



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 9** HLS 161ES 46
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: February 16, 2016 6:39 PM	Author: COX
Dept./Agy.: Revenue	
Subject: Cap on Vendor Compensation claims	Analyst: Deborah Vivien

TAX/SALES & USE OR +\$8,000,000 GF RV See Note Page 1 of 1
 Provides for the amount of dealer's compensation for collection and remittance of state sales and use taxes (Item #21)

Current law allows dealer 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 received.

Proposed law retains the current 0.935% rate but caps the annual vendor compensation payment at \$1,000 per month per dealer with one or more business locations in the state. The bill is effective on April 1, 2016.

EXPENDITURES	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	\$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	2016-17	2017-18	2018-19	2019-20	2020-21	5 -YEAR TOTAL
State Gen. Fd.	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$40,000,000
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	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000	\$40,000,000

EXPENDITURE EXPLANATION

The Department of Revenue indicates that implementation costs could be significant but will be absorbed in the current budget. The Office of Motor Vehicles also indicates significant costs will be involved given the structure of the current system.

REVENUE EXPLANATION

According to the Department of Revenue, in FY15, 267 corporate entities acted as dealers on behalf of the state and each retained more than \$12,000 per year in vendor compensation. The total annual amount of vendor compensation less \$12,000 for each of these vendors is approximately \$8M, which is the estimated increase in net state sales tax receipts resulting from this bill. The bill is effective April 1, 2016, allowing 3 months of increased net receipts in FY 16, estimated at \$2M.

Though the cap is imposed on a monthly basis, the fiscal note estimate is based on annual totals, and assumes relatively even or average monthly claims.

A vendor's compensation payment of \$12,000 is associated with about \$32M in annual sales and \$1.3M in sales tax remittances. In interpreting this bill, the Department allowed one vendor compensation payment of \$12,000 per business entity, not per location and set the limit based on an annual total instead of a monthly maximum due to time limitations.

Vendor compensation analysis has typically not included motor vehicle sales tax. Total vendor compensation for vehicle dealers under current law would be approximately \$2 million per year. To the extent the cap imposed by this bill is applied to vehicles dealers, some additional net revenue gain to the state would occur.

- | | | |
|---|--|--------------|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {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} | |

Gregory V. Albrecht
Chief Economist