



# HOUSE COMMITTEE ON APPROPRIATIONS

## FISCAL NOTE

HOUSE BILL NO. 1888

PRINTERS NO. 3589

PRIME SPONSOR: Quinn

### COST / (SAVINGS)

FUND	FY 2015/16	FY 2016/17
General Fund	\$0	See Fiscal Impact
Motor License Fund	\$0	See Fiscal Impact

**SUMMARY:** House Bill 1888, Printer's Number 3589, amends the act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Code of 1971, providing for a tax amnesty program for fiscal year 2016-17.

**ANALYSIS:** This legislation adds Article XXIX-G providing for a tax amnesty program to be established by the Governor for a time period of 60 consecutive days in the fiscal year beginning July 1, 2016, and ending June 30, 2017. The tax amnesty program shall start no later than 120 days after the effective date. The act shall take effect in 60 days.

The tax amnesty program applies to any tax administered by the Department of Revenue and delinquent as of December 31, 2015. Delinquent taxpayers must file a tax amnesty return and pay 100% of the tax due and 50% of the interest due. Furthermore, the taxpayer must file complete tax returns for all required years which were not previously filed and complete amended returns for all required years for which the taxpayer underreported tax liability. Taxpayers filing reports under the tax amnesty program shall not be required to pay any penalties applicable to an eligible tax. Unknown taxpayers at the time of filing under the tax amnesty program shall not be liable for any taxes of the same type due prior to January 1, 2011.

The department is prohibited from pursuing administrative or judicial proceedings against a taxpayer with respect to an eligible tax disclosed on a tax amnesty return. The tax amnesty is contingent on continued compliance of the taxpayer. If within two years the taxpayer becomes non-compliant, the department may assess and collect all interest and penalties waived under the tax amnesty program. A taxpayer who participates in the tax amnesty program is not eligible to participate in future tax amnesty programs.

All revenue collected under the tax amnesty program shall be deposited into a restricted revenue account in the General Fund. All monies in the restricted revenue account shall be distributed to the appropriate Commonwealth fund by June 30, 2017, less costs of the department to administer the program.

The department shall develop and publish implementing guidelines within 60 days of the effective date. At the conclusion of the tax amnesty program, within 30 days the department shall issue a report detailing the administrative costs and the total dollar amount collected and within 180 days the department shall issue a report detailing the number of reports filed, a breakdown of the dollars received by tax type and tax year, total dollars of interest and penalties abated as well as demographic characteristics of the participants including geographic location, type of taxpayer (individual, partnership, corporation or other entity) and NAICS of the participant business taxpayer.

**FISCAL IMPACT:** The first ever tax amnesty program in the Commonwealth was administered by the department in 1995-96 (Act 21 of 1995). This program yielded total collections of \$93 million and more than 63,000 taxpayers filed for the program. This program provided no interest abatement and there was no limit to the look-back period for unknown taxpayers.

Act 48 of 2009 provided the second tax amnesty program in the Commonwealth in fiscal year 2009-10 for a 54-day period during the months of April 2010 through June 2010. The provisions of the 2010 program were more generous which included abatement of 50% of the interest and a limited look-back period for unknown taxpayers to the last 5-years. This program yielded \$254.6 million in revenues. Over 1 million notices were mailed to taxpayers with known delinquencies and a total of 59,461 taxpayers participated in the program. According to the Department of Revenue's 2010 Tax Amnesty Program Report, an additional \$52 million was collected from taxpayers who came forth under the amnesty program in the following fiscal year. The provisions of House Bill 1888 mirror the more successful provisions of Act 48 of 2009.

The Department of Revenue estimates that implementation of a Tax Amnesty program will generate \$149.7 million in amnesty collections in fiscal year 2016-17. The amount of additional revenues to be collected in future fiscal years from the taxpayers participating in the tax amnesty program is unknown. The department also estimates that administrative costs of \$21.1 million will be incurred and these costs will be paid with the additional amnesty collections. It is unknown to what extent the tax amnesty program will impact the current process of the department in the collection of delinquent taxes and the discovery of unknown taxpayers.

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**DATE:** June 21, 2016

*Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.*