

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2366 - SB 2228**

February 3, 2012

**SUMMARY OF BILL:** Authorizes the Department of Labor and Workforce Development (DLWD) to intercept federal income tax refunds of claimants who have been overpaid unemployment benefits, intercept federal tax refunds of employers who owe past due employer contributions to the Unemployment Insurance Trust Fund (UITF) and charge penalties in accordance with the Treasury Offset Program of the United States (TOPS). Authorizes the Department to collect fees for third party collection expenses. Increases, from three to six years, the amount of time following a determination of overpayment that the administrator may waive the collection of a non-fraudulent overpayment. Requires the Commissioner of DLWD to assess a 15 percent penalty on overpaid benefits and an additional 7.5 percent penalty to defray the cost of detecting and collecting. Requires the Commissioner to assess interest at a rate of 1.5 percent per month on the total amount that remains unpaid for a period of 30 days or more.

**ESTIMATED FISCAL IMPACT:**

**Increase State Revenue –**

**\$12,286,800/Unemployment Insurance Trust Fund**

**\$3,524,200/General Fund**

**Increase State Expenditures – \$3,524,200/General Fund**

**Increase Federal Expenditures – \$104,300/One-Time**

Assumptions:

- Information provided by DLWD is based on calculations for similar collection of overpayments in Wisconsin.
- The recovery of fraudulent overpayments to individuals will be \$1,378,649 each year. Recovery of non-fraudulent overpayments to individuals will be \$1,600,032 each year. Recovered funds are allocated 58.34 percent to the UITF and 41.66 percent to the federal government. A recurring increase in state revenue to the UITF of \$1,737,762 [(\$1,378,649 x 58.34%) + (\$1,600,032 x 58.34%)]. The remaining recovered funds of \$1,240,919 [(\$1,378,649 x 41.66%) + (\$1,600,032 x 41.66%)] will be federal funds.
- The recovery of past due payments to the UITF from employers will be \$273,429 each year.

- Recurring interest collections will be \$11,709,752. Interest collections are allocated 58.34 percent to the UITF and 41.66 percent federal. A recurring increase in state revenue of \$6,831,469 ( $\$11,709,752 \times 58.34$  percent). The remaining interest of \$4,878,283 ( $\$11,709,752 \times 41.66$  percent) will be federal funds.
- Recurring penalty revenue generated from the 15 percent penalty on overpayments will be \$3,444,137 allocated to the UITF.
- A total recurring increase in state revenue to the UITF of \$12,286,797 ( $\$1,737,762 + \$273,429$  business accounts receivable + \$6,831,469 interest + \$3,444,137 mandatory fee recovery).
- A recurring increase in state revenue of \$3,086,335 from the 7.5 percent collection fee. This amount will be offset by an equal increase in recurring state expenditures payable to a third party collection agency.
- A recurring increase in state revenue from processing fees of \$437,869. This amount will be offset by an equal increase in recurring state expenditures payable to the Internal Revenue Service.
- A total recurring increase in state revenue to the General Fund of \$3,524,204 ( $\$3,086,335 + \$437,869$ ) offset by an equal recurring increase in state expenditures.
- A one-time increase in federal administrative expenditures of \$104,337 for implementation of TOPS.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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