

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4448-09
Bill No.: Truly Agreed To and Finally Passed SS for HB 1435
Subject: Taxation and Revenue - General; Revenue, Department of; Taxation and Revenue
- Sales and Use
Type: Original
Date: June 17, 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

Officials from the **Department of Revenue (DOR)** assume this proposal would modify current provisions pertaining to offsets or claims assessed under sections 144.240 or 144.670 and assessments no longer subject to appeal. DOR officials state 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 changes to the Integrated Tax System in FY 2017.

According to officials from the **Office of the Secretary of State (SOS)**, 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 SOS 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.

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process.

ASSUMPTION (continued)

Officials from the **Office of Administration - Division of Budget and Planning** and the **Joint Committee on Administrative Rules** each assume this proposal would not have a fiscal impact to their respective organizations.

| <u>FISCAL IMPACT - State Government</u> | FY 2017 (10 Mo.) | FY 2018 | FY 2019 |
|---|--------------------------|-------------------|-------------------|
| GENERAL REVENUE FUND | | | |
| Cost - DOR - Integrated tax system §144.190 | <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

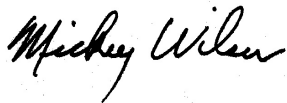
This proposal clarifies that the limitations on sales tax refund claims are for the final assessment of sales and use tax which are no longer subject to appeal and removes the seller's approval requirement for a refund claim.

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

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



Mickey Wilson, CPA
Director
June 17, 2016

Ross Strobe
Assistant Director
June 17, 2016