

**DEPARTMENT OF TAXATION
2014 Fiscal Impact Statement**

1. **Patron** J. Randall Minchew

3. **Committee** House Finance

4. **Title** Individual Income Tax; Refund Checks

2. **Bill Number** HB 151

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would require the Tax Commissioner and the State Comptroller to implement procedures allowing an individual requesting an income tax refund to elect to have his refund paid by check. If an individual makes no election on his income tax return regarding the method of payment of an income tax refund, this bill would require that such refund be paid by check.

This bill would be effective for taxable years beginning on or after January 1, 2014.

This bill is in conflict with Item 465C of the 2014-2016 Introduced Budget Bill (Senate Bill 30). Accordingly, it would have no impact unless the existing budget language is amended to conform to this bill.

6. **Budget amendment necessary:** Yes.

ITEM(S): 273, Department of Taxation
277, Department of Treasury

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

7a. Expenditure Impact:

Department of Taxation

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2013-14	\$0	0	GF
2014-15	\$150,000	0	GF
2015-16	\$0	0	GF
2016-17	\$0	0	GF
2017-18	\$0	0	GF
2018-19	\$0	0	GF
2019-20	\$0	0	GF

Department of Treasury

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2013-14	\$0	0	GF
2014-15	\$200,000	0	GF
2015-16	\$200,000	0	GF
2016-17	\$200,000	0	GF
2017-18	\$200,000	0	GF
2018-19	\$200,000	0	GF
2019-20	\$200,000	0	GF

8. Fiscal implications:Administrative Costs – Department of Taxation

Even if enacted, this bill would have no impact on existing law because Item 465C of the 2014-2016 Introduced Budget Bill (Senate Bill 30) requires the Department to issue income tax refunds through either direct deposit or debit cards. If the existing budget language is amended to allow the provisions of this bill to apply, then the Department of Taxation (“the Department”) would incur a one-time administrative cost of approximately \$150,000 in FY 2015. This would include the Department’s expenditures for updating its systems and processes to allow taxpayers three income tax refund options (direct deposit, debit card, or paper check).

Based on information supplied by Treasury’s current debit card provider and the low participation rates in other states (less than 1 percent) for their optional debit card programs (see Section 11), an optional debit card contract program would be uneconomical for the debit card provider. If the state were to offer an optional debit card program, the state would have to subsidize the program at an additional cost. The passage of this bill would likely result in the vendor terminating the contract for the debit card program and the state would have to return to issuing refunds via checks or direct deposits.

If the current debit card vendor contract is terminated, the Department would incur no administrative costs until Treasury is able to obtain a new debit card vendor.

Administrative Costs - Department of Treasury

As part of the previous Administration’s budget savings strategy for the 2012-2014 biennium, Treasury’s budget was reduced by \$200,000 each year to recover printing and postage costs from the Commonwealth’s switch to issuing income tax refunds only through direct deposit or debit cards. If this bill passes and taxpayers are again given the option of receiving income tax refunds through checks, Treasury would need to have the \$200,000 budget reduction restored, beginning in FY 2015.

Revenue Impact

This bill would have no impact on General Fund revenue.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Treasury

10. Technical amendment necessary: No.

11. Other comments:

Current Law

Beginning on January 1, 2013, Treasury stopped issuing income tax refunds through checks. Item 466C of the 2012-2014 Appropriations Act (Chapter 806) allows the State Comptroller to only issue income tax refunds through debit cards, direct deposits, or other electronic means, unless the Tax Commissioner determines that a check is more appropriate for a transaction or a class of transactions. Taxpayers no longer have the option to elect on their returns to receive their income tax refunds through checks. This measure was part of a cost-savings initiative and was expected to save the Commonwealth approximately \$200,000 per year.

Proposed Legislation

This bill would require the Tax Commissioner and the State Comptroller to implement procedures allowing an individual requesting an income tax refund to elect on his income tax return to have his refund paid by a check mailed to the address provided on the return. This bill would also allow an individual to elect to have his income tax refund paid by debit card, direct deposit, or other electronic methods utilized by the State Comptroller. If an individual makes no election on his income tax return regarding the method of payment of an income tax refund, this bill would require that such refund be paid by check.

This bill would be effective for taxable years beginning on or after January 1, 2014.

This bill is in conflict with Item 465C of the 2014-2016 Introduced Budget Bill (Senate Bill 30). Accordingly, it would have no impact unless the existing budget language is amended to conform to this bill.

Federal Optional Prepaid Debit Card Pilot Program

In 2011, the United States Treasury Department introduced a pilot program that was designed to analyze the effectiveness of providing taxpayers the option to receive their income tax refunds through prepaid debit cards. Of the 800,000 individuals who were given the option to receive their income tax refunds through a prepaid debit card, only 1,967 (0.25 percent) elected to do so.

Georgia's Optional Debit Card Program

In 2012, Georgia reported the results of providing taxpayers the option to receive their income tax refunds through prepaid debit cards. Of the 1.8 million income tax refunds

issued in Georgia through March 30, 2012, only 9,456 taxpayers (0.52 percent) chose to have their refund issued to them through a prepaid debit card.

Similar Bills

House Bill 89 and **House Bill 319** are identical to this bill.

House Bill 440 would require the Department to allow an individual requesting an income tax refund to elect to have such refund paid by check, and would require the Department to issue a no-fee prepaid debit card to an individual who elects to have his refund paid by a prepaid debit card.

Senate Bill 27 would prohibit the State Comptroller from using debit cards to pay income tax refunds.

cc : Secretary of Finance

Date: 1/17/2014 MTH
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