

April 17, 2019

The Honorable Steven Johnson, Chairperson
House Committee on Taxation
Statehouse, Room 185-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2418 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2418 is respectfully submitted to your committee.

HB 2418 would reduce the time that the Department of Revenue must wait before contracting with a debt collection agency for delinquent accounts from six months to 90 days. The bill would eliminate specific language of how the delinquent tax notice is delivered and would allow the Department to require more frequent filing intervals for accounts believed to be at risk for untimely filings.

The Department of Revenue estimates that HB 2418 has the potential to increase delinquent tax collection by between \$4.8 million and \$11.2 million each year, which the majority would be deposited in the State General Fund from retail sales and liquor taxes. The Department indicates that standard industry practices show that the sooner a debt can be collected, the more likely the accounts receivable will be collected and not age or become a bad debt (uncollectable). The Department indicates that it first tries to resolve a debt through correspondence, telephone calls, and then tax warrants and levies. Allowing it the ability to place debts with a third-party vendor as soon as possible could potentially result in a 3.0 percent to 7.0 percent increase in annual accounts receivables, or an additional \$4.8 million to \$11.2 million.

The Department of Revenue indicates that it would require a total \$6,556 from the State General Fund in FY 2020 to implement the bill and to modify the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue and outside contract programmer services. In addition, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming

resources, or if the time for implementing the changes is too short, additional expenditures for outside contract programmer services beyond the Department's current budget may be required. Any fiscal effect associated with HB 2418 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a distinct "C" at the end.

Larry L. Campbell
Director of the Budget

cc: Lynn Robinson, Department of Revenue