DEPARTMENT OF TAXATION
2015 Fiscal Impact Statement

1. Patron George L. Barker

2. Bill Number SB 701
House of Origin:
_____ **Introduced**
_____ **Substitute**
_____ **Engrossed**

3. Committee House Finance

4. Title Individual Income Tax; Refund Checks

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 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 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 Accordingly, it would have no impact unless the existing budget language is amended or repealed.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, Department of Taxation

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

7a. Expenditure Impact:

Department of Treasury

Fiscal Year	*Dollars*	*Positions*	*Fund*
2014-15	$0	0	GF
2015-16	$264,000	0	GF
2016-17	$264,000	0	GF
2017-18	$264,000	0	GF
2018-19	$264,000	0	GF
2019-20	$264,000	0	GF
2020-21	$264,000	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 Appropriations Act (Chapter 2, 2014 Special Session I) requires the Department of Taxation ("the Department") to issue income tax refunds through either direct deposit or debit cards. If the existing budget language is repealed or amended to allow the provisions of this bill to apply, the Department would likely revert back to issuing tax refunds in the form of paper checks and direct deposits. As a result, the Department would not incur any additional costs.

Administrative Costs - Department of Treasury

If this bill passes and taxpayers are again given the option of receiving income tax refunds through checks and the Department reverts back to issuing tax refunds in the form of paper checks and direct deposits, the Department of Treasury ("Treasury") would need to have its annual General Fund appropriation increased, in the amount of $264,000, beginning in FY 2016. The $264,000 is based on the printing of 400,000 additional tax refund checks. The incremental cost to print a check, including postage, check stock, and banking costs, is $0.66 per check.

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 Appropriation Act (Chapter 2, 2014 Special Session I) allow the State Comptroller only to 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.

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.

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, 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.

Based on information supplied by the Department of Treasury's current debit card provider and the low participation rates in other states (less than 1 percent) for their optional debit card programs, an optional debit card contract program would be less likely to be profitable for the debit card provider. If the state were to offer an optional debit card program, the state would most likely have to subsidize the program at an additional cost. Therefore, the state would likely return to offering two options for issuing refunds: checks or direct deposits.

Similar Bills

House Bill 1286 is substantively identical to this bill.

cc : Secretary of Finance

Date: 2/9/2015 CWM
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