



## Fiscal Estimate Narratives

DOR 4/21/2020

LRB Number	19-6132/1	Introduction Number	SB-932	Estimate Type	Original
<b>Description</b> state government response to the COVID-19 pandemic					

### Assumptions Used in Arriving at Fiscal Estimate

This estimate pertains only to the provisions of the bill related to adoption of certain Internal Revenue Code (IRC) provisions of the federal Coronavirus Aid, Relief, and Economic Security Act (CARES), granting the Secretary of the Department of Revenue the authority to waive interest and penalties, waiver of interest on late property tax payments, and claims for recovery of unlawful or excessive property taxes.

#### CARES Act

Provisions of the CARES Act that would be adopted under the bill are: (a) special rules for use of retirement funds; (b) partial deduction for charitable contributions; (c) suspension of limitation on certain charitable contributions; (d) telehealth services for high deductible health plans; (e) additional qualified expenses for health savings accounts; (f) payroll protection loan forgiveness exclusion; (g) exclusion for certain employer payments of student loans; and (h) depreciation of qualified improvement property.

These provisions would decrease income and franchise taxes by an estimated \$4,500,000 in FY20 and \$47,500,000 in FY21, increase revenues by an estimated \$8,200,000 in FY22, and decrease revenues by an estimated \$300,000 in FY23.

#### Authority to Waive Interest and Penalties

The bill would permit the Secretary of the Department of Revenue to waive interest and penalties for persons that owe, but fail to remit, general fund taxes, or taxes or fees that are deposited in the transportation fund, by the filing date if, in the Secretary's determination, that person failed to timely remit those taxes due to the effects of the coronavirus outbreak of 2020. Specify that the Secretary must make this determination on a case-by-case basis. Specify that this provision applies only to general fund taxes, or taxes and fees that are deposited in the transportation fund, with filing dates that fall within, and interest and penalties that accrue during, the public health emergency that was declared by the Governor on March 12, 2020, by Executive Order 72, including any extension of time authorized under a joint resolution by the Legislature.

The fiscal effect of this provision is unknown, and will depend on the number of cases that are considered for waiver and the amount of interest and penalties that are included in the cases that are considered. For context, it is estimated that the Department has collected an average of \$3.3 million in monthly interest and penalties on general fund taxes.

#### Waiver of Interest on Late Property Tax Payments

Under the bill, any property taxes payable in 2020 that are due after April 1, 2020, local governments would be allowed, after making a general or case-by-case finding of hardship, to waive any interest charges and penalties for a late installment payment, provided that the full amount of the payment is received on or before October 1, 2020. For any property taxes payable in 2020 that are delinquent after October 1, 2020, interest charges and penalties would begin accruing as of October 1, 2020.

The local fiscal effect is based on an indeterminate case-by-case finding of hardship. In 2018, local governments reported penalties and interest totaling \$46.45 million.

#### Claims for Recovery of Unlawful or Excessive Property Taxes

Under the bill, local governments would be allowed to consider any payment received on or before October 1, 2020, or by an installment date after October 1, 2020, to be timely for the purposes of allowing taxpayers to submit a claim to appeal unlawful or excessive taxes.

There is no fiscal effect since the provision extends the period for claims on unlawful taxes and excessive assessments. In 2018, local governments refunded \$6.9 million in unlawful taxes and excessive assessments.

#### Administrative Costs

Administrative costs are minimal and can be absorbed within current agency resources.

#### **Long-Range Fiscal Implications**

## Fiscal Estimate Worksheet - 2019 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

<b>LRB Number</b> 19-6132/1		<b>Introduction Number</b> SB-932	
<b>Description</b> state government response to the COVID-19 pandemic			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
	State Operations - Salaries and Fringes	\$	\$
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		<u>State</u>	<u>Local</u>
	NET CHANGE IN COSTS	\$	\$
	NET CHANGE IN REVENUE	\$See Text	\$See Text
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
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		<b>Date</b>	
		4/21/2020	