

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 561** HLS 17RS 754
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 22, 2017 9:59 AM	Author: JONES
Dept./Agy.: REVENUE	Analyst: Benjamin Vincent
Subject: Sales & Use Tax Levy & Dedication	

TAX/SALES-USE, STATE OR +\$428,000,000 SD RV See Note Page 1 of 1
 Levies a 1/2 cent state sales and use tax and dedicates the proceeds to the 21st Century Transportation and Infrastructure Fund.

Current law imposes state sales and use taxes on the sale, use, lease or rental of tangible personal property, and certain services at a combined rate of 5%, and provides for numerous exemptions and exclusions. Numerous exemptions and exclusions are suspended until July 1, 2018, and a few until April 1, 2019.

Proposed law imposes a new 1/2% state sales and use tax upon sale at retail, use, consumption, distribution, and storage for use or consumption of tangible personal property as well as certain services, effective July 1, 2018 through June 30, 2038. It provides for specific exemptions, and dedicates the proceeds from this new levy to the 21st Century Transportation and Infrastructure Fund. It also provides that no revenue collected shall be remitted to any tax increment financing district, or economic development project.

Effective upon adoption of a constitutional amendment proposed by an unspecified House bill of this session.

EXPENDITURES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	\$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

REVENUES	2017-18	2018-19	2019-20	2020-21	2021-22	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$428,000,000	\$429,000,000	\$434,000,000	\$434,000,000	\$1,725,000,000
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	\$0	\$428,000,000	\$429,000,000	\$434,000,000	\$434,000,000	\$1,725,000,000

EXPENDITURE EXPLANATION

The Dept of Revenue will incur costs associated with designing, modifying, and testing the tax processing system. These costs are typically estimated in the tens of thousands of dollars of staff time (\$77,000 estimated in this case). An assessment of the cumulative need resulting from all legislation is made at the end of session which informs the budget request of the Dept.

REVENUE EXPLANATION

Current law provides a state sales tax rate of 5% from April 1, 2016 through July 1, 2018, at which time the rate imposed will return to 4%. This temporary rate increase is imposed on the traditional base of transactions that existed prior to April 1, 2016, as well as certain existing exemptions and exclusions.

Proposed law imposes an additional tax of 1/2% beginning July 1, 2018, and includes several exemptions and exclusions. It also specifies that the funds will be deposited into the 21st Century Transportation and Infrastructure Fund.

The list of exemptions and exclusions applicable to the 1/2 cent levy in proposed law provides for a similar base of taxable transactions as the traditional base in effect prior to April 1, 2016. The value of this traditional tax base is implied by the sales tax projections in the Revenue Estimating Conference official forecast. That implied base is used to estimate the revenue increase expected from the 1/2 cent levy in proposed law. Estimated tax receipts are to be deposited into a dedicated fund, as displayed in the table above.

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}

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