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To: The Senate Committee on Revenue, Financial Institutions, and Rural Issues
From: Sen. Dan Feyen
Re: Senate Bill 617

Mr. Chairman, members of the committee, thank you for holding this hearing today.

I have introduced this legislation at the request of the Department of Revenue. This bill aims to make several minor policy changes and corrections to tax law that protect the taxpayer and make tax administration more efficient.

I would like to specifically touch on one portion of the bill that was brought to light by my constituent, a gentleman who lives in Oshkosh. He realized that his cable television provider was over-collecting sales tax on his bill. Through his personal investigation and discussions with the Department it was realized that the company was utilizing a little-known provision in statute to over collect sales tax and then use the over collection to offset any liabilities they accrued in audits.

My constituent felt very strongly it was wrong to allow companies to do this, as many consumers are probably unaware they're being over charged, and I agree with him. I'd like to thank the Department for working with him and bringing this legislation forward to ensure this practice cannot harm consumers moving forward.

The bill also makes 4 other technical changes. The Department is here today to testify and I will allow them to explain the rest of the bill.

Thank you for your time today. I welcome any questions you may have.



State of Wisconsin • DEPARTMENT OF REVENUE

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Scott Walker
Governor

Richard G. Chandler
Secretary of Revenue

January 10, 2018

Testimony to the Senate Committee on Revenue, Financial Institutions, and Rural Issues on Senate Bill 617

Chairman Marklein and members of the committee, thank you for the opportunity to testify on Senate Bill 617. This bill makes several minor policy changes and corrections to tax law that protect the taxpayer and make tax administration more efficient.

1. Optional Electronic Notifications

This provision would allow taxpayers the option; not the requirement, to receive electronic notifications from income, sales, and excise tax types via DOR's online My Tax Account portal. Taxpayers have been increasingly asking for this option, and allowing electronic notices will strengthen DOR's customer service in response to taxpayer demand.

2. Garnishment Fee Statutory Updates

DOR's ability to pass along the actual costs and receive full payments from garnishments from delinquent taxpayers has been negatively affected by law changes and this bill seeks to remedy those changes.

1) 2015 Wisconsin Act 337 authorized garnishees (generally, employers) to receive a \$3 fee for each wage garnishment they have to attach to a debtor's (employee) wages. The garnishee takes the \$3 off the total that is paid to the creditor. This proposal would not affect the \$3 that employers may keep; instead, it would add an additional \$3 to the total debt so that the debtor pays the full cost, instead of passing on that cost to the state and other taxpayers. Current law results in about a \$15,000-\$19,000 annual loss to DOR since we have to absorb this cost.

2) State statutes limit non-earnings garnishment costs to a maximum of \$40 that the creditor, including DOR, may pass on to a debtor. This limit does not apply to earnings garnishments. DOR currently passes on the entire garnishment cost to the debtor. Mandatory court fees related to garnishments and certified mail costs are at minimum \$280, which means that if DOR's current practice is not upheld, the state will lose at least \$240 per garnishment.

DOR does not issue new garnishments to taxpayers in voluntary payment plans to resolve their delinquent debts. In fact, garnishments are one of the last resorts DOR uses for the collection of delinquent taxes. However, if the statutes are not updated, there would be unequal treatment for earnings and non-earnings garnishees. There also could be an annual loss of \$2,400 in unreimbursed garnishment costs that other taxpayers will have to absorb with delinquent debtors benefitting. Note, this provision would only affect around 10 delinquent debtors annually.

3. Over-collection of Sales Tax

After being advised multiple times by DOR to stop over-collecting, some companies are collecting more sales tax from their customers than the customers owe. Through a quirk in the law, instead of returning the over-collection to their customers, companies are able to use that over-collection to offset any liabilities they accrue in sales tax audits. This bill stops this abuse by preventing these liability offsets if the company receives two or more written notices from DOR stating that they are over-collecting. Additionally, the existing sales tax penalty of 25% of the amount may be imposed, pursuant to current law. This provision would eliminate the incentive for persons to knowingly overcharge their customers sales or use tax.

4. Truncated Social Security Numbers

The IRS has recently published notice that beginning in 2019, employers may truncate Social Security Numbers on W-2s sent to employees and 1099s sent to certain contractors as a safeguard against identity theft. The full Social Security Number must still be on the information returns

submitted by the employers to the IRS. This provision will provide the same ability for state tax information returns. Statutes currently require the full Social Security Number to appear on all information returns, regardless if DOR or the taxpayer receives the return from the employer.

5. Assessor Exam Fee Cost

DOR certifies one occupation, assessors. Statutes currently limit the fee to \$20 that DOR may charge to provide assessor exams. Historically, DOA's Division of Personnel Management (DPM) administered the exams. As of July 2017, DPM has ceased to administer the exams, which has required DOR to contract with an outside vendor to administer the exams now in electronic format. The new exams cost \$50 each to administer. DOR is seeking to mirror the statutory ability that DSPS possesses to pass along the actual cost of the exam to the test-taker, rather than the current, insufficient \$20 maximum. DOR is also seeking to adjust its temporary assessor certification threshold from the current 100 days or until distribution of the next exam results, to a 90-day temporary certification. The reason for the change is that assessor exams will now be offered on-demand rather than quarterly, so the time period required for temporary certification is shorter.

Thank you again for the opportunity to discuss SB 617.