

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1866

As Engrossed: 3/25/2015

Bill Subtitle: TO ALLOW A TAXPAYER TO CLAIM A REFUND OR CREDIT FOR AN OVERPAYMENT OF A STATE TAX DURING THE SAME PERIOD OF TIME THAT THE STATE MAY ASSESS OVERDUE TAXES.

Basic Change : Sponsor: Rep. Gates

This bill provides that a taxpayer may obtain a tax refund for any period for which the taxpayer is under audit. The 3/25/15 engrossment limits the amount of any refund for periods beyond the normal 3 year refund limitation period to the amount of any tax actually assessed for that period.

Revenue Impact :

No impact to state general revenues.

Taxpayer Impact :

Taxpayers would be entitled to receive a tax refund even though the 3 year statute of limitations period had ended, if DFA determines that state law authorized DFA to conduct a tax audit beyond the normal three year audit limitation period. Under current state law, the three year limitations period for conducting an audit can be exceeded if the taxpayer is more than 25% under reported, has committed fraud, or has failed to file the tax return.

Resources Required :

None

Time Required :

Adequate time provided.

Procedural Changes :

None

Legal Analysis :

Taxpayers would be entitled to a tax refund when an audit is extended beyond the normal three year audit period because the taxpayer was more than 25% underreported, failed to file a return, or committed fraud. The amount of any refund during extended audit period will limited to the amount of any tax assessed for that period.