



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

Fiscal Note On: **SB 57** SLS 202ES 39

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> October 13, 2020 5:37 PM	<b>Author:</b> LUNEAU
<b>Dept./Agy.:</b> Revenue	<b>Analyst:</b> Benjamin Vincent
<b>Subject:</b> Service Providers: Reporting Requirements	

REVENUE DEPARTMENT OR SEE FISC NOTE GF RV Page 1 of 1  
Establishes reporting requirements for businesses and governmental entities using service providers. (2/3 - CA7s2.1(A)) (1/1/21) (Item #23)

Proposed law requires recipients of services who are required to withhold for federal income tax purposes to provide information on payments made to service providers annually, if the payments meet or exceed \$600 for any year beginning January 1, 2022. Proposed law provides that the Secretary of the Department of Revenue (LDR) will promulgate rules to prescribe the format of required reports, and may issue waivers or alternative formats as required, and provides that the required information is due on March 1st of every year. Proposed law provides for a penalty of \$100 for each failure to report required information, with a maximum penalty of \$7,500 per year.

Effective January 1, 2021.

<b>EXPENDITURES</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</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>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>5 -YEAR TOTAL</b>
State Gen. Fd.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<b>\$0</b>
Agy. Self-Gen.	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	<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>

**EXPENDITURE EXPLANATION**

LDR reports anticipated total initial staff time for programming and testing costs of approximately \$83,000. As the bill specifies an initial reporting deadline of March 2022, LFO assumes that this cost will be incurred during the several months preceding the deadline in FY22.

The programming costs include approximately \$57,000 to implement a digital process for capturing data from paper records, and approximately \$26,000 to construct a data warehouse for required reports.

**REVENUE EXPLANATION**

No direct impact on income tax revenues is anticipated due to proposed law, as relevant tax bases and rates are unaffected. However, the intent of the bill appears focused on identifying potential cases of misclassification of employees for income tax withholding purposes. To the extent that proposed law enhances compliance and enforcement, general fund revenues may increase, but potential revenue gains are speculative. Additionally, agency self-generated revenues may increase to the extent that service recipients that fail to comply are identified and penalized.

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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