistate tax

6 commission audit program as provided under s. 73.03 (28d), a sum sufficient to pay

7 the fees necessary to participate in the multistate tax commission audit program."

8 2. Page ¹³⁹ 7, line ¹⁶ 7: after that line insert:

9 "SECTION ~~73~~ 73.03 (28d) of the statutes is created to read:

232m



State of Wisconsin
2001 - 2002 LEGISLATURE
January 2002 Special Session

LRBb2385/1
JK:hmh:rs

LFB:.....Shanovich (RR) – Authority to participate in the multistate tax
commission audit program

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 52k. 20.566 (1) (hn) of the statutes is created to read:

4 20.566 (1) (hn) *Collections under the multistate tax commission audit program.*

5 From moneys received from the amounts assessed under the multistate tax
6 commission audit program as provided under s. 73.03 (28d), a sum sufficient to pay
7 the fees necessary to participate in the multistate tax commission audit program.”

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

9 “SECTION 232m. 73.03 (28d) of the statutes is created to read:

1 73.03 (28d) To enter into a contract to participate in the multistate tax
2 commission audit program. The department shall allocate a portion of the amount
3 collected under chs. 71 and 77 through the contract to the appropriation under s.
4 20.566 (1) (hn) to pay the fees necessary to participate in the multistate tax
5 commission audit program. The department shall allocate the remainder of such
6 collections to the general fund.”.

7

(END)