

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 235** SLS 22RS 174

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 31, 2022	1:41 PM	Author: ALLAIN
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Combines remote and non-remote sales tax collections		

TAX/LOCAL OR SEE FISC NOTE LF RV Page 1 of 2

Authorizes parishes to contract with the Louisiana Sales and Use Tax Commission for Remote Sellers for the collection of local sales and use tax. (1/1/23)

Current law directs the LA Sales and Use Tax Commission for Remote Sellers to administer and collect remote sales tax for state and local jurisdictions as well as act as single auditor of remote state and local sales tax. The Commission retains 1% as a collection fee. The single local collector is also authorized to retain a distribution fee. Under current law, non-remote local sales tax is collected by the local taxing jurisdictions, except local motor vehicle sales tax and local hotel occupancy tax which are collected by the state and distributed to local taxing authorities.

Proposed law retains current law and expands the authority of the LA Sales and Use Tax Commission for Remote Sellers to also collect and audit non-remote local sales tax. However, the Commission will no longer collect or audit remote local sales tax for any local single collector that does not contract with the Commission for the collection of non-remote local sales tax. The Commission collection fee of 1% is retained as is the local distribution fee. Effective January 1, 2023

EXPENDITURES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$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>	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total						

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$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>	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0	\$0				\$0

EXPENDITURE EXPLANATION

The potential duties of the LA Sales and Use Tax Commission for Remote Sellers (RSC) are widely expanded to include non-remote local sales tax collection and single audit requirements for all local taxing authorities through a contract with the 63 single collectors. However, the contract is on a voluntary basis and not mandated by a certain date. Thus, the actual collection timing and volume of responsibilities of the RSC are unknown but could be substantial if many locals choose to contract with them for non-state sales tax collections. To the extent the locals choose not to contract with the RSC for non-remote sales tax collections, the RSC would presumably be required to return any remote sales remittances to sender.

In anticipation of the possibility of all locals contracting with RSC, the RSC will require substantial additional resources to be prepared to act as single collector and auditor for the all local sales tax, including a new system and staff to handle an estimated 22,800 returns per month. The program is expected to take up to two years to become operational and early year expenses are necessary to prepare for a contractual agreement that is allowed anytime after January 1, 2023.

(continued on page 2)

REVENUE EXPLANATION

The bill does not change tax liability for local sales tax, only the means of collecting taxes owed. The fiscal note makes no assumption about one entity's ability to collect or audit the same taxes as compared to another.

For those taxing authorities contracting with the RSC to collect non-remote local sales tax, a retention fee of 1% for the RSC will be deducted from remittances in the same manner as current remote sales tax collections. This fee will become self-generated revenue for the RSC, presumably to pay collection and audit expenses, and will reduce local sales tax revenue. Any local distribution fees remain authorized.

The revenue impact is anticipated on local collections beginning in FY 25 when the RSC anticipates becoming operational but only to the extent that local taxing authorities enter into contractual arrangements with the RSC.

Senate
 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}


Alan M. Boxberger
Interim Legislative Fiscal Officer

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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION (continued)

Cost estimates:	FY 23	FY 24	FY 25	FY 26	FY 27
System initialization	\$1.6M				
System annual cost	\$1.9M	\$1.9M	\$1.9M	\$1.9M	\$1.9M
8 research analyst staff		\$0.5M	\$0.5M	\$0.5M	\$0.5M
Audit costs		\$0.4M	\$43.0M	\$43.0M	\$43.0M
TOTAL	\$3.5M	\$2.8M	\$45.4M	\$45.4M	\$45.4M

These estimates were provided by the RSC. The LFO can envision a scenario where these costs are substantially higher as collecting and auditing all sales tax for 63 entities could require more resources than listed here, including administrative functions and other overhead. However, all of these expenses are contingent upon local participation.

The bill authorizes a 1% collection fee for all taxes collected on behalf of local taxing authorities, which would presumably provide self-generated revenue to pay for any additional expenses. Up front costs would require another means of finance, shown as state general fund in this fiscal note but other sources are not prohibited. The additional fees may not be available until the system becomes operational and then only to the extent that local taxing authorities enter into contractual arrangements with the Commission. Any locals contracting with the Commission could have a reduction in expenses as collection and audit responsibilities for sales tax move to the state.

Note: The RSC is authorized within the Department of Revenue (R.S. 47:339, etal) but operates off-budget under the authority of the Commission members. The expenses in this bill will presumably be budgeted in the same manner and, except for the state general fund for initiation, will not be subject to appropriation by the state.

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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