

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1241

Bill Subtitle: TO AMEND THE DEFINITION OF "CLAIMANT AGENCY" AS USED IN THE STATUTES CONCERNING COLLECTION OF DELINQUENT TAXES.

Basic Change :

Sponsors: Rep. Lowery and Sen. J. Hendren

HB1241 amends § 26-36-303 to add the State Insurance Department and the Self-Insured Fidelity Bond Program as claimant agencies eligible to offset a taxpayer's state income tax refund to satisfy a debt.

Revenue Impact :

None.

Taxpayer Impact :

A taxpayer that owes a debt to the State Insurance Department or the Self-Insured Fidelity Bond Program and have a verified claim for a state tax refund, may have their refund setoff to pay the debt.

Resources Required :

Computer programs, tax forms, and instructions will need to be updated.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Department employees will need to be educated as well as the tax community.

Other Comments :

None.

Legal Analysis :

§ 26-36-301 et seq. provides a mechanism to collect debts owed to the state, the Internal Revenue Service, Arkansas counties, cities, and towns, and certain housing authorities through the offset of an individual's state income tax refund. Entities to whom a debt is owed are known as "claimant agencies." A new claimant agency cannot be added to the list of claimant agencies unless that agency has an annual outstanding debt of \$200,000 as defined in § 26-36-303(2). Each claimant agency is required to follow a statutory process to ensure that due process and other rights are afforded to a taxpayer whose refund is to be offset to the claimant agency.

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The definition of "debt" in § 26-36-303 may benefit from an amendment to specifically provide for debts and overpayments to the State Insurance Department and the Self-Insured Fidelity Bond Program. Under § 26-36-303(2)(A), a "debt" includes "any liquidated sum due and owing any claimant agency, which has accrued through contract, subrogation, tort, operation of law, legal proceeding, or any other legal theory, regardless of whether there is an outstanding judgment for that sum." § 21-2-701 may also benefit from an amendment to specifically provide the Self-Insured Fidelity Bond Program with the authority to collect debts through offsets of individual income tax refunds and other means.