

Fiscal Note Request HB0433, As Introduced

(continued)

these types of taxes. Essentially, this bill would impact interest revenue for the individual income tax and the corporation license tax.

5. If all individual income and corporate taxpayers who pay after their due date paid their taxes within a 30-day period, then the effect of this bill would be to cut interest and penalty revenue from these two tax sources in half. However, only a fraction of taxpayers who pay their taxes after the due date pay within 30 days. Some taxpayers take up to two or more years to ultimately pay their taxes.
6. Based on a 2003 analysis of accounts receivable, using the number and size of accounts receivable by age of account, it is estimated that this bill would reduce total interest payments for the individual income tax by 10% and the corporation license tax by 7% when implemented.
7. This bill has an effective date of July 1, 2005.
8. Based on FY 2004 interest revenue of \$2,047,416 for individual income tax late payments, this bill would reduce interest revenue from the individual income tax by \$204,742 annually ($\$2,047,416 \times 10\% = \$204,742$).
9. Interest on late corporate license tax payments varies from year to year. The average for FY 2003 and FY 2004 was \$2,704,401. Assuming that future interest will equal this two-year average, this bill would reduce interest revenue from the corporate license tax by \$189,308 annually ($\$2,704,401 \times 7\% = \$189,308$).
10. Combining the individual income tax and corporate license tax impact, the result is an annual reduction in interest revenue on late payments of \$394,050 ($\$204,742 + \$189,308 = \$394,050$) beginning in FY 2006.
11. This bill would have no administrative impacts on the Department of Revenue.

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	(\$394,050)	(\$394,050)
 <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(\$394,050)	(\$394,050)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

TECHNICAL NOTES:

1. As written, this bill changes the calculation of interest on tax due but not the calculation of late payment penalties. This fiscal note assumes no change in the calculation of late payment penalties based on months and fractions of a month.
2. If the intent of this bill is to make interest payments proportional to the time that the payment is late, the intent can be accomplished and the process can be simplified by specifying that interest at the specified annual rates accrues daily.