

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** Adam P. Ebbin

3. **Committee** Senate Finance

4. **Title** Individual income tax refunds; payment.

2. **Bill Number** SB 1005

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 mailed to his address. 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 also prohibit the use of prepaid debit cards as a means for the payment of individual income tax refunds.

This bill would be effective for taxable years beginning on or after January 1, 2015.

This bill is in conflict with Item 465C of the 2014-2016 Appropriations Act (Chapter 2, 2014 Special Session I). Accordingly, it would have no impact unless the existing budget language is amended or repealed.

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

ITEM(S): 277, Department of Treasury
465C, Central Appropriations

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

7a. **Expenditure Impact:**

Department of Treasury

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2014-15	\$0	GF
2015-16	\$264,000	GF
2016-17	\$264,000	GF
2017-18	\$264,000	GF
2018-19	\$264,000	GF
2019-20	\$264,000	GF
2020-21	\$264,000	GF

8. Fiscal implications:

Administrative Costs – Department of Taxation

The Department of Taxation (“the Department”) considers implementation of this bill as routine, and does not require additional funding. Even if enacted, this bill would have no impact on existing law because Item 465C of the 2014-2016 Appropriations Act (Chapter 2, 2014 Special Session I) 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 If the existing budget language is amended to allow the provisions of this bill to apply or repealed, the Department would be prohibited from issuing debit cards. As a result, the Department would not incur any additional costs.

Administrative Costs - Department of Treasury

As part of the previous Administration’s budget savings strategy for the 2012-2014 biennium, the Department of Treasury’s (“Treasury”) 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 annual budget reduction restored, in the amount of \$264,000, beginning in FY 2016.

Revenue Impact

This bill would have no impact on General Fund revenue because this bill would not affect any tax liabilities or revenues, only the method in which taxpayers would receive tax refunds.

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, 2012 Session) and Item 465C of the 2014-2016 Appropriations Act (Chapter 2, 2014 Special Session I) allow 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. This would continue, even if this bill is enacted, until the budget language is amended or repealed.

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. 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 also prohibit the use of prepaid debit cards as a means for the payment of individual income tax refunds.

This bill would be effective for taxable years beginning on or after January 1, 2015.

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Similar Bills

House Bill 1286, House Bill 1346 and Senate Bill 701 would require the Department to allow taxpayers to elect to receive paper check refunds.

cc : Secretary of Finance

Date: 1/19/2015 CWM
SB1005F161