

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 676** HLS 15RS 1208

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: May 29, 2015	12:28 PM	Author: KLECKLEY
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Caps annual vendor comp payments at \$100,000 per dealer		

TAX/STATE OR +\$2,500,000 GF RV See Note Page 1 of 1
Reduces the amount of dealer's compensation for collection and remittance of state sales and use taxes

Current law allows dealers collecting sales tax on behalf of the state to retain 0.935% of taxes collected as compensation for timely remittance. There is no limit to the total amount of vendor compensation that may be paid.

Proposed law retains current law but caps the annual vendor compensation payment at \$100,000 per year per dealer with one or more business locations in the state.

Effective July 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	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	<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	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000	\$12,500,000
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$100,000
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	\$2,520,000	\$2,520,000	\$2,520,000	\$2,520,000	\$2,520,000	\$12,600,000

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The Department indicates that any implementation costs will be absorbed in the current budget. Though the cost of this bill is minimal, the aggregate impact of all bills may require additional resources.

REVENUE EXPLANATION

According to the Department of Revenue, in FY14, 15 corporate entities which acted as dealers on behalf of the state and retained more than \$100,000 in vendor compensation at 135 business locations in FY 14. The total amount of vendor compensation less \$100,000 for each of these vendors was about \$2.5M, which is the estimated increase in SGF as a result of this bill, assuming sales stay relatively constant and vendors retain their current business structure. A vendor's compensation payment of \$100,000 is associated with about \$267M in annual sales and \$10.5M in sales tax remittances. In interpreting this bill, the Department allowed one vendor compensation payment of \$100,000 per corporate entity, not per location.

The Tourism and Promotion District would receive 0.03% of increased collections or about \$20,000.

According to the Tax Exemption Budget, about \$26.7M is expected to be retained by all vendors as compensation in FY 16.

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| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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