



SENATE BILL 682: Modify Sunset Re: Contingent Audits

2015-2016 General Assembly

Committee:	House Finance	Date:	June 11, 2015
Introduced by:	Sens. Gunn, Clark	Prepared by:	Trina Griffin
Analysis of:	First Edition		Committee Counsel

SUMMARY: *Senate Bill 682 would make permanent the prohibition, established in 2012, on local governments from using third-party contractors paid on a contingent fee basis for audit and assessment purposes.*

[As introduced, this bill was identical to H542, as introduced by Reps. Brawley, Hager, Szoka, Saine, which is currently in House Local Government, if favorable, Finance.]

CURRENT LAW: In 2012, the General Assembly enacted legislation prohibiting the Department of Revenue, local governments, and the Treasurer's Office from using third parties paid on a contingent fee basis for audit and assessment purposes. Of the three prohibitions, only one had a sunset – the prohibition on local governments. Specifically, the limitations were as follows:

Department of Revenue. – Effective October 1, 2012, the Department is prohibited from employing an agent paid on a contingent fee basis to determine the tax liability of any taxpayer. This prohibition does not apply to the use of third parties by the Department for the collection of tax debts owed.

Treasurer's Office. – Effective October 1, 2012, the Treasurer's Office is prohibited from contracting with entities paid on a contingent fee basis for administration of the Unclaimed Property Act. The Treasurer's Office may contract on a contingent fee basis with entities to conduct audits of life insurance companies where the audit is being conducted for the purpose of identifying unclaimed death benefits or to conduct audits of holders of unredeemed bond funds. The Treasurer's Office may also use funds from the Escheat Fund to pay for consultants possessing specialized skills or knowledge to conduct audits for the administration of the Unclaimed Property Act.

Local Governments. – Effective July 1, 2013, counties are prohibited from employing entities paid on a contingency basis to assist a county tax assessor. Cities and counties are also prohibited from employing agents paid on a contingent fee basis to determine the tax liability of any taxpayer. These prohibitions are scheduled to sunset on July 1, 2015.

BILL ANALYSIS: Senate Bill 682 would remove the sunset with respect to the prohibition on local governments from using third parties on a contingent fee basis, making the prohibition permanent.

EFFECTIVE DATE: This act is effective when it becomes law.

