



LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 847** HLS 14RS 475
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 2, 2014 4:17 PM	Author: PUGH
Dept./Agy.: Revenue	Analyst: Deborah Vivien
Subject: Consumer Use Tax Form	

TAX/SALES & USE EG INCREASE GF RV See Note Page 1 of 2

Requires the filing of an annual use tax return for the payment of use tax on taxable tangible personal property and services purchased from a remote seller

Current law requires a declaration and payment of use tax liabilities on state income tax forms, as calculated by the taxpayer. Proposed law potentially creates a new effective tax liability by specifying reporting, filing, and payment requirements for consumer use tax on non-business purchases of tangible personal property before May 16 of each year, but only for taxpayers required to file a state income tax form. The taxpayer must either report an actual use tax liability or use safe harbor amounts published by the Department and recalculated annually based generally on U.S. Census Bureau data. With safe harbor payment, actual use tax owed on items not requiring license/registration need not be paid. The bill contains safe harbor amounts of roughly 0.1% of AGI regardless of filing status and also specifies that LDR will recalculate these amounts on 1/1/15 and publish the results by March, presumably for use in the subsequent tax year. Taxpayers not affirming no use tax owed will be considered delinquent for the appropriate safe harbor amount plus a 10% penalty and interest, subject to all LDR collection practices. Bill expires upon passage of federal law to collect remote sales tax. Eff TY15

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	INCREASE	INCREASE	\$0	\$0	\$0	\$0
Agy. Self-Gen.	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
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						

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Agy. Self-Gen.	\$0	\$0	INCREASE	INCREASE	INCREASE	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The Department of Revenue has not estimated an implementation cost but will likely incur costs for creation of the form and tables, establishing the filing system, advertising. Since the procedure will be new to all taxpayers, and an enforceable tax liability is created with penalty consequences for not filing including a new finalized debt with penalty and interest subject to all LDR collection tools, efforts to educate taxpayers will presumably be more substantial than normal. Taxpayer notification costs could be substantial, requiring general fund support in the initial periods (FY15 and FY16). (Continued on Page 2)

REVENUE EXPLANATION

The bill is likely to result in some increase in SGF revenue, either as a result of increased voluntary payment of actual use tax, or of safe harbor payments, or as a result of debt recovery as liabilities are incurred in the absence of filing the consumer use tax form. The state currently collects about \$1.5M in consumer use tax with half being distributed back to parishes by population. A Minnesota study estimates a three fold increase (or \$4.5M) in collections with a use tax look-up table (the safe harbor amounts). However, the safe harbor provisions in this bill are more stringent because an enforceable tax obligation is created in the absence of filing. If all taxpayers pay the stated safe harbor amounts, utilizing 2011 taxpayer data, the state would collect \$75M in additional Consumer Use Tax, though actual figures are expected to be significantly less than this since taxpayers may claim a consumer use obligation below the safe harbor amount, or affirm no use tax is owed, and some taxpayers will not be subject to the safe harbor provisions at all. The lowest safe harbor amount is \$4 per year (implies \$50 of purchases at combined state/local tax rate) and the highest is 0.08% of AGI for those with AGI greater than \$100,000 (an AGI of \$1,000,000 would owe annual use tax of \$800 at safe harbor amounts; implies \$10,000 of purchases). Safe harbor amounts are the same for any filing status and is based solely on AGI.

It is not certain that substantial amounts will be collected without mandatory reporting requirements by online sellers or other means of attaining knowledge of use taxes owed, although, voluntary compliance will likely improve somewhat with the implementation of a formal procedure to pay a safe harbor amount (based on AGI), and the establishment of an enforceable tax obligation. However, since payment of the safe harbor amount negates any other consumer use tax liabilities (except those owed on items requiring registration or licensing), those owing more than the stated safe harbor amount could pay less than their actual obligation, resulting in collections lower than otherwise if the taxpayer would have paid their actual tax under current law. Thus, a specific net increase in collections is uncertain.

Additionally, with the ability to garnish bank accounts and refunds, suspend driver's licenses, etc., for the amount of the safe harbor amount plus penalties and interest for those failing to file, LDR may substantially increase penalty fee collections since the department is allowed to retain up to 25% of the debt recovery collections. These fee collections would be available to support additional costs by FY17.

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|--|----------------------------|-------|--|
| Senate | <u>Dual Referral Rules</u> | House | <input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} |
| <input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

Gregory V. Albrecht
 Chief Economist

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CONTINUED EXPLANATION from page one:

Expenditure Explanation (Continued)

The Department typically reports information-technical staff time devoted to designing, programming, and testing system modifications of some tens of thousands of dollars for various different proposed changes or additions to tax collection processes. This new process would likely involve at least comparable costs and possibly greater costs. The agency is financed with self-generated revenue, and these costs would likely be incurred within that means-of-finance, to the extent possible, in any of the years of the fiscal note. General fund support would be required if system modification costs were out-sized and self-generated resources were insufficient. In addition, if substantial taxpayer notification and education is carried out, costs will likely be incurred beyond the ability of the self-generated revenue budget to support; requiring general fund support in the initial periods of implementation.

In addition, the provision allowing for tax debt accumulation in the absence of consumer use tax filing is imposed only on those required to file a state income tax form and exempts those who are not required to file a state income tax form. Some expense will also be incurred distinguishing between a non-filer and a taxpayer not required to file.

The bill ceases to be effective upon passage of federal legislation requiring the collection of remote state sales tax.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	 Gregory V. Albrecht Chief Economist
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H}		<input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S}		
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}		