

DEPARTMENT OF TAXATION

2025 Fiscal Impact Statement

1. **Patron** Phil M. Hernandez

3. **Committee** Senate Finance and Appropriations

4. **Title** Wage garnishment; state tax debt

2. **Bill Number** HB 1979

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 X **In Committee**

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would remove the exclusion for state and local tax debt from limitations on the total amount of wages that may be garnished per pay period. As a result, state and local tax debts under this bill would become restricted to twenty-five percent of disposable earnings for that pay period.

If enacted during the regular session of the 2025 General Assembly, this bill would become effective January 1, 2026.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation ("the Department") considers implementation of this bill as routine and does not require additional funding.

Revenue Impact

This bill would result in an unknown revenue loss.

9. **Specific agency or political subdivisions affected:**

Department of Taxation
Local Governments

10. Technical amendment necessary: No.

Background

The Department's lien forms sent to employers contains instructions to reduce the amount taken from the employee's paycheck if hardship is claimed based on a table printed on the form. The amounts in the table are based on the number of dependents that the employee has as well as the standard deduction and personal exemptions. This is similar to the exemption table that the IRS sends with its wage levies to employers.

In many cases the employers tell their employees claiming hardship to call the Department, and the Department's collection staff routinely reduce the percentage taken from the paycheck or set up a payment plan.

Proposal

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cc : Secretary of Finance

Date: 02/06/2025 JPJ
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