

1 SENATE BILL NO. 40

2 INTRODUCED BY GAGE

3 BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION
4

5 A BILL FOR AN ACT ENTITLED: "AN ACT PROVIDING THAT FOR DEBT COLLECTION PURPOSES, THE
6 TERM "AGENCY" INCLUDES THE INTERNAL REVENUE SERVICE; ELIMINATING THE REQUIREMENT THAT
7 THE DEPARTMENT OF ADMINISTRATION TRANSFER ANY FUND BALANCE IN EXCESS OF \$10,000 FROM
8 THE DEBT COLLECTION INTERNAL SERVICE FUND TO THE GENERAL FUND AT THE END OF EACH
9 BIENNIUM; ELIMINATING THE REQUIREMENT THAT THE DEPARTMENT REPORT CANCELING AND
10 WRITING OFF OF ACCOUNTS RECEIVABLE TO THE BUDGET DIRECTOR; AMENDING SECTIONS 17-4-101,
11 17-4-106, 17-4-107, AND 17-4-108, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."
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13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:
1415 **Section 1.** Section 17-4-101, MCA, is amended to read:16 **"17-4-101. Definitions.** In this part, the:

17 (1) term "agency" includes:

18 (a) all state offices, departments, divisions, boards, commissions, councils, committees,
19 institutions, university units, and other entities or instrumentalities of state government; ~~and~~20 (b) with respect to delinquent taxes that the ~~state auditor~~ department is requested to collect, state
21 and local entities whose personal property taxes are collected by the county treasurer; and

22 (c) the internal revenue service;

23 (2) word "department" means the department of administration."
2425 **Section 2.** Section 17-4-106, MCA, is amended to read:

26 **"17-4-106. Agency owed debt to receive all money collected -- exception.** (1) All money collected
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STATE OF MONTANA
Fiscal Note for SB0040, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

A bill providing that for debt collection purposes, the term "agency" includes the Internal Revenue Service; eliminating the requirement that the Department of Administration transfer any fund balance in excess of \$10,000 from the debt collection internal service fund to the general fund at the end of each biennium; and eliminating the requirement that the department report the canceling and writing off of accounts receivable to the budget director.

ASSUMPTIONS:

1. The addition of the federal Internal Revenue Service (IRS) as an "agency" of the state enables it to contract with the state debt collection unit and pay collection costs as a percentage of the amount recovered (commission) in the same manner as state agencies.
2. Any additional proprietary fund revenue estimated to be received by the debt collection program from a contract with the IRS will be used to reduce the commission charged by the debt service program per 17-4-106(2), MCA.
3. There was no excess fund balance to transfer from the debt service program at the end of the 1993 and 1995 biennia; the department anticipates that there will be no excess fund balance above \$10,000 at the end of the 1997 biennium.
4. A \$50,000 increase in annual revenue to the debt collection from the addition of a contract with the IRS would result in an estimated 2 percent reduction in the commission rate charged to all agencies. Approximately half of current collections are for the general fund; the remaining collections are split between state and federal special revenue funds and local governments. The remaining collections are estimated to be 50 percent federal special revenue funds, 40 percent state special revenue funds, and 10 percent local government funds.
5. Federal regulations (Circular A-87) prohibit the state from transferring money received from federal programs to the general fund. A certain amount of the revenue received by the debt collection program comes from federal funds. The portion of fund balance required under current law to be transferred to the general fund that is attributable to federal programs would have to be paid to the federal government. Currently, the federal government has approved the rates charged by the debt collection program to the other state agencies and has determined that the debt collection program has not accumulated excessive fund balances with the rates it currently charges.

FISCAL IMPACT:

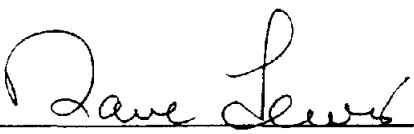
Revenues:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
General Fund (01)	25,000	25,000
State Special (02)	10,000	10,000
Federal Special (03)	12,500	12,500
Local governments	<u>2,500</u>	<u>2,500</u>
Total	50,000	50,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

The percent commission charged to counties for collection of delinquent property taxes would be reduced by the same amount, estimated to be 2 percent, or about \$2,500 per year.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION: The passage of this bill would make it easier and more cost-effective for the IRS to contract with the state, enabling the IRS to establish long-term arrangements and to increase the amount of business they do with the state.



DAVE LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning



DELWYN GAGE, PRIMARY SPONSOR DATE

Fiscal Note for SB0040, as introduced

SB40

APPROVED BY COM ON
STATE ADMINISTRATION

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