

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4065-01
Bill No.: SB 772
Subject: Taxation and Revenue - Sales and Use
Type: Original
Date: March 28, 2006

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
General Revenue	\$7,737,750	\$15,600,000	\$15,600,000
Total Estimated Net Effect on General Revenue Fund	\$7,737,750	\$15,600,000	\$15,600,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Other State Funds	\$3,185,000	\$6,370,000	\$6,370,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$3,185,000	\$6,370,000	\$6,370,000

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2007	FY 2008	FY 2009
Local Government	\$5,900,000	\$11,800,000	\$11,800,000

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning (BAP)** state there should be no added cost to their agency as a result of this bill. BAP assumes there will be an increase in revenue to the state should the timely filing discount be repealed as proposed in this bill. The Department of Revenue should provide the estimate of possible increased revenues to the state as a result of this proposal.

In response to another proposal from this year that repealed the sales tax timely filed discount (SB 1205), BAP stated the repeal of the sales tax withholding discount will, according to the Department of Revenue, increase general revenue by an estimated \$15.6 million, other state funds by an estimated \$6.4 million and local funds by \$11.8 million (for a total of \$33.8 million).

Officials from the **Department of Revenue (DOR)** state this proposal repeals the 2% timely discount on sales tax remittance. DOR assumes they will require form changes. If an effective date of January 1 is not added to the legislation, DOR would be required to make a 2nd mailing of voucher books and sales tax forms/instructions to accommodate such changes. This would result in additional forms cost of \$43,000 (\$23,000 for printing and \$20,000 voucher book postage). The changes to the 53-1 (Sales Tax Return - long form) would be minimal; therefore, DOR would absorb the costs.

ASSUMPTION (continued)

DOR's Information Technology indicated system changes would be required, but anticipate the changes could be handled with existing staff.

DOR's Business Tax state this proposal would require their division to notify all businesses registered with the DOR for retail sales tax, by mailing, for a cost of \$62,250 (approximately 150,000 account: letters/\$0.025 each & postage/\$0.39 per letter).

DOR assumes the proposal would increase revenues by \$33.8 million per year.

Utilizing the breakout provided by BAP, **Oversight** will assume the following annual impact from this proposal;

Fund	Sales Tax Rate	Est Annual Savings
General Revenue	3.000%	\$15,600,000
School District Trust Fund	1.000%	\$5,200,000
Conservation Fund	0.125%	\$650,000
Parks and Soils	0.100%	\$520,000
Cities and Counties (estimate)	2.250%	\$11,800,000
Total Sales Tax	6.475%	\$33,770,000

Oversight will assume the effective date of the changes within the proposal will be January 1, 2007, or six months of impact in FY 2007.

This proposal will increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2007 (6 Mo.)	FY 2008	FY 2009
GENERAL REVENUE			
<u>Income</u> - repeal of 2% timely filed discount for sales taxes	\$7,800,000	\$15,600,000	\$15,600,000
<u>Costs</u> - Department of Revenue Notification mailing	(\$62,250)	\$0	\$0
ESTIMATED NET EFFECT TO GENERAL REVENUE	<u>\$7,737,750</u>	<u>\$15,600,000</u>	<u>\$15,600,000</u>

<u>FISCAL IMPACT - State Government</u> (continued)	FY 2007 (6 Mo.)	FY 2008	FY 2009
OTHER STATE FUNDS			
<u>Income</u> - to School District Trust Fund repeal of 2% timely filed discount for sales taxes	\$2,600,000	\$5,200,000	\$5,200,000
<u>Income</u> - to Conservation Fund repeal of 2% timely filed discount for sales taxes	\$325,000	\$650,000	\$650,000
<u>Income</u> to Parks and Soil Funds repeal of 2% timely filed discount for sales taxes	<u>\$260,000</u>	<u>\$520,000</u>	<u>\$520,000</u>
ESTIMATED NET EFFECT TO ALL OTHER STATE FUNDS	<u>\$3,185,000</u>	<u>\$6,370,000</u>	<u>\$6,370,000</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2007 (6 Mo.)	FY 2008	FY 2009
CITIES AND COUNTIES			
<u>Income</u> to Cities and Counties repeal of 2% timely filed discount for sales taxes	<u>\$5,900,000</u>	<u>\$11,800,000</u>	<u>\$11,800,000</u>
ESTIMATED NET EFFECT TO CITIES AND COUNTIES	<u>\$5,900,000</u>	<u>\$11,800,000</u>	<u>\$11,800,000</u>

FISCAL IMPACT - Small Business

Small businesses that remit sales taxes to the state would be negatively impacted as a result of this proposal.

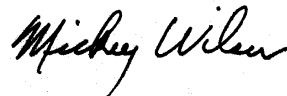
DESCRIPTION

This proposal repeals the timely file discount for sellers that filed quarterly remittance of sales taxes on or before the due date. The discount allowed sellers to retain two percent of sales tax revenues collected.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration - Budget and Planning



Mickey Wilson, CPA
Director
March 28, 2006