

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 14** HLS 201ES 35
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: June 8, 2020	3:43 PM	Author: SCHEXNAYDER
Dept./Agy.: Revenue		Analyst: Benjamin Vincent
Subject: Centralized Collections of State and Local Sales Tax		

TAX/SALES & USE OR SEE FISC NOTE SG EX Page 1 of 1
 (Constitutional Amendment) Authorizes the legislature to provide by law for the collection of sales and use taxes levied within the state (Item #27)

Proposed law provides for a constitutional amendment that authorizes the legislature to enact centralized collection of sales and use taxes for all taxing authorities within the state.

Effective upon adoption of this constitutional amendment presented to the voters at a statewide election on November 3, 2020.

EXPENDITURES	2020-21	2021-22	2022-23	2023-24	2024-25	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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

REVENUES	2020-21	2021-22	2022-23	2023-24	2024-25	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

This note assumes that LDR will assume responsibility of centralized collection contemplated by proposed law, including collection, auditing, legal interpretation, administration, and enforcement. Additional expenditures resulting from expanded LDR responsibility would presumably be offset by fees associated with collections, or increased general fund appropriations.

Centralized collections would require enabling legislation, and incur initial costs occurring prior to the start date. LFO assumes that additional state general fund expenditures would be required in FY21 to prepare for centralized collections. If increased fees associated with collections do not fully offset the expenditures associated with the centralized collection system in years beyond the start of collections, additional general fund support in those years would be required.

An LDR analysis made in 2019 estimated that 29 required positions and OTS requirements resulted in an initial estimated cost of approximately \$4 mil for initial setup, and an annual cost of approximately \$7 mil per year upon full ramp-up of LDR responsibilities. Additional personnel would be required in multiple LDR divisions, including: Revenue Processing, Business Tax Enforcement, Financial Services, Customer Services, Policy, Public Affairs, Taxpayer Compliance, Field Audit, Legal, and Audit Review and Appeals. Additional services by Office of Technological Services (OTS) would also be required.

LFO notes that some iterations of recent proposed centralized collections legislation has left audit authority with political subdivisions. Actual costs and how they are financed would largely depend on the particular enabling legislation required by the amendment, as well as any cooperative agreements between the state LDR and local collectors.

Presumably, local expenditures associated with tax collection would decrease when centralized collections commence, although costs associated with distribution of collections remitted by the state could still be incurred. Actual local cost changes would largely depend on the enabling legislation, as well as any cooperative agreements between the state LDR and local collectors.

REVENUE EXPLANATION

Assuming state collection fees are associated with local tax collections, LDR self-generated revenue would increase as implementation of collections proceeds, and net local receipts distributed back by LDR would be lower than otherwise (local collection costs should also be lower). Actual local revenue changes would largely depend on the enabling legislation, as well as any cooperative agreements between the state LDR and local collectors.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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