

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 22** HLS 201ES 76
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 8, 2020 5:47 PM	Author: DAVIS
Dept./Agy.: Revenue/ OMV	Analyst: Benjamin Vincent
Subject: Vendors' Compensation	

TAX/SALES & USE OR -\$14,000,000 GF RV See Note Page 1 of 1
 Provides for the rate and aggregate amount of compensation authorized for the collection and remittance of state sales and use taxes (Item #30)
Present law provides that dealers may retain 0.935% of taxes levied under R.S. 47:302, 47:321, 47:331, and 51:1286, not to exceed \$1,500 per month, provided the return is filed timely and payment is made timely.

Proposed law increases the amount that may be retained to 1.5% of the applicable taxes collected, and expands the applicable taxes to include the 0.45% levy in R.S. 47:321.1. Proposed law additionally increases the maximum retained amount allowed per dealer to \$2,500 per month.

Effective August 1, 2020.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0	\$0	\$0
REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	(\$12,705,000)	(\$13,860,000)	(\$13,860,000)	(\$13,860,000)	(\$13,860,000)	(\$68,145,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	(\$128,000)	(\$140,000)	(\$140,000)	(\$140,000)	(\$140,000)	(\$688,000)
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$12,833,000)	(\$14,000,000)	(\$14,000,000)	(\$14,000,000)	(\$14,000,000)	(\$68,833,000)

EXPENDITURE EXPLANATION

LDR anticipates that the implementation of proposed law will incur programming, development, and testing costs of \$103,000 of staff time to revise multiple forms for tax returns prior to the effective date of August 1, 2020.

REVENUE EXPLANATION

Proposed law would reduce the net amount remitted to the state under sales and use tax for general and motor vehicle sales, by increasing the amount that dealers are allowed to retain for timely filing and remittance. Proposed law raises the maximum retained to \$2,500 per month.

Under the assumption that the proportion of eligible tax collections remains roughly stable at its FY19 level, the effect of increasing the rate of compensation and including the temporary 0.45% levy as eligible for compensation would reduce total net remittances by a minimum of approximately \$14 million per year. However, as proposed law significantly raises the maximum eligible compensation per dealer, the actual remittance loss will likely be more than this amount.

The Dept of Revenue reports that it does not have data available to determine what share of vendor compensation is constrained by the monthly cap, and thus can not estimate the share that would be lost to the state as a result of this bill. For informational purposes, LFO estimates that in an upper bound scenario where no dealer was bound by the \$2,500 cap, the reduction in net remittances due to proposed law would amount to approximately \$35 million.

The bulk of the impact that does occur would fall upon general fund collections, but a portion would reduce net revenues dedicated for the Tourism Promotion District and the LA Economic Development Fund (approximately \$140,000 combined), as well as various hotel/motel room rental dedications etc.

First year effects are for 11 months (August 1 effective date), with full 12-month effects thereafter.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Gregory V. Albrecht
Chief Economist