

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: House Bill 1497 (First Edition)

SHORT TITLE: Adopt Flat Fee for Debt Collection.

SPONSOR(S): Representative Wainwright

FISCAL IMPACT					
	Yes ()	No ()	No Estimate Available (X)		
	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>	<u>FY 2007-08</u>	<u>FY 2008-09</u>
REVENUES	(See Assumptions and Methodology)				
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:	NC Department of Revenue.				
EFFECTIVE DATE:	October 1, 2004				

BILL SUMMARY: Under G.S. 105A-13(a) the Department of Revenue can levy a collection assistance fee to cover the cost associated with diverting a portion of an individual's income tax return to a state or local agency to settle a debt with that agency. Under current law, the Department of Revenue must set the collection assistance fee annually based on the collection costs for the previous year with a cap of \$15.00. This legislation changes that arrangement and instead imposes a flat \$5.00 collection assistance fee. The bill comes to Revenue Laws at the request of the Department.

ASSUMPTIONS AND METHODOLOGY: In 2002, the Department of Revenue assisted state and local agencies in collecting \$22,150,562.04 from 102,426 debtors through setoffs from individual income tax refunds. In 2003, that number moved to \$22,221,190.23 from 101,125 debtors.

Under the statute, the Department of Revenue must determine the actual cost of collection per debt and use that amount to determine the fee charged for collection of the debt the next year. The historic collection fees, based on this methodology, are as follows:

<u>Calendar Year</u>	<u>Fee</u>
2004	\$4.42
2003	\$4.32
2002	\$4.12
2001	\$4.45

All revenues derived from the fees remain with the Department of Revenue.

The Department indicates that calculation of the fee is time consuming and difficult and the process affects several divisions within the Department. As a result, the Department has asked that the fee be set at a flat \$5.00.

Fiscal Research does not have enough information to determine the likely fees and number of debt setoffs without this legislation. Potentially the legislation could result in a small revenue increase for the Department, as it is unlikely the actual cost of collection would reach \$5.00 in the next few years. The exact amount of that increase is unknown although it would likely be less than \$100,000.

SOURCES OF DATA: North Carolina Department of Revenue

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