

Fiscal Estimate - 2023 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 23-5435/1	Introduction Number SB-1021
Description interest rates on late, nondelinquent taxes and on overpayments	
Fiscal Effect	
State: <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input checked="" type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs	
Local: <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <u>0</u> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Affected Ch. 20 Appropriations	
Agency/Prepared By DOR/ Bradley Caruth (608) 261-8984	Authorized Signature Michael Oakleaf (608) 261-5173
Date 2/19/2024	

Fiscal Estimate Narratives

DOR 2/19/2024

LRB Number	23-5435/1	Introduction Number	SB-1021	Estimate Type	Original
Description interest rates on late, nondelinquent taxes and on overpayments					

Assumptions Used in Arriving at Fiscal Estimate

This bill modifies the interest rates applicable to various late, nondelinquent taxes and fees owed to the Department of Revenue and to overpayments for those taxes and fees that are refunded by DOR. Under current law, generally, late, nondelinquent taxes or fees administered by DOR are subject to an interest rate of 12 percent per year, and DOR must pay interest at the rate of 3 percent per year on refunds of overpayments of those taxes or fees. Under the bill, the interest rate for late, nondelinquent taxes or fees administered by DOR is 6 percent per year, and DOR must pay interest at the rate of 6 percent per year on refunds of overpayments.

The bill applies to the following taxes and fees: 1) the individual income and corporate income and franchise tax; 2) the withholding; 3) the sales and use tax; 4) taxes paid by utilities and insurers; 5) excises taxes on motor vehicle fuel, alcohol beverages, and cigarettes, tobacco, and vapor products; 6) the economic development surcharge; 7) the petroleum inspection fee; 8) the metalliferous mining tax; and 9) the charge imposed by DOR on a city, village, town, or county for the expenses incurred by DOR in examining city, village, town, or county records regarding the assessment of property upon failure to return information requested by DOR.

Also, current law requires that an interest rate of 12 percent per year apply to delinquent individual income and corporate income and franchise taxes in instances in which the secretary of DOR determines that reduction from an interest rate of 1.5 percent per month for such delinquent taxes is fair and equitable. The bill requires that an interest rate of 6 percent per year apply to such delinquent taxes in instances in which the DOR secretary determines that the reduction is fair and equitable.

In recent years, the department has paid about \$3.2 million annually in refund interest. It has collected approximately \$149 million annually in non-delinquent interest. Based on those historical results, adjusting the interest rates would reduce revenue by approximately \$77.8 million annually. The estimate does not reflect changes in behavior related to changes to the interest rates, themselves.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2023 Session

Detailed Estimate of Annual Fiscal Effect

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Description interest rates on late, nondelinquent taxes and on overpayments		
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):		
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		
Local Assistance		
Aids to Individuals or Organizations		
TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds		
GPR		
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	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$
Agency/Prepared By	Authorized Signature	Date
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