

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **SB 2** SLS 162ES 12  
 Bill Text Version: **REENGROSSED**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> June 15, 2016 7:42 PM	<b>Author:</b> MORRELL
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Equalize interest payments on overpayments at LDR	

TAX/TAXATION RE +\$16,300,000 GF RV See Note Page 1 of 1  
 Provides for interest paid on refunds of tax overpayments. (Item No. 45) (7/1/16)

Current law provides for statutory interest for certain overpayments with procedures specified for certain taxes. Most interest begins accruing immediately.

Proposed law equalizes the treatment of overpayments between taxes by making statutory interest begin 90 days after a certain date. For corporate income and sales tax, interest would begin 90 days after the later of the due date of the return, the filing date of the return or claim for refund or the date the tax was paid. The exception is interest for Severance Tax overpayments would begin 90 days after a properly filed claim for refund or amended return and, until 180 days, would accrue at the U.S. Treasury Yield Curve Constant Maturity 6-Month Treasury rate on the first business day of October of the preceding year and published on or before January 1 (10/1/15 was 0.08%; currently about 0.45%). All other overpayments, including severance over 180 days, would accrue interest at the judicial rate, which is 4% in CY 2016. Effective for any refunds claimed on or after 7/1/16, regardless of the tax period to which the claim relates.

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

  

<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$16,300,000	\$19,500,000	\$19,500,000	\$19,500,000	\$19,500,000	<b>\$94,300,000</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$400,000	\$500,000	\$500,000	\$500,000	\$500,000	<b>\$2,400,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
<b>Annual Total</b>	<b>\$16,700,000</b>	<b>\$20,000,000</b>	<b>\$20,000,000</b>	<b>\$20,000,000</b>	<b>\$20,000,000</b>	<b>\$96,700,000</b>

**EXPENDITURE EXPLANATION**

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

**REVENUE EXPLANATION**

The Department of Revenue indicates that over the last three years, interest payments within 90 days averaged roughly \$20M per year, excluding some acceleration from amnesty programs. About 75% of this amount or an estimated \$15M will be paid from corporate income and franchise tax with sales tax making up an additional 20% or \$4M in interest payments. Severance tax is the next largest at \$500,000. Dedications of these funds are relatively minor and include the LED Fund (0.4% of sales), the parish severance allocation (roughly 5% of severance) and possibly other funds. \$500,000 is assumed as dedicated, though the actual amounts will depend on the associated tax.

The bill is effective July 1, 2016, which implies a full year impact in FY 17. However, the Department indicates that implementation will not be possible by July 1, so the FY 17 impact is reduced by two months (the timing of collections is assumed fixed across the fiscal year) to allow for a September 1, 2016 implementation.

Statutory interest is currently 4% annually, which is assumed to remain in effective throughout the fiscal note horizon. The rate was last changed in 2011. Should the rate change again, these figures would increase or decrease, depending on the rate adjustment.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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