

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 186 – SB 1102

February 19, 2019

SUMMARY OF BILL: Establishes that prior to a levy upon the salary or wages of a person with respect to an unpaid tax, the Commissioner of the Department of Revenue (DOR) or the Commissioner's designee must notify such person by certified mail no less than 10 days before the date of the levy, rather than by delivering it in person, leaving it at the dwelling or usual place of business of the person, or by mailing it. Requires that the cost of such certified mailing be borne by the person receiving the notice and may be recovered by the Commissioner or Commissioner's designee as a levy expense.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$14,200/Recurring/Department of Revenue

Increase State Expenditures - \$10,300/One-Time/Department of Revenue

Net Impact - \$99,400/Recurring/Department of Revenue

Assumptions:

- According to the DOR, approximately 695 salary and wage letters are currently mailed out each month to individuals with outstanding tax dues.
- The cost for standard postage is \$0.55 and \$6.80 for certified mail.
- Currently, the DOR incurs expenditures of \$4,587 annually to mail salary and wage letters (695 x 12 months x \$0.55). It is assumed that currently, the DOR does not add this to the levied amount, but such cost is borne by the Department.
- A recurring decrease in state expenditures of \$4,587.
- There will be a net recurring increase in state expenditures estimated to be \$52,125 for the DOR to send out such letters by certified mail [(695 x 12 months x \$6.80) - \$4,587].
- Currently, only 30 percent of cases where notices are sent go to levy. Further, payments are first applied to the tax liability, then to penalty and interest, and finally to other costs. Therefore, it is assumed that the DOR will only recover 25 percent of the certified mailing costs from persons whose salary or wages are being levied.
- A recurring increase in state revenue of \$14,178 [(695 x 12 months x \$6.80) x 25%].
- Currently, DOR's collection officers produce the form intent letter in the DOR's integrated tax system and such letters are printed in batch overnight and issued from the Department of General Services mail room. To accomplish the requirements of the

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proposed legislation, the DOR will require its collections officers to print letters locally in order to apply the appropriate certified mail slip, as well as to track the returned receipts and post to the appropriate account in the integrated tax system.

- The DOR will require one additional collections services administrative assistant 3 position.
- A recurring increase in state expenditures of \$47,310 (\$33,228 salary + \$12,082 benefits + other \$2,000) and a one-time increase in state expenditures of \$10,300 (computer, software, supplies, other).
- The net recurring increase in state expenditures as a result of this legislation is estimated to be \$99,435 (\$52,125 + \$47,310).

CERTIFICATION:

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



Krista Lee Carsner, Executive Director

/jdb