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FISCAL IMPACT REPORT

ORIGINAL DATE 2/06/06

SPONSOR Whitaker LAST UPDATED _____ HB 658

SHORT TITLE Local Government Gross Receipts Tax Info Access SB _____

ANALYST Earnest

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	None		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY06	FY07	FY08	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		(\$0.1)	(\$0.1)	(\$0.1)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

House Bill 658 duplicates Senate Bill 314.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

House Bill 658 would expand the exception to confidentiality of tax return information to allow the Taxation and Revenue Department (TRD) to release to municipalities and counties the amount of gross receipts taxes paid by individuals in their jurisdiction.

Under current law TRD is authorized to release to a county or municipality, which has imposed a local option gross receipts tax, the names, taxpayer identification numbers, and addresses of registered gross receipts taxpayers reporting gross receipts within their jurisdiction. HB 658 would allow TRD to provide information on "gross receipts and gross receipts taxes paid" by taxpayers.

FISCAL IMPLICATIONS

None identified.

ADMINISTRATIVE IMPLICATIONS

TRD is already subject to preparing reports for municipalities and counties upon their request. This legislation would add additional information to that report. TRD expects most jurisdictions will want these reports on a regular basis, and anticipates the new responsibility will require an FTE to handle the requests. Moreover, the department finds that data processing system changes will require additional non-recurring expenses. TRD notes that the bill these functions will have to be met out of the department's existing budget.

According to TRD, providing this information will lead to numerous requests for department audits or other informal methods to verify data accuracy. The Department's auditors are fully committed, and any new functions performed pursuant to the bill might crowd out ongoing audit and collection activities.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 658 duplicates Senate Bill 314.

OTHER SUBSTANTIVE ISSUES

TRD indicates that the proposal is motivated by the desire on the part of local governments to know whether all taxpayers in their jurisdiction are reporting and paying all their due taxes. It is unclear, however, how local governments would use this information. They do not have the authority to conduct audits, would not be allowed to publish the information, or to confront taxpayers themselves. The most likely outcome is that they would make a series of requests of the Department to conduct investigations into whether taxpayers are paying correctly. These requests will probably not provide important audit leads because the local governments do not have access to as much information – and do not have as much expertise with the tax code – as the Department's audit managers, who currently determine the Department's priorities for audit work. The Department already applies the overwhelming majority of its audit and collection resources to the Gross Receipts Tax. The proposal does not contain an appropriation to enable the Department to expand those resources. Thus, the most likely outcome of the proposal is a series of requests for audits to which the Department will be unable to respond.

Confidentiality of taxpayer information is an extremely important component in securing the voluntary compliance of taxpayers. Over 97 percent of all amounts collected by the state are voluntarily reported. Any policy change that undermines taxpayers' motivation to voluntarily comply with tax requirements poses significant risks to the tax system.

BE/yr