

FISCAL NOTE

April 10, 2017

Bill No:	HB 674	Printer's No:	PN 0720	Sponsor:	Bernstine
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COST / (SAVINGS)

Fund (s)	2016-17	2017-18
General Fund	"See Fiscal Impact"	Approximately \$150,000

SUMMARY: This legislation amends the State Lottery Law, in State Lottery, providing for lottery winnings intercept.

ANALYSIS: HB 674 amends the State Lottery Law (Act 91 of 1971) to provide for lottery winnings of \$2,500 or more to be intercepted if it is determined that the prizewinner has an outstanding state tax liability. Additionally, this legislation would provide for a redetermination of public assistance benefits by the Department of Human Services (DHS).

Currently Title 23 Section 4308 allows for the intercept of lottery winnings of \$2,500 or more for unpaid child support obligations. The Department of Revenue (DOR) and the Department of Human Services together oversee this duty. Additionally, Act 93 of 2016 allows the Department of Revenue to work with the Administrative Office of Pennsylvania Courts (AOPC) to intercept state tax refunds for court ordered obligations.

HB 674 will allow the Department of Revenue to investigate any individual who wins a single lottery prize of \$2,500 or more to determine if that individual has an outstanding state tax liability. This investigation will take place prior to the department administering the prize dollars. The first determination will be whether the winning individual owes delinquent child support. Any monies remaining following that determination can be subject to deduction for outstanding state tax liabilities. Lastly, the department will work with AOPC to determine if the winning individual has any court ordered obligations. A winning individual will be subject to offset first by DHS, then DOR, and lastly AOPC. A prizewinner subject to an intercept for state tax obligations may file a petition of review with the Department within 90 days of receiving a notice of intercept.

The Department of Revenue may determine and set a fee to offset the costs of administering this act. It will be the responsibility of the Department of Revenue to notify a winning individual that part or all of the lottery prize was used to satisfy obligations due to DHS, DOR, and/or AOPC.

This legislation shall take effect immediately with the exception of the provision requiring the development of a system between the DOR and AOPC, which must be completed within 180 days.

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FISCAL IMPACT: An analysis performed by the Department of Revenue on a previous piece of legislation indicated potential revenue gains of approximately \$10,000 per month in outstanding state tax liabilities.

Administrative Costs

The Department of Revenue has estimated the below costs to implement HB 674. Please note the estimate is only a partial assessment of the required comprehensive review and defining of high-level business processes needed to provide a complete cost analysis.

- The Bureau of Informational Systems estimates implementation of HB 674 would require significant integration solutions and automation processes to be built from scratch. Implementation would be difficult in nature because lottery winnings intercepts span several agencies (Revenue, Lottery, Treasury, and AOPC) and bureaus.
 - BIS estimates 900 hours of labor: 3 FTE and 2 PTE
 - \$76,392 for internal BIS staffing costs
 - Outside vendor costs (estimated)
 - \$75,000
 - Time-line for implementation (estimated)
 - 9 months for creation and testing of internal systems

The department's costs could be recouped via a fee provided in Section 316(c) "Administrative fee".