

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 21** SLS 201ES 110
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 16, 2020 3:35 PM	Author: MCMATH
Dept./Agy.: Revenue	Analyst: Benjamin Vincent
Subject: Vendor's Compensation	

TAX/SALES EG DECREASE GF RV See Note Page 1 of 1
 Provides for the amount of compensation dealers may retain for timely filing and remittance of state sales tax. (Item #30) (7/1/20)
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 1.1% of the applicable taxes collected. Proposed law additionally reduces the maximum retained amount allowed per dealer to \$1,200 per month, and sets a minimum retained amount for monthly filers of \$15 monthly.

Effective July 1, 2020.

EXPENDITURES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
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	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	<u>2020-21</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

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.

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, provided that they are sufficiently below the current maximum of eligible sales. Proposed law additionally reduces the monthly maximum that dealers are allowed to retain from \$1,500 to \$1,200, and sets a minimum amount retained of \$15 per dealer.

Under the assumption that the proportion of eligible tax collections remains roughly stable at its FY19 level, proposed law would reduce total net remittances by a maximum of approximately \$3.3 million in FY21. However, the monthly amount retained by large vendors who are already constrained by the \$1,500 monthly cap would be reduced to \$1,200. This would mitigate the negative impact to net state revenue collections by an unknown extent. The magnitude of the negative impact of the \$15 monthly minimum per dealer is similarly indeterminable.

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.

The bulk of the impact that does occur would fall upon general fund collections, but a portion would reduce net revenues dedicated for state and local purposes such as the Tourism Promotion District, the LA Economic Development Fund, various hotel/motel room rental dedications etc.

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