LEGISLATIVE FISCAL ESTIMATE TO

ASSEMBLY, No. 2382

STATE OF NEW JERSEY

DATED: NOVEMBER 14, 1996

PURPOSE OF THE BILL:

Assembly Bill No.2382 of 1996 requires New Jersey to pay interest on gross income tax overpayments refunded more than 45 days after the due date of the filing of a return, or 45 days after the permitted extension of the filing, whichever is later. Currently, interest is paid on refunds from the later of the date that a gross income tax return is filed or the date that the tax return is due, but the payment of interest is forgiven if a refund is made within six months. This bill decreases the forgiveness period to 45 days.

FISCAL IMPACT:

The Department of the Treasury and the Office of Management and Budget have not provided a fiscal estimate of the cost of Assembly Bill No.2382 of 1996. The Office of Legislative Services (OLS) estimates this bill could cost the State between $1.0 million and $2.0 million annually. This cost would occur either through increased interest payments on late refunds to taxpayers or through reduced interest earnings by the State due to more timely refund payments.

ASSUMPTIONS:

The bill establishes a 45 day period after the filing date or the due date of the taxpayer's return. For most taxpayers the due date is April 15, which would suggest that the 45 day period would end by June 1. The OLS does not have detailed data on the payment flow patterns for taxpayer refunds. More general aggregate data from fiscal years 1994, and 1995 suggest that more than $150 million in taxpayer refunds are paid out after June 1. Perhaps as much as $50 million could be considered "regular" refund payments not affected by the June 1 date because the refunds are from past years or are subject to various filing extensions. The OLS estimate of between $1.0 million and $2.0 million as the annual cost of this bill assumes $100 million in annual refunds are paid after the 45 day period, assumes these payments are two months late on average, assumes interest costs at a prime rate of 8.25 percent, and takes annual fluctuations in refund payments and interest rates into account.

The cost to the State would occur either because the State would pay more interest to taxpayers for late refunds, or because the State would lose interest earnings on refund money paid sooner.

This legislative fiscal estimate has been produced by the Office of

Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.