

Fiscal Estimate Narratives

DOR 10/25/2013

LRB Number	13-3425/1	Introduction Number	SB-361	Estimate Type	Original
Description Refund setoff for state debt collections					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the Department of Revenue (DOR) is authorized to intercept tax refunds in order to collect certain debts certified by other state agencies. After collecting DOR debts, the department collects remaining certified debts by subtracting the amounts from any tax refund otherwise owed to the debtor. Under 2013 Wisconsin Act 20, debts certified by the Department of Children and Families (DCF) are offset after DOR debts, but before any other certified debts. These DCF debts include child support, family support, maintenance obligations, and court-ordered past support, medical expenses, or birth expenses.

Under this bill, all types of DCF debts would receive priority over any other type of debt owed to any unit of government, including DOR debts under the tax refund intercept program, effective January 1, 2014.

Changing the order of debt payments will effectively increase collections of the specified DCF certified debts, while decreasing DOR collections related to prior year tax debt and debts from other tax types. Based on an analysis of debts for fiscal years 2012 and 2013, the bill is expected to reduce revenue collections by approximately \$1.6 million annually. The decrease in revenue collections will be approximately equal to the increase in DCF related collections.

DOR purchased its tax return processing and audit system from a private vendor. The vendor has indicated site specific programming will be needed to change how refunds and overpayments move through the system. This major programming effort will require 9 months to implement, incur a one-time cost of \$5 million, and incur annual maintenance costs of \$1 million.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2013 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Refund setoff for state debt collections			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): One-time programming costs of \$5 million			
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	1,000,000		
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$1,000,000		\$
B. State Costs by Source of Funds			
GPR	1,000,000		
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, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$		\$-1,600,000
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$		\$-1,600,000
NET ANNUALIZED FISCAL IMPACT			
	<u>State</u>	<u>Local</u>	
NET CHANGE IN COSTS	\$1,000,000		\$
NET CHANGE IN REVENUE	\$-1,600,000		\$
Agency/Prepared By		Authorized Signature	Date
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