SB 76

LATE

Department of Taxation

Position Summary

Senate Committee on Ways & Means/March 4, 2009

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Bill Number	Bill Title "Relating to..."	Position	Comments	Revenue Impact	Methodology
SB 1106 SD 1	TAXATION	Support Intent; Request Amendments Contained in SB 1230 SD 1	The Department suggests that the substance of the HARPTA amendments contained in SB 1230 SD 1 subsection (h) be adopted. The Department's provision requires the seller to obtain a tax clearance as to the specified tax matters.	Unknown revenue gains. This bill estimated a potential annual shortfall of $1.3 million in withholding tax revenues by nonresident sellers of real property.	This bill estimated a potential annual shortfall of $1.3 million in withholding tax revenues by nonresident sellers of real property. The requirement that nonresident sellers furnish a tax clearance to the bureau of conveyance will help eliminate that estimated shortfall from nonresident sellers of real property and may also increase other revenues due from TAT and GET. The Department will incur additional cost to process the tax clearance certificates for nonresident sellers.

SB 76	TAXATION	Opposed	*Amending the allocation of payments equally across penalties, interest, and principal is contrary to the State's financial interest. *In order to facilitate allocations as contemplated by this bill, the Department's computer would need to be substantially overhauled, particularly with regard to automated penalty and interest calculations that are time consuming and costly.	*$1 million revenue loss to modify the computer . *Additional revenue loss of $1 million (yr 1), $2 million (yr 2), $3 million (yr 3).	*The Department received an estimate from computer technicians that the automated computer modifications would cost approximately $1 million. *It is estimated out of the current $20 million interest paid for delinquent tax payments, about 60% of that amount or $12 million would be a reduction of tax owned; therefore, it is estimated that $1 million of interest would be lost in the first year ($12 million x 8% = $1 million). For the second year, the amount of tax owned would be reduced by $24 million ($12 million in the second year on top of the $12 million reduction in the first year). The interest lost due to lower amount of tax owed would be $2 million ($24 million x 8% = $2 million). Similar methodology is applied to the third year; hence, it would result in a $3 million loss of interest for the third year. As taxes are paid off within the three-year cycle, there will be no decrease in tax owned for the fourth year and after. Therefore, the loss in interest for the fourth year and after is estimated at $3 million per year.