

Members

Rep. William Bailey, Chairperson
Rep. Markt Lytle
Rep. James Buck
Rep. William Friend
Sen. Thomas Weatherwax
Sen. James Merritt
Sen. Katie Wolf
Sen. Samuel Smith, Jr.
Herschel Cook
David Butterfield
Richard P. Jones
Karen Large
William Goffinet
Mayor Howard Hatcher
James R. Murphy
Patricia French



LOCAL GOVERNMENT FINANCE STUDY COMMISSION

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Authority: P.L. 242-1997

MEETING MINUTES¹

Meeting Date: October 20, 1999
Meeting Time: 1:30 P.M.
Meeting Place: State House, 200 W. Washington St.,
Room 125
Meeting City: Indianapolis, Indiana
Meeting Number: 5

Members Present: Rep. William Bailey, Chairperson; Rep. Markt Lytle;
Rep. James Buck; Rep. William Friend; Sen. Katie Wolf;
Sen. Samuel Smith, Jr.; Karen Large; James R. Murphy.

Members Absent: Sen. Thomas Weatherwax; Sen. James Merritt; Herschel Cook;
David Butterfield; Richard P. Jones; William Goffinet;
Mayor Howard Hatcher; Patricia French.

Representative William Bailey, Chairperson, called the meeting to order at about 1:30 p.m.

Public Testimony

Mr. Kenneth Miller, Commissioner of the Indiana Department of Revenue, responded to the Commission's letter (Exhibit 1) regarding taxpayer compliance in correctly filling in the school corporation number on each Indiana individual income tax return. Mr. Miller also provided a written response from the Department (Exhibit 2). He told the Commission that the Department holds training sessions each year where tax preparers are told about changes on the tax returns and about legislative changes. The Department emphasizes to the preparers that there are several return items that need to be filled in, including the school corporation number.

Mr. Tom Conley, Indiana Department of Revenue, reported that eleven percent of returns do

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not have the school number filled in at all, and that the total number of returns with errors in or omissions of the school number was about 20% of those filed. He added that returns from Adams County had the best compliance rate at 88% and that returns from Franklin County had the lowest compliance rate at 67%. Mr. Conley noted that there is no statutory authority for the Department to reject a tax return solely because the school number had not been filled in.

When asked by the Chairman about an acceptable rate of error, Mr. Miller replied that a zero error rate was acceptable but that a two percent rate would be reasonable. Referring to items on the returns such as calculations, social security numbers, and addresses, he also said that paper returns currently have error rates of about fifteen to sixteen percent and that electronically filed returns have an error rate under two percent. Mr. Miller reported that between twenty-five and thirty percent of returns are currently filed electronically. The processing cost is about one dollar per paper return and less than ten cents per electronic return. He added that increased electronic filing would help compliance because the programs require the school number field to be filled in before the return can be submitted.

Mr. Miller informed the Commission that the Department processes about two million, eight hundred thousand returns per year with about one million of those filed on April 15.

In response to a question about the possibility of levying fines, Mr. Miller indicated that his Department would need legislative authority to fine taxpayers for not filling in the school number. When asked for a recommendation to increase compliance, he replied that it was a legislative matter. Mr. Miller then clarified his written answer to question number three on exhibit 2, saying that "None" meant that the Department would rather not recommend legislative changes. He added that the Department would naturally implement any program passed by the General Assembly.

Other Business

Mr. James Murphy, Commission Member, reported on a meeting that was recently held between representatives from the Association of Indiana Counties, the County Assessors Association, the County Treasurers Association, the State Tax Board, the Auditor of State, and the Legislative Services Agency. This meeting was held to discuss problems with the reporting dates associated with the state's newly enacted property tax credit for personal property up to \$12,500 of assessed value. Mr. Murphy reported that the parties have agreed to allow counties to file a supplemental report with the State Tax Board after mobile home assessments are completed. They also agreed that the state credit associated with the supplemental reports would be equally distributed in the June and December settlements from the Auditor of State as long as the reports are received in time to include them. The group decided that legislation was unnecessary at this point. The agreement to allow supplemental reports is subject to the approval of the Property Tax Replacement Board.

Chairman Bailey instructed staff to prepare a draft of the Commission's final report for the next meeting.

There being no further business, Representative Bailey then adjourned the meeting at about 2:00 p.m.