
Detailed Fiscal Analysis

This bill eliminates the payment of taxpayer interest on certain excess refunds of personal income tax and corporate franchise tax payments. The interest would be eliminated solely in the cases where the refund is due to an error on the part of the Tax Department, and it is only eliminated if the taxpayer pays the entire amount of the overpayment within 30 days after the taxpayer receives an assessment from the Tax Department for it.

According to the Tax Department such overpayments are relatively minor. They would be due largely to key-punching error and each such instance would be small in amount. Large refunds (including any amounts in excess of \$1,000) are hand-checked by the department, and the errors would be corrected before being sent out. So, the errors involved may result from the transposition of numbers - say \$429 rather than \$294; while errors involving misplaced decimal points – such as \$10,000 rather than \$100.00 – will generally be caught.

Any interest received due to late payments of the corporate franchise tax or the personal income tax is treated like the payment of the tax liability. In the case of the corporate franchise tax, 4.2 percent is deposited in the local government fund; 0.6 percent is deposited in the local government revenue assistance fund; and 95.2 percent is deposited in the state General Revenue Fund. In the case of the personal income tax, 4.6 percent is deposited in the local government fund; 0.6 percent is deposited in the local government revenue assistance fund; 5.7 percent is deposited in the library and local government support fund; and 89.5 percent is deposited in the state General Revenue Fund. To the extent that some interest payments are eliminated, as a result of this bill, the corresponding funds will lose revenue proportionately. In any case the amounts are expected to be miniscule.

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