

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6596

BILL NUMBER: HB 1119

NOTE PREPARED: Jan 26, 2007

BILL AMENDED:

SUBJECT: Tax Refund Intercepts for Past Due Child Support.

FIRST AUTHOR: Rep. Cheney

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: GENERAL
 DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill prohibits a fee from being charged to a custodial parent for seeking an offset of a federal or state income tax refund for past due child support payments.

Effective Date: July 1, 2007.

Explanation of State Expenditures: The bill prohibits a fee from being charged to a custodial parent for seeking an offset of a federal or state income tax refund for past due child support payments. The Department of Revenue (DOR) reports that collection of the fees is conducted through an automated process, thus, no decrease in workload would occur.

Explanation of State Revenues: Under current law, the DOR charges a fee of 15% of the funds collected from a state income tax refund. Fees are subsequently deposited into the state General Fund. As proposed, the state General Fund would experience a decrease in revenue. The fees collected from state income tax refunds which were intercepted from persons in child support arrears during 2004 were approximately \$972,000, and \$1.1 M was collected during 2005. Actual annual decreases to the state General Fund would be dependent on the total amount of state income tax refund dollars offset during that year.

However, some portion of this lost fee revenue may be offset by the resulting additional amount of reimbursement for TANF assistance paid to custodial parents (money that is ultimately deposited into the TANF and Child Support Revenue accounts). Under current law, whenever state income tax refund dollars are intercepted from a person who is in child support arrears and the custodial parent received or is receiving TANF, the Child Support Bureau (CSB) from the intercepted dollars reimburses the state for the total amount of past public assistance paid to the individual.

The CSB reports that when funds are collected for current or past TANF recipients, the state forwards 66% to the federal government for reimbursement of past public assistance. The remaining 34% is retained by the state. Dollars retained by the state are then deposited into the TANF account (40%) and the Child Support Revenue account (60%). Funds in the Child Support Revenue account are used for purposes approved by the State Budget Agency. Some of the dollars collected for fees which would have been deposited into the state General Fund may be reimbursed to the TANF and Child Support Revenue accounts.

Background Information: During 2004, the DOR intercepted 39,347 state income tax refunds on refunds totaling approximately \$6.5 M. During 2005, the DOR intercepted 44,189 state income tax refunds on refunds totaling approximately \$7.6 M. The DOR reports that it does not seek offsets of federal income tax refunds.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Child Services; Department of Revenue.

Local Agencies Affected:

Information Sources: John Ryan, Department of Child Services; Wendy Yerkes, Department of Child Services; Tom Conley, Department of Revenue; David Nelson, Family and Social Services Administration; David Nelson, Family and Social Services Administration.

Fiscal Analyst: Sarah Brooks, 317-232-9559.