

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 597** HLS 19RS 950
 Bill Text Version: **REENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

| | | |
|---|---------|----------------------------------|
| Date: May 24, 2019 | 9:33 AM | Author: STEFANSKI |
| Dept./Agy.: Revenue | | Analyst: Benjamin Vincent |
| Subject: Sales Tax Exemptions: Certain Re-leases or Re-rentals | | |

TAX/SALES & USE RE DECREASE GF RV See Note Page 1 of 1

Authorizes a state and local sales and use tax exclusion for certain re-leases or re-rentals of items of tangible personal property

Proposed law fully excludes leases or rentals made by short-term equipment rental dealers, for the purpose of re-lease or re-rental, from state and local sales and use tax. Proposed law specifies qualifying NAICS industries (532412 and 532310), and specifies 365 days as a maximum to qualify for "short-term rental".

Effective upon governor's signature.

| EXPENDITURES | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| 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 | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | \$0 |
| Annual Total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

| REVENUES | <u>2019-20</u> | <u>2020-21</u> | <u>2021-22</u> | <u>2022-23</u> | <u>2023-24</u> | <u>5 -YEAR TOTAL</u> |
|---------------------|----------------|----------------|----------------|----------------|----------------|----------------------|
| State Gen. Fd. | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| 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 | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| Annual Total | | | | | | |

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

Proposed law would exclude from state and local sales tax rentals or leases by a short-term equipment rental dealer made for re-rental or re-lease. Reliable information on qualifying rentals or leases by dealers in this industry is not available at the time of this note's writing.

To the extent that qualifying rentals or leases are made, state and local tax revenues will decrease. The state revenue loss is depicted as entirely state general fund in the table above, but small amounts of loss (roughly 1% of the total) will occur to the Tourism Promotion District allocation and economic development dedications, as well.

NAICS industries 532412 include rentals of bulldozers, construction equipment and machinery, cranes, logging equipment, mining, oil field, and well drilling equipment, and welding equipment.

NAICS industries 532310 include general rental centers, home and garden equipment, and rent-all centers.

While an estimate of qualifying rentals and associated tax is not available, the broad applicability of the bill to general rental centers, as well as to large industrial equipment, and the lengthy period of time allowed to determine a qualifying rental all suggest that state and local revenue losses could be substantial.

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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