



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2015 Biennium

<b>Bill #</b>	SB0022	<b>Title:</b>	Allow for recording notice of tax lien with the secretary of state
<b>Primary Sponsor:</b>	Arthun, Ron	<b>Status:</b>	As Introduced-Revised <span style="float: right;">▼</span>

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b>Expenditures:</b>				
General Fund	\$110,100	\$3,600	\$3,600	\$3,600
Proprietary	\$88,745	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
Proprietary	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	(\$110,100)	(\$3,600)	(\$3,600)	(\$3,600)

**Description of fiscal impact:** This bill would allow the Department of Revenue to file warrants for distraint electronically and to file a single statewide warrant for distraint on personal property with the Secretary of State rather than filing a paper warrant in each county. The resulting increase in efficiency may eventually result in increased revenue from delinquent taxes, but increases in the current biennium are expected to be minimal.

### FISCAL ANALYSIS

**Assumptions:**

**Department of Revenue**

1. A warrant for distraint creates a lien against a delinquent taxpayer's property. Under current law, the department must file a paper warrant for distraint with the district court in each county where the taxpayer has property. This bill would allow the department to file a single warrant for distraint with the Secretary of State that would create a lien against all of a delinquent taxpayer's personal property in the state. The department would still be required to file a warrant for distraint against real property in the county where

the property is located, but this bill would allow the department to file them electronically. Statewide warrants for distraint would be filed with the Secretary of State in the same way that private creditors can file a security interest in property used as loan collateral or the Internal Revenue Service records notices of federal tax liens.

2. This bill also would allow the department to file warrants for distraint electronically with the Secretary of State and with any district courts that are able to receive them electronically.
3. The ability to file warrants electronically and to file a single statewide warrant would allow the department to use its resources more efficiently. The department expects to file at least 2,500 warrants for distraint against real property with district courts each year. Under current law, postage and return mail would cost \$2,200. This bill would allow the department to avoid that cost by filing warrants electronically.
4. Filing statewide warrants for distraint against personal property may improve coordination with other creditors and improve the department's success rate in collecting delinquent taxes. However, the resulting increase in revenue cannot be quantified.
5. The department would modify its data processing system to send the Secretary of State's office data files with information needed to file warrants for distraint. The work would be done by the system vendor or by department employees working overtime at a cost of \$19,000 in FY 2014.
6. The Secretary of State charges \$7.00 per lien notice. The department expects to file about one-third as many statewide warrants for distraint on personal property with the Secretary of State as are filed in district courts on real property. The cost of Secretary of State fees for these filings would be \$5,800 per year.
7. Department of Revenue will pay for the cost of the programming (\$87,500) at the Secretary of State Office. See assumption 8.

**Secretary of State**

8. SB 22 would require that the Secretary of State (SOS) office update and enhance its SOS Information Management System (SIMS) to accommodate the filing of State Tax Liens by the Department of Revenue. The type of filing mechanism of the state tax liens will determine the type of enhancement necessary and thus the fiscal impact. The estimated vendor costs for SIMS enhancements for state tax liens received as a paper filing at the SOS office is estimated to be \$87,500. However, if a B2B processing method is acceptable and implemented the estimated vendor cost for SIMS enhancements is \$65,000.
9. SOS has also included costs of \$1,245 for testing and verification time of two staff.

**Department of Revenue**

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	\$110,100	\$3,600	\$3,600	\$3,600
<b>TOTAL Expenditures</b>	<u>\$110,100</u>	<u>\$3,600</u>	<u>\$3,600</u>	<u>\$3,600</u>
<b><u>Funding of Expenditures:</u></b>				
General Fund (01)	\$110,100	\$3,600	\$3,600	\$3,600
<b>TOTAL Funding of Exp.</b>	<u>\$110,100</u>	<u>\$3,600</u>	<u>\$3,600</u>	<u>\$3,600</u>
<b><u>Revenues:</u></b>				
General Fund (01)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$110,100)	(\$3,600)	(\$3,600)	(\$3,600)

**Secretary of State**

	<u>FY 2014 Difference</u>	<u>FY 2015 Difference</u>	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Personal Services	\$1,245	\$0	\$0	\$0
Operating Expenses	\$87,500	\$0	\$0	\$0
<b>TOTAL Expenditures</b>	<u>\$88,745</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Funding of Expenditures:</u></b>				
Proprietary (06)	\$88,745	\$0	\$0	\$0
<b>TOTAL Funding of Exp.</b>	<u>\$88,745</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Revenues:</u></b>				
Proprietary (06)	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
Proprietary (06)	(\$88,745)	\$0	\$0	\$0

**Long-Term Impacts:**

**Department of Revenue**

1. Over time, the increased efficiencies allowed by this bill are likely to result in somewhat larger net revenue from collections of delinquent taxes.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*