

LEGISLATIVE FISCAL OFFICE
Fiscal Note



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

Bill Text Version: **RE-REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: April 24, 2022	1:30 PM	Author: ALLAIN
Dept./Agy.: Revenue		Analyst: Deborah Vivien
Subject: Combines remote and non-remote sales tax collections		

TAX/LOCAL RR SEE FISC NOTE LF RV See Note 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 state and local sales tax upon execution of a contract. With the first contract, the Commission must create a single electronic return for all local and state sales tax to be available 6 months after the contract is executed. Prior to January 31, 2023, the Commission, LDR and the Uniform Local Sales Tax Board shall together provide an informational report of best practices, cost/benefit, etc. of centralized sales tax collection, including the designation of a centralized processor. The Commission collection fee of 1% is retained as is the local distribution fee and the state collection fee. Effective January 1, 2023

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

REVENUES	2022-23	2023-24	2024-25	2025-26	2026-27	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	SEE BELOW	SEE BELOW	SEE BELOW	\$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 state and local sales tax collection, administrative hearings and single audit requirements through a contract with the 63 single collectors and the state. However, the contract is on a voluntary basis and not mandated by a certain date. Thus, the actual timing and volume of responsibilities of the RSC are unknown and could range from nothing if no contracts are executed to highly material depending on the number of participants. In the bill, the RSC is mandated to create a single sales tax form to accommodate all 63 parishes and state collections of all sales tax within 6 months of the first contract being signed as long as funding is available, which is presumably provided by the existing RSC surplus fees from remote sales or state general fund. If funding is not available, a joint meeting of Senate Revenue and Fiscal Affairs and House Ways and Means may grant an extension until funds are available.

The bill authorizes a 1% collection fee for sales taxes collected for non-remote sales on behalf of state and local taxing authorities, which would presumably provide self-generated revenue to pay for any additional expenses once the program becomes operational. Initial expenses may require another means of finance, assumed to be RSC surplus fees from remote sales when and if a contract for RSC to collect is executed (see NOTE on page 2).
 (continued on page 2)

REVENUE EXPLANATION

The bill does not change tax liability for state and 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 state or 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. The 1% collection fee will become self-generated revenue for the RSC, presumably to pay collection and audit expenses, and will reduce state and local sales tax revenue, should a contract with RSC be executed. Any state and local distribution fees remain authorized and the state continues to retain a collection fee.

The revenue impact is anticipated on 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. However, RSC has the authority to delay implementation if funding is not available, but it is assumed that at least one of the 64 entities will opt in requiring initial funding in FY 24, assumed to be excess remote sales fees or state general fund.

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}

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CONTINUED EXPLANATION from page one:
EXPENDITURE EXPLANATION (continued)

The anticipation of all entities contracting with RSC could require substantial additional resources, including a new system and staff prepared to handle an estimated 22,800 returns per month plus state returns. RSC also reports the need for systems to make daily payments and process paper returns. Cost estimates are preliminary and may face costs that are currently unknown since the RSC currently only handles remote sales tax collections with 3 employees. Single form creation is expected to take up to two years to become operational and initial expenses will be necessary to prepare for a contractual agreement that is allowed anytime after January 1, 2024, though the actual timing is uncertain.

Cost estimates:	Year 1	Year 2	Year 3	Year 4	Year 5
System initialization	\$2.1M				
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	\$4.0M	\$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 and the state could require more resources than listed here, including administrative functions, taxpayer support and other overhead. However, all of these expenses are contingent upon participation.

The fiscal note includes no impact from state contracting with RSC for sales tax collections. LDR and presumably OMV indicate that all of the collection staff and infrastructure is in place at LDR, and it would be inefficient and costly to recreate it at RSC. Further, the state currently collects certain local taxes (occupancy, hotel/motel sales, vehicle sales) and would have to maintain the infrastructure to some degree even without state sales tax collections administered by the RSC.

NOTE: Fees from 1% of collections may not be available until the system becomes operational and then only to the extent that taxing authorities enter into contractual arrangements with the Commission. Any tax collectors contracting with the Commission could have a reduction in expenses as collection, administrative hearings and audit responsibilities for sales tax move to the RSC. Any shortfalls in funding are expected to require additional resources, presumably from the significant RSC surplus fee collections from remote sales, which is recurring.

For informational purposes, 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.

Senate
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 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
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