

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 825** HLS 16RS 351

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 15, 2016	5:05 PM	Author: CONNICK
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Directs the centralized collection of all sales tax at LDR		

TAX/SALES & USE

OR +\$9,800,000 GF EX See Note

Page 1 of 1

Provide for the centralized collection of local sales and use taxes by the Department of Revenue

Current law provides that state sales tax is collected by the state and local sales tax is collected at the local level, unless other agreements are made. Proposed law directs the Department of Revenue to act as the centralized collection agency for all sales tax beginning July 1, 2017. The local sales tax base may become the same as the state sales tax base, which includes constitutional exemption such as food, residential utilities and prescription drugs, among others. It is not clear which of the 4 state sales tax impositions would become the local base. The bill states that LDR will have no power of administration or enforcement of local sales tax, though LDR will be responsible for providing dedicated staff, including 24 hour staff access and a system allowing real-time access to data on collections. Local taxes will not be subject to appropriation and will be transmitted by LDR within 4 days of receipt (electronic) or 20 days of receipt (check). LDR may retain up to 0.5% of collections for administrative expenses upon agreement with local taxing authorities. Accounts will be reconciled monthly and reported quarterly including administrative expenses and detailed taxpayer information. LDR will also provide a report when requested of taxpayers failing to pay taxes due and investigate and report on any taxpayer identified by local taxing authorities. A taxing authority may request up to twice per year an audit of LDR (with assistance from the legislative auditor) concerning its local tax collections. Assessment or credit/refund appeals will be made to the Board of Tax Appeals. LDR will promulgate rules. Requires voter approval of a Constitutional Amendment (HB 131).

EXPENDITURES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$9,800,000	\$0	\$0	\$0	\$0	\$9,800,000
Agy. Self-Gen.	\$0	\$6,000,000	\$6,300,000	\$6,500,000	\$6,700,000	\$25,500,000
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$9,800,000	\$6,000,000	\$6,300,000	\$6,500,000	\$6,700,000	\$35,300,000

REVENUES	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$15,200,000	\$15,200,000	\$15,200,000	\$15,200,000	\$60,800,000
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

The bill may contain contradictory language concerning LDR's responsibilities by prohibiting administration and enforcement, then directing administrative duties funded by the ability to retain 0.5% of collections. The cost estimates do not include printing and mailing of returns as this duty is not specified in the bill. An electronic mandate would help mitigate this expense.

Assuming the state is expected to administer local collections and assist with information sharing for enforcement as outlined in the bill, LDR has presented a program level cost estimate beginning 1/1/17 in preparation of beginning local collections on July 1, 2017. Costs include 69 additional staff, system and form adjustments, equipment acquisition, and a half year of salary costs for a first year cost estimate of \$9.8M. After initial expenses, costs in subsequent years are estimated at about \$6M, increasing by 4% annually to about \$6.7M in FY 21, which incorporates inflation and merit increases. These expenses are expected to be funded by the funds retained by LDR from local collections, though any expense in preparing for collections (FY 17) would necessarily have to be funded by the state since retention of local funds is not yet possible.

State sales tax collections are currently forecast for FY 17 at \$3.8B at primarily a 5% tax rate. Assuming local sales tax on the same base at 4% (\$3.1B estimated collections), LDR could retain up to 0.5% or \$15.2M.

REVENUE EXPLANATION

The bill appears to change the local sales tax base by equating it to the state sales tax base as stated in Title 47. To the extent that items that are currently taxable at the local level will now be exempt due to the state exemptions, local sales tax collections will decrease. Alternatively, items exempt from the local base but taxable within the state base would increase local sales tax collections.

State sales tax collections are currently forecast for FY 17 at \$3.8B at primarily a 5% tax rate. Assuming local sales tax on the same base at 4% (\$3.1B estimated collections), LDR could retain up to 0.5% or \$15.2M.

State sales tax collections are not impacted by the bill.

Senate Dual Referral Rules House

13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Chief Economist