

**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 105** HLS 161ES 233  
 Bill Text Version: **ORIGINAL**  
 Opp. Chamb. Action:  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> February 24, 2016 5:41 PM	<b>Author:</b> DAVIS
<b>Dept./Agy.:</b> Revenue	
<b>Subject:</b> Advanced payment of sales tax on alcohol and beer	<b>Analyst:</b> Deborah Vivien

TAX/SALES & USE OR INCREASE GF RV See Note Page 1 of 1  
 Requires the advance payment of sales tax by certain tobacco and alcoholic beverage wholesalers (Item #35)

Current law directs retail vendors to collect and remit the 4% sales tax on behalf of the state on a monthly basis. Remittances are due on the 20th day of the month following the sale. Retail dealers are allowed a vendor's compensation payment of 0.935% of sales tax remitted.

Proposed law directs sales tax on alcohol and tobacco to be collected and remitted at the wholesale level by manufacturers, wholesalers based on the wholesale price. The dealer would then collect the 4% tax upon retail sale, report the full amount collected and be eligible for a credit in the amount of sales tax already paid to the wholesaler for that item. Vendor's compensation of 0.935% is available on the full price of both the wholesale and retail sale for timely payment and filing. Advance payment of local taxes is prohibited. Effective upon governor's signature.

<b>EXPENDITURES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>REVENUES</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b>\$0</b>
<b>Annual Total</b>						

**EXPENDITURE EXPLANATION**

The bill is effective upon signature, which means it could become effective in the middle of a month, which may complicate implementation. Implementation cost will have to be absorbed in the current agency budget, although the aggregate impact of all session bills may require additional resources.

**REVENUE EXPLANATION**

This bill does not change sale tax liabilities but could serve to accelerate sales tax remittances for alcohol and beer by collecting a portion of the tax on the wholesale transaction. The retail dealer will then deduct the amount of sales tax paid to the wholesaler from the next remittance of sales tax from retail sales.

An absolute figure is inestimable as it is not immediately clear what assumptions can be made concerning the timing of sales from the wholesaler to the retailer, nor the wholesale versus retail sales-taxable base involved. Assuming the bill becomes effective April 1, 2016, remittances on April 20 will include advanced sales payments from wholesalers as well as the normal retail sales remittances. It is not clear what portion of wholesale purchases will be offset by retail credits in the first month. There will likely be an increase in state receipts for the first few months based on the remittance at the wholesale level, but credits at the retail level will begin to offset that one-time timing gain. In addition, vendor's compensation duplication will occur whereby the wholesaler is allowed 0.935% of remittance and the retailer is also allowed 0.935% on the remittances of the retail sales prior to the prepayment credit. The net effect of the bill is expected to be an increase in state receipts due to both timing (in the early months of implementation) and stronger compliance for the duration of the policy.

Advanced sales tax collection is prohibited at the local level.

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}

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