



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **SB 242** SLS 22RS 429
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 6, 2022	8:48 AM	Author: ALLAIN
Dept./Agy.: Revenue/Local		Analyst: Deborah Vivien
Subject: Sets local interest and penalties on sales tax		

TAX/LOCAL EG SEE FISC NOTE LF RV See Note Page 1 of 1
 Provides relative to interest and penalties applicable to local sales and use tax. (8/1/22)

Current law directs that local sales tax is due on the first day of the month to be remitted by the 20th day of the month. If sales tax is not filed by the 20th, interest begins accruing back to the due date of the first and penalties begin accruing on the 21st. Penalty rates are 5% of taxes due every 30 days. Proposed law retains current rates and directs that penalties for late returns and late payments on local sales tax will begin accruing one day after the due date.

Current law authorizes local taxing authorities to charge interest on late filing or late payment of local sales tax and pay interest on refunds of local sales tax beginning one day after the due date of the first of the month following the activity. Payments under protest may accrue interest actually earned to be sent to the presiding party by agreement. Proposed law equalizes the interest rate on late returns/payments and refunds at a rate up to 1% as determined by the local entity. Agreements regarding interest on payments under protest are authorized, otherwise interest on payments under protest is also equalized. **(Continued in Revenue Section Below)** Effective on or after January 1, 2023

EXPENDITURES	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</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>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Local taxing authorities are currently imposing these penalties and interest. Minor changes to systems and practices are not expected to add a significant burden, though the actual impact would be specific to the taxing authority.

REVENUE EXPLANATION

BILL EXPLANATION CONTINUED

Current law allows a taxpayer who agrees to abide by the decision of the courts to pay under protest disputed sales tax assessments when filing a case with the Board of Tax Appeals or in District Court, who must hold the funds in escrow. Proposed law retains current law and extends the authorization to local sales tax refund claims.

REVENUE EXPLANATION

Local revenue from penalties and interest may change depending on current practice. If the local taxing authority's interest for late returns/payments or overpayments (refunds) is currently higher than 1% per month, this bill will limit the rate to 1%. If interest on late returns/payments is currently higher than 1%, revenue will decline because the local authority will collect less. If interest on refunds is currently higher than 1%, revenue will increase because the local authority will pay less.

Starting the calculation of penalties on the day after the due date, presumably the 2nd of the month, does not change the rate, only extends the time over which penalties may be collected. It is understood that penalties currently begin accruing on the 21st of the month. This bill directs penalties to begin at the same time as interest. The maximum amount of penalties imposed will continue to be five 30-day periods. Under this bill, penalties will presumably be paid a few weeks sooner than under current law.

All of these impacts are predicated on the expectation that taxpayer behavior will result in penalties and interest being required. The extent to which taxpayer behavior warrants these charges or payments will determine the ultimate impact to a local taxing authority.

With an effective date of January 1, 2023, the FY 23 impact will only be for a half year, with full year impacts thereafter.

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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