



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

SB0449 - Limit tax collection to 2 years (Emrich, Daniel)

Status: As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	FY 2024	FY 2025	FY 2026	FY 2027
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Expenditures:				
General Fund	\$2,087,326	\$2,043,490	\$2,069,956	\$2,096,311
Revenue:				
General Fund	(\$30,000,000)	(\$20,000,000)	(\$10,000,000)	\$0
Net Impact-General Fund Balance:	<u>(\$32,087,326)</u>	<u>(\$22,043,490)</u>	<u>(\$12,069,956)</u>	<u>(\$2,096,311)</u>

Description of fiscal impact: SB 449 creates a statute of limitations on the collections of taxes under Title 15, MCA. Tax deficiencies would have to be collected within two years of the return due date or assessment. These conditions do not apply to past due property taxes or for fraudulent returns. There would be a large initial write-off of currently uncollected taxes that have been delinquent for over two years. The Department of Revenue would require an additional 25.00 FTE to expedite all collections processes to resolve tax delinquencies within the two-year time limit.

FISCAL ANALYSIS

Assumptions:**Department of Revenue**

- SB 449 creates a statute of limitations on the collections of Title 15, MCA, taxes. Past due property taxes or fraudulent returns are excluded from the two-year limitation. Tax deficiencies would have to be collected within two years of the return due date or assessment date.
- This bill also reduces the duration of a warrant for distraint from 10 to 2 years, although the judgement lien period would remain at 10 years.

Department of Revenue Administrative Costs

- Under current law most collection cases and tax liens take more than two years to be resolved. The department receives an average of about 35,000 new collection cases each year. A typical case sees an average of 13 tasks

before resolution. That results in roughly 455,000 tasks to complete each year. One collector processes an average monthly volume of 1,000 tasks.

4. To manage 35,000 new collection cases annually with a two-year deadline, the DOR collections unit would need 23.00 FTE more collectors (in additions to the current 16 collectors). With the increase workload and collectors, an additional 1.00 FTE collections specialist lead, and 1.00 FTE unit manager would be required. As they would be required to assist with the increase in informal reviews, additional training, and other management duties that would arise. In total, the Department of Revenue would need an additional 23.00 FTE collectors, 1.00 FTE collection lead, and 1.00 FTE unit manager.
5. The total costs for the additional 25.00 FTE would be \$2,087,326 in FY 2024, \$2,043,490 in FY 2025, \$2,069,956 in FY 2026, and \$2,096,311 in FY 2027.

Estimated Tax Revenue Impact

6. It is assumed that at the January 1, 2024, effective date of SB 449, all uncollected taxes that will have been delinquent for more than two years would have to be written off.
7. The department currently has about \$108 million in tax liability that has been delinquent for at least two years. The department currently recovers a little over \$50 million per year in delinquent taxes.
8. It is assumed the DOR would have to write off a similar amount of the current \$108 million in delinquent tax liability that is over two years old because some will be collected between now and January 1st, but more delinquencies will also roll-over the two-year threshold. However, it is not assumed that under current law, the department would be able to eventually collect the entire \$108 million. Currently the department writes off about \$12 to \$13 million each year with deem uncollectible delinquencies.
9. Under present law, it is assumed that of the \$108 million estimated write-offs at January 1, 2024, delinquency collections are assumed to be \$30 million in FY 2024, \$20 million in FY 2025, and \$10 million in FY 2026.
10. These delinquency collections would be unable to be collected after being written off due to SB 449, so that the tax collections impact is estimated to decrease by \$30 million in FY 2024, \$20 million in FY 2025, and \$10 million in FY 2026. Almost all write-offs are from income taxes and withholding, so it is assumed the impact would be a decrease to general fund revenue.

<u>Fiscal Impact:</u>	<u>FY 2024</u>	<u>FY 2025</u>	<u>FY 2026</u>	<u>FY 2027</u>
Department of Revenue	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
FTE	25.00	25.00	25.00	25.00
<u>Expenditures:</u>				
Personal Services	\$1,780,440	\$1,808,129	\$1,830,520	\$1,853,215
Operating Expenses	<u>\$306,886</u>	<u>\$235,361</u>	<u>\$239,436</u>	<u>\$243,096</u>
TOTAL Expenditures	<u>\$2,087,326</u>	<u>\$2,043,490</u>	<u>\$2,069,956</u>	<u>\$2,096,311</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	<u>\$2,087,326</u>	<u>\$2,043,490</u>	<u>\$2,069,956</u>	<u>\$2,096,311</u>
TOTAL Funding of Exp.	<u>\$2,087,326</u>	<u>\$2,043,490</u>	<u>\$2,069,956</u>	<u>\$2,096,311</u>
<u>Revenues:</u>				
General Fund (01)	<u>(\$30,000,000)</u>	<u>(\$20,000,000)</u>	<u>(\$10,000,000)</u>	<u>\$0</u>
TOTAL Revenues	<u>(\$30,000,000)</u>	<u>(\$20,000,000)</u>	<u>(\$10,000,000)</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$32,087,326)	(\$22,043,490)	(\$12,069,956)	(\$2,096,311)

Technical Notes:

- There are some tax types administered by the Department of Revenue that reference back penalty and interest to Title 15, Chapter 1, Part 2. but are not amended in this bill to reference the statute of limitations change in Section 1. For example, taxes and fees with Title 15 include Intermediate Care Utilization Fee (Chapter 67), Nursing Facility Utilization Fee (Chapter 60), Lodging Facility Use Tax (Chapter 65), Hospital Facility Utilization Fee (Chapter 66). There are also some taxes and fees in Titles 10, 16 and 53 that this applies to as well.

NO SPONSOR SIGNATURE

Sponsor's Initials	Date	Budget Director's Initials	Date
	2/27/23		2-27-23