

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



**CORRECTED
FISCAL NOTE**

SB 19 - HB 52

March 18, 2015

SUMMARY OF BILL: Authorizes, subject to court approval, criminal and general sessions court clerks to accept a lump-sum partial payment for fines, costs, and litigation taxes owed after a period of default of at least five years. Requires any lump sum accepted to be equal to or greater than 50 percent of the combined outstanding debt owed. Requires monies collected to first be allocated toward payment of litigation taxes, then payment of costs, then toward payment of fines after 50 percent of the monies collected is retained by the clerk for collection costs.

ESTIMATED FISCAL IMPACT:

On February 17, 2015, a fiscal note for this bill was issued with the following estimated impact:

Increase State Revenue – Exceeds \$100,000

Increase Local Revenue – Exceeds \$100,000

Other Fiscal Impact – To the extent state and local government enter into agreements to accept 50 percent of amounts owed as payment-in-full, the state and local government will forgo revenue that is owed and payable under current law. However, it is presumed that very little or none of the owed fines, costs, and taxes partially waived under these agreements would be collected without incurring substantial collection costs. Therefore, these agreements are reasonably presumed to result in higher overall collection rates. The extent of any forgone revenue to state or local government, legally due under current law, cannot be quantified because such impacts are dependent upon unknown factors.

Presenting the forgone revenue estimate more directly, the estimated fiscal impact is:

(CORRECTED)

Increase State Revenue – Exceeds \$100,000

Forgone State Revenue – Exceeds \$100,000

Increase Local Revenue – Exceeds \$100,000

Forgone Local Revenue – Exceeds \$100,000

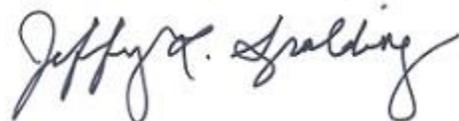
SB 19 –HB 52 (CORRECTED)

Corrected Assumptions:

- It is assumed that outstanding debt in default at least five years owed to state and local governments would not be collected in the absence of this bill.
- The Department of Revenue (DOR) reports that it collected \$19,000,000 in litigation tax revenue in FY13-14.
- Based on information provided by DOR, at least an additional one half of one percent could be collected under the proposed legislation, resulting in a recurring increase in state revenue of \$95,000 ($\$19,000,000 \times 0.5\%$).
- Additional state revenue, which would not be collected under current law, may be realized from other areas of state government as a result of the bill. Given all information received for the bill, the total recurring increase in state revenue is reasonably estimated to exceed \$100,000.
- The County Officials Association of Tennessee reports that there is at least \$5,000,000 in outstanding debt that local governments are not currently collecting that is at least 5 years old. This number is assumed to remain constant into perpetuity.
- Due to multiple unknown factors such as the extent of fines, costs, and litigation taxes owed on each case, the number of cases on which a lump sum will be collected, the extent of any lump sum collected under the provisions of this legislation, and the extent of delinquent payments in the future, a precise increase in the amount that will be collected cannot be determined. However, it is reasonably estimated that an amount equivalent to at least two percent of the current outstanding debt will be collected each year. Therefore, the recurring increase in local government revenue is estimated to exceed \$100,000 ($\$5,000,000 \times 2.0\%$) statewide.
- Relative to current law, the estimated outstanding debts are considered owed, payable, but uncollectible. Both state and local governments will elect to forgo up to 50 percent amounts owed and payable in order to collect the remaining 50 percent. The specific amounts of any forgone revenue to state and local governments are unknown. However, forgone revenue to both state and local government is reasonably estimated to exceed \$100,000 per year.

CERTIFICATION:

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



Jeffrey L. Spalding, Executive Director

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