

Department of Finance and Administration

Legislative Impact Statement

Bill: SB584

Bill Subtitle: TO REQUIRE THE DEPARTMENT OF FINANCE AND ADMINISTRATION TO PROVIDE SPACE ON INCOME TAX FORMS FOR AN INDIVIDUAL TAXPAYER TO DESIGNATE MORE THAN ONE (1) ACCOUNT FOR THE DIRECT DEPOSIT OF THE TAXPAYER'S REFUND.

Basic Change :

Sponsor: Senator Dismang

SB584 requires the Department of Finance and Administration to provide space on the individual income tax forms for an individual income taxpayer to designate more than one account for the direct deposit of the taxpayer's refund.

The effective date is for tax years beginning on or after January 1, 2020.

Revenue Impact :

No net revenue impact, but the Department will incur costs to implement and administer the change. Those costs are estimated to be \$156,000 the first year and \$30,000 beginning with the second year and following.

There will be an annual potential increase in the cost of direct deposit transactions since the Department pays a bank fee for each direct deposit. There will also be an increase in paper return processing due to the additional key strokes.

Taxpayer Impact :

All taxpayers receiving refunds would be able to deposit their income tax refund into two different bank accounts.

Resources Required :

1. The upfront estimate of computer programming costs to implement this change from the Arkansas Integrated Revenue System (AIRS) team is \$156,000. Once the initial part of the project is complete, the annual computer maintenance provided by AIRS is estimated to be \$30,000.
2. There will be an annual potential increase in the cost of direct deposit transactions since the Department pays a bank fee for each direct deposit.
3. There will be an increase in paper return processing due to the additional key strokes.
4. Computer programs, tax forms and instructions will also need to be updated.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Computer programs, tax forms and instructions as well as training manuals will need to be updated. Department employees will need to be educated as well as the community.

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Other Comments :

None.

Legal Analysis :

Currently, § 26-51-806 provides that income tax returns shall be in the form prescribed by the director, and individual income tax returns have space to include one routing number and one bank account number for purposes of the direct deposit of taxpayer refunds. Using 'Do Not Codify' temporary language, SB584 requires DFA to change individual income tax returns to provide up to two bank accounts for direct deposit of a taxpayer's refund. Taxpayer's would be responsible for designating the percentage of the allocation of the refund between the two accounts.

The new forms would be required for tax years beginning on and after January 1, 2020.