

HB 2 -- COLLECTION OF STATE MONEYS

SPONSOR: Flanigan

COMMITTEE ACTION: Voted "do pass" by the Committee on Ways and Means by a vote of 11 to 0.

This bill changes the laws regarding the collection of moneys owed to the state. In its main provisions, the bill:

(1) Allows the Director of the Department of Revenue to mail any document by first class mail after January 1, 2012, with the exception of certain specified chapters of law which require documents to be sent by certified mail;

(2) Requires the department director to retain 1% of the amount of any local sales or use taxes collected by the department for the cost of collection;

(3) Authorizes an amnesty from the assessment or payment of all penalties, additions to tax, and interest on delinquencies of unpaid taxes administered by the department which occurred on or prior to December 31, 2010. A taxpayer must apply for amnesty, file a tax return for each tax period for which amnesty is requested, pay the unpaid taxes in full from January 1, 2012, to June 30, 2012, and agree to comply with state tax laws for the next eight years from the date of the agreement. All tax payments received as a result of the tax amnesty program must be deposited into the General Revenue Fund unless otherwise earmarked by state law;

(4) Allows the Director of the Department of Revenue and the Commissioner of the Office of Administration to jointly enter into a reciprocal agreement with the federal government or any other state to offset vendor and contractor payments for any type of debt owed to the state. Currently, the department has a reciprocal agreement with the United States Treasury to offset income tax overpayments;

(5) Allows a state agency to refer any debt owed to it to the department for collection. The department and state agencies, including the judiciary, may exchange any necessary information; and the referring state agency must follow all federal and state laws regarding the confidentiality of information and records regarding the debtor. The department may compromise any referred state debt and is authorized to use all general remedies afforded creditors of Missouri, remedies specific to the referring state agency, and remedies afforded the state in general. The department can employ staff, attorneys, prosecuting attorneys, and private collection agencies to aid in the collection of debt.

The department must add 10% to the amount of debt to be collected for the cost of collection which can be waived under specified conditions;

(6) Requires anyone making a claim or having a judgment under the provisions of the State Legal Expense Fund to have a no-tax due statement from the department before any moneys can be expended from the fund for the settlement of any liability claim and allows an offset from the fund to satisfy any delinquent tax debt owed before payment is made to the person. Payments of less than \$10,000 for property damage claims are not required to have a no-tax due statement; and

(7) Allows the department director to issue an administrative garnishment if he or she has filed a certificate of lien in the circuit court for delinquent income or sales or use taxes. Anyone receiving a garnishment order must turn over any of the taxpayer's assets in his or her possession and any assets that are to become due the taxpayer including wages, salaries, commissions, bonuses, workers' compensation benefits, disability benefits, pension or retirement payments, and interest less a reimbursement of no more than \$6 per month to cover costs. The taxpayer may obtain relief from the garnishment by paying the total amount owed.

FISCAL NOTE: Estimated Net Effect on General Revenue Fund of an Income of Unknown to a Cost of Unknown in FY 2012, FY 2013, and FY 2014. Estimated Net Income on Other State Funds of Unknown in FY 2012, FY 2013, and FY 2014.

PROPOSERS: Supporters say that the amnesty provisions of the bill will bring in around \$70 million. Similar tax amnesty programs brought in about \$75 million in 2002 and \$37.5 million in 2003. The bill contains many enhancements and collection procedures for the Department of Revenue. The department is a better collector of state debt than other local or state agencies. Last year, 97% of general revenue was collected by the department. The revenue generated from the bill will help fund the state budget for the current fiscal year.

Testifying for the bill were Representatives Flanigan and Kelly (24); Office of Administration; and Associated Industries of Missouri.

OPPOSERS: There was no opposition voiced to the committee.