

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0488-01  
Bill No.: SB 141  
Subject: Taxation and Revenue - Sales and Use  
Type: Original  
Date: January 17, 2019

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Bill Summary: This proposal modifies the filing periods for the remittance of sales tax.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Department of Revenue (DOR)** assume this proposed section changes the monthly filing threshold of sales tax levied and imposed upon a seller from \$250 for either the first or second month of a calendar quarter, to \$500 per calendar month during the previous calendar year.

Currently Section 144.080 states that if the tax levied is in excess \$250 dollars for the first or second month of a calendar quarter, the seller shall file and remit the aggregate amount to the Department no later than the twentieth day of the succeeding month. Section 144.080 also states that the Department may promulgate rules or regulations changing the filing and paying requirements of sellers, but shall not require any seller to file and pay more frequently than required in this section. The Department promulgated a rule (12 CSR 10-104.030) which changed the threshold of tax collections for monthly filers to \$500 per calendar month.

12 CSR 10-104.030 states that if state tax collections are less than \$500 per calendar month but equal or exceed \$100 in a calendar quarter, the taxpayer must file and remit taxes on a quarterly basis. This section increases the aggregate amount from \$100 to \$200 in a calendar quarter during the previous calendar year.

12 CSR 10-104.030 states that if state tax collections are less than \$100 per calendar quarter, the taxpayer must file and remit taxes on an annual basis. This section increases the aggregate amount from \$100 to \$200 per calendar quarter during the previous calendar year.

The proposed legislation appears to increase the number of annual filers. This will reduce the number of quarterly filers and may have an impact on cash flow during the first year of implementation. The Department assumes the impact will be minimal, since the amount of filers affected would be very low and those affected would be collecting and remitting less than \$200 per calendar quarter.

DOR provided the following information regarding those impacted:

Quarterly Filers: 30,448

Quarterly Filers reporting less than \$200.00/quarter: 1,275

Percent of Quarterly Filers reporting less than \$200.00/quarter: 4%

Dollar amount reported of taxable sales: \$162,234

Dollar amount reported of tax due: \$12,105

ASSUMPTION (continued)

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal will have a minimal cash flow and Total State Revenue impact in FY 2020 and FY 2021. This proposal will not impact Total State Revenue beyond these two fiscal years. This proposal will not impact the calculation under Article X, Section 18(e).

This proposal would change the filing thresholds for sales tax. The following table shows the current DOR regulation versus this proposal.

Filing Frequency	Current Regulation	Proposal
Monthly	Collections ≥ \$500 per month	Collections >\$500 per month
Quarterly	Collections < \$500 per month	Collections < \$500 per month
	Collections ≥ \$100 in a quarter	Collections ≥ \$200 in a quarter
Annual	Collections < \$100 in a quarter	Collections < \$200 in a quarter

This proposal would allow filers who collect between \$100 and \$200 in a calendar quarter to file on an annual basis rather than the quarterly basis that is currently required by DOR regulation.

B&P is unable to determine how many sales tax filers would be impacted by this proposal; however, B&P notes that quarterly sales tax collections are approximately 14% of total sales tax collections. Therefore, B&P estimates that this proposal will have a minimal negative impact on Total State Revenue, General Revenue, School District Trust Fund, Conservation, DNR, and local funds in FY 2020. This proposal will then have a minimal positive impact on Total State Revenue, General Revenue, School District Trust Fund, Conservation, DNR, and local funds in FY 2021. This proposal will have no Total State Revenue or cash flow impact on any funds after FY 2021.

**Oversight** notes this proposal does not change the amount of sales tax remitted to the State it just changes when businesses remit the tax. While this could impact when the money is received (timing difference/cash flow), it will not impact how much is received. Therefore, based upon DOR’s estimates, Oversight will not show a material direct fiscal impact from this proposal in the fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Certain small businesses that collect sales taxes may get to change how often they remit the sales tax to the State.

FISCAL DESCRIPTION

Current law provides statutory sales tax collection thresholds to determine the frequency at which sellers shall file and remit sales taxes collected, with such periods being quarter-monthly, monthly, quarterly, and annually. Current law also allows the Department of Revenue to increase, but not decrease, such thresholds through rule. This act modifies the statutory thresholds for the monthly, quarterly, and annual filing periods.

For monthly filing, the threshold is changed from at least \$250 in the first or second month of a calendar quarter to at least \$500 per calendar month for the prior year.

For quarterly filing, the threshold is changed from at least \$45 in a calendar quarter, but not subject to monthly filing to less than \$500 per calendar month, but at least \$200 in a calendar quarter.

For annual filing, the threshold is changed from less than \$45 per calendar quarter to less than \$200 per calendar quarter.

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

L.R. No. 0488-01  
Bill No. SB 141  
Page 6 of 6  
January 17, 2019

SOURCES OF INFORMATION

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