

# DEPARTMENT OF TAXATION

## 2014 Fiscal Impact Statement

1. **Patron** Adam P. Ebbin

3. **Committee** House Finance

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

2. **Bill Number** SB 27

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **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. This bill would prohibit income tax refunds from being paid through debit cards. 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): 277, Department of Treasury

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

#### 7a. **Expenditure Impact:**

#### **Department of Treasury**

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></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 would consider the implementation of this bill as routine, and would not require additional funding.

### 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 direct deposit or other electronic methods utilized by the State Comptroller. This bill would prohibit income tax refunds from being paid through debit cards. 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.

#### Similar Bills

**House Bill 440** would require the Department to allow an individual requesting an income tax refund to elect to have such refund paid by direct deposit, check, or debit card. The bill would allow the issuance of a prepaid debit card only if elected by the taxpayer.

cc : Secretary of Finance

Date: 2/7/2014 MTH  
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