

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** Rosalyn R. Dance

3. **Committee** Senate Finance

4. **Title** Business License Taxes; Interest Rate for
Certain Refunds

2. **Bill Number** SB 255

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would authorize a locality to establish a lower interest rate for tax refunds due to a taxpayer's overstatement of gross receipts for purposes of determining the amount due for a business license tax than the rate that would be required for interest on delinquent taxes.

Under current law, the interest rate for a refund of any local tax is required to be at the same rate as set for interest on delinquent taxes.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. Fiscal Impact Estimates are: Not available. (See Line 8.)

8. Fiscal implications:

To the extent that localities choose to establish a lower interest rate for refunds as a result of this legislation, there may be an unknown positive revenue impact on localities.

As the effects of this bill would be felt entirely at the local level, this bill would have no impact on state revenues or administrative costs.

9. Specific agency or political subdivisions affected:

Localities that choose to establish a lower interest rate for refunds.

10. Technical amendment necessary: No.

11. Other comments:

Interest on Delinquent Taxes

Among their many powers, local governing bodies are authorized to require payment of interest on delinquent taxes. Localities that elect to impose such interest must also pay interest at the same rate on overpayments due to erroneously assessed taxes. Localities are not required to pay interest on overpayments if 1) the amount of the refund is ten dollars or less or 2) the refund is for personal property taxes paid to a prorating locality on tangible personal property that subsequently acquired situs in another locality after tax day. Interest can accrue beginning no earlier than the first day following the day such taxes are due, and may not exceed 10 percent annually for the first year of delinquency. Local governing bodies may impose interest at a rate not to exceed the rate of interest established in the Internal Revenue Code, or 10 percent annually, whichever is greater, for the second and subsequent years of delinquency. For the first quarter of 2018, the federal overpayment rate is 4 percent.

Proposal

This bill would authorize a locality to establish a lower interest rate for tax refunds due to a taxpayer's overstatement of gross receipts for purposes of determining the amount due for a business license tax than the rate that would be required for interest on delinquent taxes.

The effective date of this bill is not specified.

cc : Secretary of Finance

Date: 1/13/2018 VB
SB255F161