

# DEPARTMENT OF TAXATION

## 2010 Fiscal Impact Statement

1. **Patron** Mark L. Cole

2. **Bill Number** HB 17

3. **Committee** Senate Finance

**House of Origin:**

       **Introduced**

       **Substitute**

       **Engrossed**

4. **Title** Reduce Period of Limitation for Collection  
Action

**Second House:**

  X   **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would reduce the period of limitations for TAX to make or institute collection action by levy, proceeding in court, or any other means available to the Tax Commissioner under the laws of the Commonwealth from twenty to ten years from the date of the assessment.

This bill would be effective for assessments dated July 1, 2010 and after.

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

7. **Budget amendment necessary:** No.

### 8. **Fiscal implications:**

#### Administrative Cost

TAX has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, TAX considers implementation of this bill as "routine," and does not require additional funding.

TAX will provide specific administrative costs on any legislation that is not "routine." Additionally, TAX will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, TAX will identify the costs at that time.

#### Revenue Impact

In general, some form of collection action is usually taken early on within the current twenty year limitations period. In the event that TAX had an outstanding receivable that was older than 10 years for which no attempted collection action was made, this bill would require TAX to discharge that assessment. Because it is highly unusual for TAX to not

have instituted any collection action prior to ten years from the date of assessment, this bill may cause an unknown, but likely very minimal, revenue loss.

**9. Specific agency or political subdivisions affected:**

Department of Taxation

**10. Technical amendment necessary: No.**

**11. Other comments:**

Current Law

For most of the taxes administered by TAX, the period of limitations for TAX to make an assessment is within three years from the last day prescribed by law for the timely filing of the return. In the case of a false or fraudulent return with the intent to evade payment or a failure to file a required return, the period of limitations for TAX to make an assessment is within six years from the last day prescribed by law for the timely filing of the return.

For income tax, the period of limitations for TAX to make an assessment is within three years from the last day prescribed by law for the timely filing of the return. In the case of a false or fraudulent return with the intent to evade payment or a failure to file a required return, there is no period of limitations for TAX to make an assessment.

Proposal

This bill would reduce the period of limitations for TAX to make or institute collection action from twenty to ten years from the date of the assessment.

This bill would be effective for assessments dated July 1, 2010 and after.

cc : Secretary of Finance

Date: 2/12/2010 JKM  
HB17FE161