

Approved: _____
Date

MINUTES OF THE HOUSE TAXATION COMMITTEE.

The meeting was called to order by Chairperson Wagle at 9:00 a.m. on January 20, 2000, in Room 519-S of the Capitol.

All members were present except: Rep. Wilk - excused
 Rep. Howell - excused
 Rep. Ray - excused
 Rep. Long - excused
 Rep. Edmonds - excused

Committee staff present: Chris Courtwright, Legislative Research Department
 April Holman, Legislative Research Department
 Don Hayward, Revisor of Statutes
 Shirley Sicilian, Director of Policy & Research, Department of Revenue
 Ann Deitcher, Committee Secretary

Conferees appearing before the committee: Shirley Sicilian, Department of Revenue

The Chair explained that the meeting had been opened up to the public because of the concerns of people about the problems in the Department of Revenue regarding delinquent tax refund returns. She felt that the reason there was no one present in this regard was that , not only did these people hold down jobs, the distance to travel to be here was prohibitive.

She said she felt there were still questions to be answered by the Department of Revenue but Secretary Pierce had a previously scheduled meeting to attend and was unavailable.

Shirley Sicilian, Director of Policy and Research for the Department of Revenue, explained the three House Bills that were to be presented to the Committee. **(Attachment 1).**

Ms. Sicilian pointed out the change in section 1. She also referred to the Performance Audit Report that was distributed to members of the Committee at the previous meeting. (Tuesday, January 18.)

Referring to Section 3 that deals with food sales tax credit, the Director said there were actually two suggestions for clarification. One of them, the extra head of household reduction credit, the interim Tax Committee has already taken up and there is already a bill on it. The other one is what will be dealt with. She said their suggestion was to eliminate the mandatory filing of group sales credit supporting documentation. (See page 36 of the Performance Audit Report.)

Representative Johnson asked if they were looking for introduction of a bill that would allow the department to accept income tax forms applying for the food sales tax credit, and not have to have the documentation with it when they mailed in their returns. He wanted to know what the next step was for the Department. Were they going to audit all those people who made a request or would they just audit a sampling of them to make sure they qualify.

The Director said they had no reason to target food sales tax violators so they would not audit them any more than any other area of people. They would simply apply the same compliance criteria to them as they do to any other filers applying for a credit.

Representative Campbell asked what the compliance criteria was.

Ms Sicilian said there were three special criteria. Over age 55 or have dependents under 18 years of age, or be blind or totally and permanently disabled. The other criteria is that your gross income is \$25 thousand or less. This is all on the form.

It was moved by Representative Johnston and seconded by Representative Sharp that an introduction of a bill be made that would address three of the four statutory clarifications suggested by the December, 1999

CONTINUATION SHEET

Legislative Post Audit. The motion passed on a voice vote.

The Chair asked a question regarding people who have moved or for some reason can not be located. Did the Director have any idea how much money this represented of unrefunded refunds. She requested they look into the undeliverables of taxpayers in 1998 that were supposed to be delivered in 1999 and then compare it to the year before that. The Director said she would do this.

Representative Gatewood said there were statutory requirements overlooked in the food tax. He wanted to know who's interpretation of the law was used when they developed the software. The Director told him it was the Revenue Department who had handled that. She said there was some confusion regarding the head of household exemption and that's why it became an interim study topic. The Interim Tax Committee did note in it's report that the Revenue Department's interpretation was the Legislative intent. They are now seeking a bill to clarify that Legislative intent. The fiscal note is zero because that was the intent in the first place.

Representative Minor said that in the past the Department had annually paid \$300 thousand in interest payments on refunds back to taxpayers and this last year the figure was over \$900 thousand. He asked what the projections were for the future. The Director said the projection was for much lower interest payments. She said they did have to take into account the change in the interest rate. Last year the amount of interest, almost a million of that, was really due to interest the Department paid on refunds from prior years.

Representative Gatewood asked how long the average call lasted. Ms Sicilian said that the calls do last longer now because, instead of the calls being rerouted, they go to the person who can actually solve the problem, thus they are on the phone longer.

Representative Campbell told of instances where there were a number of checks in one envelope that didn't all belong to the same person. The Director said this was the first she'd heard of this particular problem and she would look into it. The checks are stuffed into the envelopes by machine, but there are people who are overseeing this process.

The Chair suggested that the Committee individually give a list of their constituents' problems to those Revenue Department members who were present.

A bill regarding tax credits on FDA loans was introduced by Representative Campbell with a second by Representative Minor. The motion to introduce carried by a voice vote.

The meeting was adjourned at 10:30 a.m. The next meeting is scheduled for Tuesday, January 25, 2000.