

Department of Finance and Administration

Legislative Impact Statement

Bill: SB1040

Bill Subtitle: TO AMEND THE INTEREST RATES APPLICABLE TO STATE TAX DEFICIENCIES AND OVERPAYMENTS.

Basic Change : Sponsor: Senator B. Sample

The proposal would change the interest rates applicable to tax deficiencies and tax overpayments. Under current law, the interest rate of underpayments and overpayments is levied at 10% per annum. The bill would change the interest rate to 6% per annum effective January 1, 2016.

Revenue Impact :

\$ 4.2 Million Annual Loss to State Revenues

Taxpayer Impact :

Interest paid on tax overpayments and interest billed on underpayments would be reduced.

Resources Required :

None

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Education of staff in changes in law. Modification of the Revenue Division's tax reporting and processing computer system.

Legal Analysis :

SB1040 reduces the interest rate on tax assessments and overpayments. Interest rates on assessments and overpayments will remain 10% per annum through December 31, 2015. Effective January 1, 2016, interest rates on assessments and overpayments will be reduced to 6% per annum. The bill also strikes existing provisions of state law that provide a 4% interest rate on a portion of estate tax payments where an election was made to pay the estate tax over time. As the estate tax has been repealed, this has no effect.

The bill does not contain an emergency clause and will become effective 90 days after adjournment.