

2001 DRAFTING REQUEST

Bill

Received: **11/06/2000**

Received By: **shoveme**

Wantcd: **As time permits**

Identical to LRB:

For: **Administration-Budget 6-5468**

By/Representing: **Ziegler**

This file may be shown to any legislator: **NO**

Drafter: **shoveme**

May Contact:

Alt. Drafters:

Subject: **Tax - miscellaneous**

Extra Copies: **JK**

Pre Topic:

DOA:.....Ziegler -

Topic:

Reciprocal tax refund offsetting with other states

Instructions:

See attached. Allow DOR to enter into reciprocal tax refund offsetting agreements with other states.

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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FE Sent For:

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FE Sent For:

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STATE OF WISCONSIN
DEPARTMENT OF ADMINISTRATION
101 East Wilson Street, Madison, Wisconsin

TOMMY G. THOMPSON
GOVERNOR


GEORGE LIGHTBOURN
SECRETARY



Division of Executive Budget and Finance
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1736
Fax (608) 267-0372
TTY (608) 267-9629

Date: November 2, 2000

To: Steve Miller, Chief
Legislative Reference Bureau

From: Paul Ziegler, Policy and Budget Analyst
State Budget Office, DOA 

Subject: Drafting requests for 2001-03 Biennial Budget Bill

Please have the following items related to state tax administration drafted for possible inclusion in the 2001-03 biennial budget bill:

- ✓ 1. Vendor refusing to collect sales tax. Prohibit the state from contracting with a vendor who refuses to collect sales and use tax for the state. See attachment #1.
- ✓ 2. Replace SIC codes with NAICS codes. Replace obsolete references to the Standard Industrial Classification (SIC) Manual with updated references to the North American Industrial Classification (NAIC) Manual. Replace these references in the statutes for the premier resort area tax and for manufacturing property classification. See attachment #2 (which includes 1999 bill draft LRB 3103/2).
- ✓ 3. Reciprocal tax refund offsetting. Provide authority for the Department of Revenue to enter into reciprocal tax refund offsetting agreements with other states. See attachment #3.

Please contact me at 266-5468 or by email at paul.ziegler@doa.state.wi.us with any questions.

Thank you.

Paul Ziegler
6-5468

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A8

Legislative Proposal Summary
Wisconsin Department of Revenue
IS&E Division
June 1, 2000

TITLE: Reciprocal Refund Offsetting with Other States

SUMMARY OF RECOMMENDATION:

Provide authority for DOR to enter into reciprocal offsetting agreements with other states. Under such agreements, Wisconsin would be able to offset tax refunds against another state's tax obligations as long as the other state agreed to implement an offset program for Wisconsin residents' tax obligations in that state. The program would be similar to DOR's offset program with the federal government.

DESCRIPTION OF CURRENT LAW AND PROBLEM

Current Wisconsin law allows the Department of Revenue to offset tax refunds to the debts of other state agencies (Section 71.93) and counties and municipalities (Section 71.935). It also allows the department to enter into an agreement with the federal government to offset state tax refunds against federal tax obligations and federal tax refunds against state tax obligations (Section 73.03(52)).

The department has authority to use collection techniques within Wisconsin that are not available to private creditors (example, administrative levy, administrative attachment of wages). However, when taxpayers that owe Wisconsin taxes are located outside of Wisconsin, the department only has the standing of another private creditor within that state. Also, the program available to offset federal tax refunds against state debts is limited by law to refunds from returns with addresses within Wisconsin. Therefore, the department has a more difficult time collecting debts from non-resident debtors.

In 1999, Maryland and Delaware passed legislation and entered into an agreement that allowed them each to offset their tax refunds against the other state's tax obligations. This program has been very productive for the two states and is being evaluated by other states (see attached article).

Wisconsin lacks legislative authority to enter into a reciprocal offsetting agreement with another state, even though such an agreement would produce additional collections of delinquent obligations of non-residents for Wisconsin. The delinquent tax records of the department contain 4,091 active accounts whose primary address is in Illinois and 2,784 whose primary address is in Minnesota.

ADMINISTRATIVE IMPACT

To implement such a proposal, the department would need to negotiate agreements with other states and make minor modifications in the department's refund offsetting computer programs.

FISCAL EFFECT

Increase revenues by an unknown amount.

DRAFTING INSTRUCTIONS

Provide statutory authority for the department to enter into reciprocal offsetting agreements with other states, similar to the authority to offset with the federal government contained in Section 73.03(52).

EFFECTIVE DATE AND/OR INITIAL APPLICABILITY

Day after publication.

DOR CONTACT PERSON

Vicki Siekert, Director, Compliance Bureau – 266-9635

PREPARED BY

Vicki Siekert



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-0937/1

MES gf:...

Soon

gf
gjs

DOA:.....Ziegler – Reciprocal tax refund offsetting with other states

FOR 2001-03 BUDGET — NOT READY FOR INTRODUCTION

Do NOT GFN

- 1 AN ACT...; relating to: authorizing the department of revenue to enter into
- 2 refund offsetting agreements with other states.

Analysis by the Legislative Reference Bureau

TAXATION ✓

OTHER TAXATION ✓

Under current law, DOR may offset tax refunds against debts owed by a taxpayer to another state agency or to a municipality or county. Current law also authorizes DOR to enter into agreements with the Internal Revenue Service to offset state tax refunds against federal tax obligations and federal tax refunds against state tax obligations.

This bill authorizes DOR to enter into agreements with other states to offset tax refunds against another state's tax obligations if the other state agrees to implement an offset program for Wisconsin residents' tax refunds from that other state against tax obligations of this state.

For further information see the *state* 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:



State of Wisconsin
2001 - 2002 LEGISLATURE

LRB-0937/1

MES:cjs:pg

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