LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS
200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6593 **NOTE PREPARED:** Dec 31, 2007

BILL NUMBER: SB 208 **BILL AMENDED:**

SUBJECT: Deduction of Tax Payments from Checking Account.

FIRST AUTHOR: Sen. Tallian **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: X **GENERAL** **IMPACT:** State & Local
X **DEDICATED**
FEDERAL

Summary of Legislation: The bill allows a county to authorize all county taxpayers to pay property taxes by monthly automatic deductions from a checking account. The bill establishes delinquent tax penalties for failure to comply with a checking account deduction schedule.

Effective Date: January 1, 2009.

Explanation of State Expenditures: The Auditor of State would receive reports of settlement from counties that adopted automatic deduction property tax payments under the bill. The Auditor of State would be able to process the reports within its existing level of resources.

Explanation of State Revenues:

Explanation of Local Expenditures: *Auditor Responsibilities-* County auditors in counties that adopt an ordinance to allow automatic deductions would be required to send notice that the automatic option were available and provide registration forms for taxpayers. County auditors would be required to send an end-of-year report to the Auditor of State. Costs would include printing of forms and notices and bulk postage fees, which would vary by county. However, use of automatic checking account deductions could reduce the amount of administrative time necessary for the county auditor and treasurer to process property tax payments made by check.

Treasurer Responsibilities- County treasurers would be required to determine the per-month checking account deduction amounts to be paid by all parcel owners electing to pay property taxes by automatic deduction. To taxpayers that elect to pay by automatic deduction, the county treasurer would be required to mail an end-of-year reconciling statement. If the automatic deductions paid exceeds a taxpayer's total liability (including penalties), the county treasurer would refund the amount overpaid to the taxpayer or roll over the overpayment as credit against the taxpayer's liability in the following calendar year.

Explanation of Local Revenues: *3% Discount-* A county would have the option of adopting an incentive of up to a 3% discount on the amount of taxes paid by taxpayers via automatic checking account deduction. As a result, counties that include a discount provision in an ordinance would have a reduction in property tax revenues received from automatic checking account deductions which could be offset to a certain extent by interest earnings on funds deposited earlier.

Impact on Interest Earnings- Automatic deductions from checking accounts would provide counties access to property tax revenues on a monthly basis instead of two semi-annual payments. As a result, counties would be able to initially earn more interest from earlier payments with automatic deduction. For example, payments received in January via automatic deduction would have five additional months to accrue interest in a county with a May and November property tax payment schedule.

Auditor Responsibilities- In addition, county auditors would also have the responsibility to distribute property taxes collected by automatic checking account deduction to the designated taxing units. Failure to distribute would qualify a unit to interest on the undistributed collections. Interest payments would equate to the proportionate share of interest received on the revenue collected, beginning on the 52^{nd} day after the tax payment due date (as provided for in current law for property tax settlements with the county treasurer).

Penalties for Delinquent Payment via Automatic Deduction- There would be penalties assessed for delinquent automatic checking account deductions not unlike penalties for conventional payments under current law. Assuming delinquent payments are made not later than 30 days after the final installment payment due date and the taxpayer does not have other outstanding delinquent tax payments from a previous installment on either the same parcel or another property in the same taxing district; the penalty to the taxpayer would be 5% of the delinquent amount. Otherwise, the penalty would be 10% of the delinquent amount.

An additional penalty of 10% must be added for every six-month period the delinquent payment carries over, or specified in the ordinance as past every May 11 and November 11. These penalties would only apply to the principal amount due and not on any previous penalties assessed.

State Agencies Affected: Auditor of State.

Local Agencies Affected: County fiscal bodies, county auditor, county treasurer.

Information Sources:

Fiscal Analyst: Chris Baker, 317-232-9851.