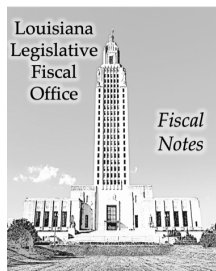


**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **SB 443** SLS 22RS 1227
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 14, 2022 11:05 AM **Author:** ALLAIN
Dept./Agy.: Revenue **Analyst:** Deborah Vivien
Subject: Authorizes the state to issue a local DP Number

TAX/SALES OR DECREASE GF RV See Note Page 1 of 1
 Provides for direct payment of state and local sales tax on purchases by certain taxpayers. (1/1/23)

Current law authorizes the Department of Revenue to certify and issue a Direct Payment (DP) Number, which allows certain eligible taxpayers to make purchases without paying state and local sales and use tax but remit the amount due directly to the appropriate sales tax collector. Eligibility requirements are \$5M in annual taxable purchases by manufacturers, private nonprofits and certain medical subsidiaries (\$10M in taxable purchases) or by LED contract. A local tax collector has the authority to approve the issuance of the DP Number for local sales tax collections.

Proposed law continues to authorize the issuance of DP Numbers and expands the eligibility to prime contractors registered in Economic Development Districts with state sales tax increment financing, only for materials and supplies related to commercial or residential construction within the district. The DP Number would be exclusive to the prime contractor and only for the purchase of materials and supplies delivered to the district. The bill authorizes the state to issue a DP Number for collection of local sales tax if a local collector denies or does not respond to a DP Number request within 60 days.

EXPENDITURES	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	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
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	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. Due to the confines of the bill, the minimal number of qualifying contractors located within Economic Development Districts (EDD) with state tax increment financing is not expected to burden the affected agencies in a material way.

REVENUE EXPLANATION

Issuance of a Direct Payment (DP) Number could change the point of sale for any in-state purchases by prime contractors located within Economic Development Districts (EDDs) with sales tax increment financing (TIF). Only purchases of materials and supplies delivered to the district would be eligible for direct pay. A DP Number allows the entity to directly remit sales tax to the appropriate collector instead of paying sales tax to the vendor. According to LDR, the state currently has 15 active TIFs, with 4 of those being hotels based on room rentals.

The point of sale is the location at which the sales and use tax is imposed at the state and local level. For materials and supplies purchased in-state, the tax would be imposed at the vendor location, not the point of delivery. A TIF agreement for sales tax allows the EDD to retain all or a portion of the sales tax generated within the district boundaries that are in excess of base sales prior to the TIF approval. This bill allows a prime contractor with an address within an EDD boundary to remit sales tax directly to the state and local tax collectors, presumably from its address within the EDD, instead of the location where the materials and supplies are purchased. If sales that previously occurred outside the EDD, but in-state, are now classified within the EDD instead of at the vendor location, the sales tax that is remitted through the DP Number could be counted as an increment above base sales for the EDD and be retained by the TIF in the proportion allowed in the TIF agreement. To the extent that sales tax is reclassified within the TIF district due to a remittance through the DP Number, the state general fund would be reduced by the incremental percentage allowed in the TIF agreement, if the transaction included purchases of materials and supplies. The impact at the local level is less clear as a point of sale change may benefit one in-state taxing district while costing another or, for purchases in the same taxing district, could make the sale subject to the TIF retention.

For sales subject to use tax or for out-of-state purchases, this bill would have no effect because those purchases would be classified at the point of delivery under current law. An effective date of January 1, 2023, FY 24 would incur a half year impact with subsequent years having a full year impact. **The timing and magnitude of the impact to state and local fiscs is indeterminate and dependent upon the number of participating DP applicants as well as the construction timelines and purchasing practices of those entities.**

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}

Alan M. Boxberger
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Interim Legislative Fiscal Officer