Department of Finance and Administration

Legislative Impact Statement

Bill: HB1930
Bill Subtitle: TO AUTHORIZE THE DIRECTOR OF THE DEPARTMENT OF FINANCE AND ADMINISTRATION TO DELEGATE CERTAIN DEBT COLLECTION AUTHORITY TO A THIRD PARTY; AND TO DECLARE AN EMERGENCY.

Basic Change :

Sponsor: Rep. Gray

HB1930 would create a one-year pilot program to authorize the Director of the Department of Finance and Administration (DFA) to enter into an agreement with a contractor to collect bad debts for which a certificate of indebtedness has been recorded and for which the time to appeal the assessment has expired.

The bill makes numerous changes to the Arkansas Code to enable DFA to share sufficient information with a contractor and also to ensure that the contractor selected for this pilot program will protect the State of Arkansas from potential liability.

Revenue Impact :

An unknown amount of revenue classified as uncollectible by DFA may be collected by the contractor to reduce the amount of accounts receivable but no additional tax beyond what is currently owed the state will be generated by this bill.

Taxpayer Impact :

Taxpayers who are delinquent on state taxes may be contacted by the collector under the pilot program where DFA may have previously not contacted them or had limited collection activity. Any change for taxpayers would occur only with respect to taxpayers who are tax delinquent and whose account has been classified as uncollectible by DFA.

Resources Required :

Minimal resources will be required by DFA to identify appropriate accounts for the pilot program once a collector is chosen.

Time Required :

Adequate time is provided for implementation.

Procedural Changes :

A debt that is considered uncollectible is not currently being actively collected by DFA. The use of a pilot program will require a change in procedures regarding the uncollectible debt to transfer the information to the collector under the program.

Other Comments :

DFA will provide a report on the effectiveness of the program by March 1, 2021 to the Revenue & Tax Committees of the General Assembly.

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Legal Analysis :

HB1930 would create a one-year pilot program to authorize the Director of DFA to enter into an agreement with a contractor to collect bad debts for which a certificate of indebtedness has been recorded and for which the time to appeal the assessment has expired.

- The selected contractor would report and remit all funds to the Director and the Director would deposit the funds into a newly created special revenue fund.
- Each month, the Treasurer of State would distribute a certified amount of compensation to the contractor and the remainder to the State Apportionment Fund. The compensation formula for the contractor would mirror the compensation formula for certified service providers under the Streamlined Sales and Use Tax Agreement as it pertains to volunteer sellers.
- Prior to the contractor soliciting its bid to enter into the agreement with the Director, the contractor would be required to file a one-million-dollar bond with the Director, which would insure the contractor and the Director against damages by reason of acts or omissions of the contractor.
- The confidentiality provisions of § 26-18-303 would still apply to the contractor, except that the DFA may disclose the amount owed at any time.
- The prohibitions against harassment and false representations under the federal Fair Debt Collection Practices Act are incorporated into the bill. The contractor would be prohibited from making oral contact with the debtor until seven calendar days after sending an initial written communication that includes a letter from the Commissioner of Revenue of the DFA that states, among other things, that the contractor is authorized to collect on the debt.

The agreement is required to terminate at the end of the 2020 calendar year, and, by March 1, 2021, the Director would be required prepare a report to the House and Senate Committees on Revenue and Taxation on the effectiveness of the program.