

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



Fiscal Note On: **HB 54** HLS 161ES 143  
 Bill Text Version: **ENGROSSED**  
 Opp. Chamb. Action: **w/ SEN COMM AMD**  
 Proposed Amd.:  
 Sub. Bill For.: **REVISED**

<b>Date:</b> March 4, 2016 2:26 PM	<b>Author:</b> BROADWATER
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Advanced deposit for sales tax	

TAX/SALES & USE

EG1 SEE FISC NOTE GF RV

Page 1 of 1

Requires the advance payment of sales tax (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.

Proposed law directs alcohol and tobacco wholesalers to collect and remit advance sales tax from retailers. Retailers will then credit any taxes paid from those remitted for retail sales. Both the wholesaler and the retailer are allowed to retail 0.935% as vendor compensation for timely filing and payment. The bill prohibits local sales tax collections at the wholesale level. The bill also directs retail dealers (except motor vehicle dealers) with average monthly sales tax liabilities greater than \$20,000 between 4/1/15 to 3/30/16 to pay a deposit of estimated monthly liabilities on or before 4/20/16 and by the 20th of every month thereafter. Payments will be based on either 90% of actual sales through the 15th of the month or 75% of prior year sales of the same month. The vendor would then be allowed to net this deposit from remittances in the following month. 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.	\$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>

**EXPENDITURE EXPLANATION**

The bill is effective upon signature, which means it could become effective in the middle of a month, which may complicate implementation. Any additional costs, which could be material, will be absorbed in the current agency budget.

**REVENUE EXPLANATION**

Due to the modified accrual method of accounting utilized by the state, this bill will not generate any additional end-of-year revenue for the FY 16 budget since any sales tax transactions in June (including any associated credits) will be accrued to FY 16, as long as they are paid within the accrual period (July 1 - August 14). Whether the sales tax remittances related to June transactions are paid on June 20 or July 20, the remittances are currently considered FY 16 revenue since the transaction date is in FY 16.

This bill will bring about \$75M to the state about a month sooner than current deadlines, but this will only impact cash flow within the fiscal year, not the actual amount of fiscal year budget revenue.

If the first effective date is related to May transactions, alcohol and tobacco wholesalers are directed to collect and remit advance payment sales tax which is expected to increase about \$1.8M in remittances from FY 17 into FY 16 because the remittances are now based on the wholesale transaction date instead of the retail transaction date. However, after consideration of tobacco tax dedications, SGF is expected to increase in FY 16 by about \$1.1M with an estimated \$750,000 increase in statutory dedications. This figure is based on the estimated retail markup of these items using U.S. Bureau of Labor Statistics retail prices and volumes from the excise tax remittances (except other tobacco products which are based on a wholesale value already).

Motor vehicle retailers are exempt and local sales tax is prohibited from the advance deposit.

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}

**John D. Carpenter**  
**Legislative Fiscal Officer**