

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4448-09
Bill No.: SS for HB 1435
Subject: Taxation and Revenue - General; Revenue, Department of; Taxation and Revenue
- Sales and Use
Type: Original
Date: May 12, 2016

Bill Summary: Modifies provisions relating to sales tax refunds.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
General Revenue	(\$25,975)	\$0	\$0
Total Estimated Net Effect on General Revenue Fund	(\$25,975)	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

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

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

In response to a prior proposal, officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume this proposal modifies sales tax refund claims provisions for certain taxable property purchasers. It removes the seller from validating a refund claim, modifies provisions pertaining to offsets or claims when the assessment is no longer subject to appeal, and shortens the number of days the seller has to provide the buyer with an assignment of rights statement from 60 to 30 days.

B&P officials noted this proposal could cause an increase in sales tax refund claims made by the purchasers of certain taxable property and reduce TSR, however, based on information provided by the Department of Revenue (DOR), B&P officials do not expect the impact to be significant.

In response to a prior proposal, officials from the **Department of Revenue (DOR)** assumed this proposal would modify current provisions pertaining to offsets or claims assessed under 144.240 or 144.670 and assessments no longer subject to appeal. DOR officials stated the proposal would allow a refund if the purchaser files a refund claim, provided the refund claim is for use tax remitted by the purchaser, or if a person legally obligated to remit the tax files another refund claim.

Administrative impact

DOR officials did not provide an estimate of administrative cost to implement the proposal, and **Oversight** assumes any administrative cost related to this proposal would be minimal and could be implemented with existing resources.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of \$25,975 based on 200 hours of programming to make changes to DOR systems.

Oversight assumes no significant revenue reduction for this proposal. Oversight will reflect a one time cost to implement the Integrated Tax System in FY 2017.

ASSUMPTION (continued)

In response to a prior version, officials from the **Office of the Secretary of State (SOS)** assumed in response to this proposal that many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the Secretary of State's Office for Administrative Rules is less than \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what our office can sustain with our core budget. Therefore, we reserve the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

In response to a prior version, officials from the **Joint Committee on Administrative Rules** assume this proposal would not have a fiscal impact to their organization.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
GENERAL REVENUE FUND			
<u>Cost - Integrated tax system</u>	<u>(\$25,975)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT ON THE GENERAL REVENUE FUND	<u>(\$25,975)</u>	<u>\$0</u>	<u>\$0</u>
 <u>FISCAL IMPACT - Local Government</u>	 FY 2017 (10 Mo.)	 FY 2018	 FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

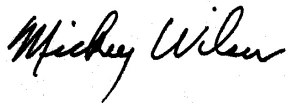
This proposal clarifies that the limitations on sales tax refund claims are for the final assessment of sales and use tax which are no longer subject to appeal and removes the seller's approval requirement for a refund claim.

Any vendor or seller who fails or refuses to provide an assignment of rights statement has 30 days to provide the Director of Revenue a notarized statement confirming that he or she made every effort to obtain an assignment of rights statement. Currently, the vendor or seller has 60 days.

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

Office of the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Revenue



Mickey Wilson, CPA
Director
May 12, 2016

Ross Strobe
Assistant Director
May 12, 2016