LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **SB 526** SLS 18RS 1901
Bill Text Version: **ENGROSSED**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: April 11, 2018 10:37 AM
Author: LAFLEUR
Dept./Agy.: REVENUE
Subject: Reporting Requirements for Use of Service Providers
Analyst: Benjamin Vincent

REVENUE DEPARTMENT EG SEE FISC NOTE GF RV See Note

Establishes reporting requirements for businesses and governmental entities using service providers. (8/1/18)

Proposed law requires any service recipient that is required to file a return to the IRS for payments made to a service provider as compensation to also file an informational report to the LA Dept. of Revenue (LDR). Proposed law authorizes LDR to assess a penalty if the required information is not reported or is incomplete.

Effective August 1, 2018.

EXPENDITURES	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**5 -YEAR TOTAL**
State Gen. Fd.	$51,000	$0	$0	$0	$0	**$51,000**
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	**$51,000**	**$0**	**$0**	**$0**	**$0**	**$51,000**

REVENUES	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**	**5 -YEAR TOTAL**
State Gen. Fd.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Agy. Self-Gen.	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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						

EXPENDITURE EXPLANATION

In order to implement proposed law, LDR reports that it would need to obtain a copy of the 1099-MISC form that is filed by service recipients with the IRS for these transactions. LDR anticipates an estimated one-time cost of $51,360 for redesign, programming, and testing required for the current web application to be able to accommodate this feature.

REVENUE EXPLANATION

Proposed law requires service recipients to submit informational reports to LDR for payments to service providers, if the recipient is required to make a return to the IRS. LDR reports that proposed law may result in improved compliance and enforcement, although proposed law does not change the activities or income that is currently subject to tax. Any impact state tax receipts is speculative.

Proposed law additionally authorizes LDR to assess a penalty of $100 per failure to correctly report all required transactions, not to exceed $7,500 per year for each service provider. To the extent that reporting noncompliance on the part of service recipients occurs, LDR self-generated revenues will increase due to these penalties. Any noncompliance or its impact on self-generated revenues is speculative.

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}

Gregory V. Albrecht
Chief Economist